



# TriView National Bank Case Study

The *TriView National Bank Case Study* is a fictional Baldrige Award application prepared for use in the 2011 Malcolm Baldrige National Quality Award Examiner Preparation Course. This case study describes a fictitious privately held super-community bank. There is no connection between the fictitious TriView National Bank and any other organization, either named TriView National Bank or otherwise. Other organizations cited in the case study also are fictitious, except for several national and government organizations.

Because the primary purpose of the case study is to provide learning opportunities for training Baldrige examiners and others, there are areas in the case study where Criteria requirements purposely are not addressed. While this fictional application therefore may not demonstrate role-model responses in all Criteria areas, it illustrates the format and general content of an award application. Please refer to the *TriView National Bank Scorebook* and *TriView National Bank Feedback Report* to learn how the case study scored and to see its strengths and opportunities for improvement. This case study is based on the 2011–2012 *Criteria for Performance Excellence*.

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# 2011 ELIGIBILITY CERTIFICATION FORM

## Malcolm Baldrige National Quality Award

OMB Clearance #0693-0006  
Expiration Date: March 13, 2013

### I. Your Organization

Official name	TriView National Bank	Headquarters address	1000 Commerce Way Raleigh, NC 27601
Other name			
Prior name	<i>(if changed within the past 5 years)</i>		

### 2. Highest-Ranking Official

Mr.  Mrs.  Ms.  Dr.

Name	Henry J. Chandler	Address	<input checked="" type="checkbox"/> Same as above
Job title	Chief Executive Officer		
E-mail	Henry.Chandler@triview.com		
Telephone	919-555-3616		
Fax	919-555-4467		

### 3. Eligibility Contact Point

Designate a person who can answer inquiries about your organization. Questions from your organization and requests from the Baldrige Program will be limited to this person and the alternate identified below.

Mr.  Mrs.  Ms.  Dr.

Name	Marie Bonchette	Address	<input checked="" type="checkbox"/> Same as above
Job title	First Vice President, Business Excellence		
E-mail	Marie.Bonchette@triview.com	Overnight mailing address	<input checked="" type="checkbox"/> Same as above <i>(Do not use a P.O. Box number.)</i>
Telephone	919-555-4210		
Fax	919-555-4424		

### 4. Alternate Eligibility Contact Point

Mr.  Mrs.  Ms.  Dr.

Name	Dudley O'Shea	Telephone	919-555-4224	Fax	919-555-4424
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If you are unable to respond to any item,  
call (877) 237-9064, option 3, before submitting this form.

**5. Application History**

a. Has your organization previously submitted an eligibility certification package?

Yes. *Indicate the year(s). Also indicate the organization's name at that time, if different.*

Year(s)	2001, 2004, 2007
Name(s)	

No

Don't know

b. Has your organization ever received the Malcolm Baldrige National Quality Award?

Yes. Did your organization receive the award in 2005 or earlier?

Yes. *Your organization is eligible to apply for the award.*

No. *If your organization received an award during 2006–2010, it is eligible to apply for feedback only. Contact the Baldrige Program at (877) 237-9064, option 3, if you have questions.*

No

c. *(Optional; for statistical purposes only)* Has your organization participated in a state or local Baldrige-based award process?

Yes. Years: 2002, 2003, 2005, 2006, 2008, 2009

No

**6. Award Category and Criteria Used**

See pages 5–6 of the 2010 Baldrige Award Application Forms booklet.

a. Award category *(Check one.)*

*Your education or health care organization may use the Business/Nonprofit Criteria and apply in the service, small business, or nonprofit category. However, you probably will find the sector-specific Criteria more appropriate.*

**For-Profit**

**Nonprofit**

Manufacturing

Nonprofit

Service

Education

Small business ( $\leq$  500 employees)

Health Care

Education

Health care

b. Industrial classifications. List up to three of the most descriptive NAICS codes for your organization (see page 17 of the 2011 Baldrige Award Application Forms booklet). *These are used to identify your organizational functions and to assign applications to examiners.*

522	5221	5222
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**7. Organizational Structure**

- a. For the preceding fiscal year, the organization had \_\_\_\_\_ in
- |   |   |   |
|---|---|---|
| <input type="checkbox"/> up to \$1 million            | <input type="checkbox"/> \$1.1 million–\$10 million       | <input type="checkbox"/> sales              |
| <input type="checkbox"/> \$10.1 million–\$100 million | <input type="checkbox"/> \$100.1 million–\$500 million    | <input checked="" type="checkbox"/> revenue |
| <input type="checkbox"/> \$500.1 million–\$1 billion  | <input checked="" type="checkbox"/> more than \$1 billion | <input type="checkbox"/> budget             |
- b. Attach a line-and-box organization chart that includes divisions or unit levels. In each box, include the name of the unit or division and the name of its leader. Do not use shading or color in the boxes.
- The chart is attached.
- c. The organization is \_\_\_\_\_ a larger parent or system. *(Check all that apply.)*
- not a subunit of *(Proceed to item 8.)*

<input type="checkbox"/> a subsidiary of	<input type="checkbox"/> controlled by	<input type="checkbox"/> administered by	<input type="checkbox"/> owned by
<input type="checkbox"/> a division of	<input type="checkbox"/> a unit of	<input type="checkbox"/> a school of	<input type="checkbox"/> other _____

Parent organization		Address	
Total number of employees	<i>(including subunits but excluding joint ventures)</i>		
Highest-ranking official		Job title	
Telephone			

d. Is your organization the only subunit of the parent intending to apply for the award? *Based on the parent organization's size, the program accepts multiple applications from subunits, all award categories combined (see page 7 of the 2011 Baldrige Award Application Forms booklet).*

Yes    No *(Briefly explain below.)*    Don't know

e. Attach a line-and-box organization chart(s) showing your organization's relationship to the parent's highest management level, including all intervening levels. In each box, include the name of the unit or division and its leader. Do not use shading or color in the boxes.

The chart is attached.

f. Considering the organization chart, briefly describe below how your organization relates to the parent and its other subunits in terms of products, services, and management structure.

**If you are unable to respond to any item,  
call (877) 237-9064, option 3, before submitting this form.**

- g. Provide the title and date of an official document (e.g., an annual report, organizational literature, a press release) that clearly defines your organization as a discrete entity.

Title

Date

Attach a copy of relevant portions of the document. If you name a Web site as documentation, print and attach the relevant pages.

Relevant portions of the document are attached.

- h. Briefly describe the major functions your parent or its other subunits provide to your organization, if appropriate. *Examples are strategic planning, business acquisition, research and development, facilities management, data gathering and analysis, human resource services, legal services, finance or accounting, sales/marketing, supply chain management, global expansion, information and knowledge management, education/training programs, information systems and technology services, curriculum and instruction, and academic program coordination/development.*

## 8. Eligibility Determination

See also pages 5–7 of the 2011 Baldrige Award Application Forms booklet.

- a. Is your organization a distinct organization or business unit headquartered in the United States?

Yes  No. *Briefly explain.*

- b. Has your organization officially or legally existed for at least one year, or since April 11, 2009?

Yes  No

- c. Can your organization respond to all seven Baldrige Criteria categories? That is, does your organization have processes and related results for its unique operations, products, and/or services? For example, does it have an independent leadership system to set and deploy its vision, values, strategy, and action plans? Does it have approaches for engaging customers and the workforce, as well as for tracking and using data on the effectiveness of these approaches?

Yes  No

- d. If some of your organization's activities are performed outside the United States or its territories and your organization receives a site visit, will you make available sufficient personnel, documentation, and facilities in the United States to allow a full examination of your worldwide organization?

Yes  No  Not applicable

- e. If your organization receives an award, can it make sufficient personnel and documentation available to share its practices at The Quest for Excellence Conference and at your organization's U.S. facilities?

Yes  No

If you checked "No" for 8a, 8b, 8c, 8d, or 8e, call the Baldrige Program at (877) 237-9064, option 3.

**Eligibility Package due April 12, 2011 (March 1 if you nominate an examiner)**  
**Award Package due May 17, 2011 (May 3 on CD)**



**Questions for Subunits Only**

- f. Is your subunit recognizably different from the parent and its other subunits? For example, do your customers distinguish your products and services from those of the parent and/or other subunits? Are your products or services unique within the parent? Do other units within the parent provide the same products or services to a different customer base?
- Yes. *Continue with 8g.*
- No. *Your subunit is probably not eligible to apply for the award. Call the Baldrige Program at (877) 237-9064, option 3.*
- g. Is your organization a subunit in education or health care?
- Yes. *Check your eligibility in the 2011 Baldrige Award Application Forms booklet, page 6, and **proceed to item 9.***
- No. *Continue with 8b.*
- h. Does your subunit have more than 500 paid employees?
- Yes. *Your organization is eligible to apply for the award. **Proceed to item 9.***
- No. *Continue with 8i.*
- i. Is your subunit in manufacturing or service?
- Yes. Is it separately incorporated and distinct from the parent's other subunits? Or was it independent before being acquired by the parent, and does it continue to operate independently under its own identity?
- Yes. *Your subunit is eligible in the small business category. Attach relevant portions of a supporting official document (e.g., articles of incorporation), and **proceed to item 9.***
- No. *Continue with 8j.*
- No. *Your subunit is probably not eligible to apply for the award. Call the Baldrige Program at (877) 237-9064, option 3.*
- j. Does your subunit (1) have more than 25 percent of the parent's employees, and (2) does your subunit sell or provide 50 percent or more of its products or services directly to customers/users outside your subunit, its parent, and other organizations that own or have financial or organizational control of your subunit or the parent?
- Yes. *Your organization is eligible to apply for the award.*
- No. *Your organization is probably not eligible to apply for the award. Call the Baldrige Program at (877) 237-9064, option 3.*

**9. Supplemental Sections**

The organization has (a) a single performance system that supports all of its product and/or service lines and (b) products or services that are essentially similar in terms of customers/users, technology, workforce or employee types, and planning.

- Yes. *Proceed to item 10.*
- No. *Your organization may need to submit one or more supplemental sections with its application. Call the Baldrige Program at (877) 237-9064, option 3.*

**10. Application Format**

If your organization applies for the 2011 award, in which format will you submit your application?

- 30 paper copies (due May 17, 2011)  CD (due May 3, 2011)

**If you are unable to respond to any item,  
call (877) 237-9064, option 3, before submitting this form.**

## 11. Use of Cell Phones, Cordless Phones, and Voice-over-Internet Protocol (VoIP)

Do you authorize Baldrige examiners to use cell phones, cordless phones, and VoIP to discuss your application? *Your answer will not affect your organization's eligibility. Examiners will hold all your information in strict confidence and will discuss your application only with other assigned examiners and with Baldrige Program representatives as needed.*

Yes    No

## 12. Site Listing

You may attach or continue your site listing on a separate page as long as you include all the information requested here. Please include totals as shown. *If your organization receives a site visit, the Baldrige Program will request a more detailed listing. Although site visits are not conducted at facilities outside the United States or its territories, these facilities may be contacted by teleconference or videoconference.*

Example					
Sites (U.S. and Foreign) <i>List the city and the state or country.</i>	Workforce* <i>List the numbers at each site.</i>		List the % at each site, or use "N/A" (not applicable).		
	<i>Check one or more.</i>		Volunteers (or <input type="checkbox"/> N/A)	<i>Check one.</i>	
	<input type="checkbox"/> Employees	<input checked="" type="checkbox"/> Faculty		% of	<input type="checkbox"/> Sales
	<input checked="" type="checkbox"/> Staff			<input type="checkbox"/> Budget	<input checked="" type="checkbox"/> Budget
Coyote Hall Albuquerque, NM	381 Faculty	200 Staff	25	95%	
Cactus Hall Bernalillo, NM	17 Faculty	2 Staff	3	5%	
<b>Total</b>	<b>2</b>	<b>600</b>	<b>28</b>	<b>100%</b>	

\*All people actively involved in accomplishing the work of your organization, including paid employees and volunteers, as appropriate.

Your Organization					
Sites (U.S. and Foreign) <i>List the city and the state or country.</i>	Workforce* <i>List the numbers at each site.</i>		List the % at each site, or use "N/A" (not applicable).		
	<i>Check one or more.</i>		Volunteers (or <input checked="" type="checkbox"/> N/A)	<i>Check one.</i>	
	<input checked="" type="checkbox"/> Employees	<input type="checkbox"/> Faculty		% of	<input type="checkbox"/> Sales
	<input type="checkbox"/> Staff			<input type="checkbox"/> Budget	
Headquarters 1000 Commerce Way Raleigh, NC	106			45%	
DirectServe Center 1000 Commerce Way Raleigh, NC	49			3%	
Mortgage Division 5 Commerce Way Raleigh, NC	213			9%	

**Eligibility Package due April 12, 2011 (March 1 if you nominate an examiner)  
Award Package due May 17, 2011 (May 3 on CD)**

	Operations Center Route 276 Service Road Greensboro, NC	82		0%
	47 branch offices			43% for all branch offices combined
	— Asheboro, NC (2 offices)	30		1.9%
	— Burlington, NC (2 offices)	30		1.7%
	— Chapel Hill, NC (4 offices)	62		3.9%
	— Charlotte, NC (6 offices)	69		5.5%
	— Claremont, NC (2 offices)	30		1.8%
	— Concord, NC (2 offices)	29		1.6%
	— Durham, NC (4 offices)	48		3.5%
	— Greensboro, NC (4 offices)	49		3.6%
	— Greenville, NC (2 offices)	25		1.7%
	— High Point, NC (3 offices)	44		2.7%
	— Lexington, NC (2 offices)	25		1.8%
	— Raleigh, NC (6 offices)	81		5.7%
	— Wake Forest, NC (2 offices)	25		2.0%
	— Wilmington, NC (2 offices)	28		1.9%
	— Winston-Salem, NC (4 offices)	55		3.7%
<b>Total</b>	<b>51 sites</b>	<b>600</b>		<b>100%</b>

\*All people actively involved in accomplishing the work of your organization, including paid employees and volunteers, as appropriate.

### 13. Key Business/Organization Factors

List or briefly describe the following key business/organization factors. Limit your answers to the space provided, and be as specific as possible. *The Baldrige Program uses this information to avoid conflicts of interest when assigning examiners to your application. Examiners also use this information in their evaluations.*

- a. Main products and/or services and major markets served (local, regional, national, and international)

Main products are consumer, small business, and commercial financial products.

Consumer financial products include Demand Deposit Accounts (e.g., checking and savings accounts), debit cards, money market accounts, certificates of deposits, safety deposit boxes, individual retirement accounts (IRAs), credit cards, auto loans, student loans, mortgages, home equity lines of credit (HELOCs), and online and mobile banking. Securities, financial planning, and insurance services are provided through partner Pamlico River Investments.

Small business financial products include checking and money market accounts, lines of credit, credit cards, equipment financing, commercial real estate financing, online and mobile banking, and transaction services (cash management and lockbox services).

Commercial financial products include loans, lines of credit, commercial real estate financing, construction financing, online banking, and transaction services (cash management, account reconciliation, and lockbox services).

Major markets served include the Research Triangle (300 square miles of Raleigh, Chapel Hill, and Durham); the Winston-Salem/Greensboro/High Point area; and other major growth communities in North Carolina.

**If you are unable to respond to any item,  
call (877) 237-9064, option 3, before submitting this form.**

b. Key competitors (those that constitute 5 percent or more of your competitors)

Megabanks (\$550+ billion in assets): CSSNCS Bank  
 Super-regional banks (\$150–\$250+ billion in assets): North Mountain Regional Bank  
 Midsize banks (\$10–\$150+ billion in assets): J&L Community Bank  
 Super-community banks (\$500 million–\$10 billion in assets): State Savings Bank of Tuscarora. TNB is the largest community bank in North Carolina at \$6 billion.  
 Community banks (\$50–\$500 million in assets): 92 community banks  
 Nonbanks (nondepository financial service companies)  
 — 69 savings and loan associations and thrift institutions with multiple offices  
 — Credit unions  
 — Insurance companies  
 — Mutual fund companies  
 — National credit card companies—banks across the United States  
 — 13 national mortgage companies

c. Key customers/users (those that constitute 5 percent or more of your customers/users)

Consumer Banking Customers: 156,523 individual or household account holders  
 Small Business Customers: 1,716 account holders  
 Commercial Banking Customers: 36 account holders (greater than \$1 million)

d. Key suppliers/partners (those that constitute 5 percent or more of your suppliers/partners)

Great Smoky Marketing  
 Polk-Wolfe Advertising  
 Canby Distributors (office supplies)  
 Burly Security (armored car cash service)  
 Checks for You (check supplies)  
 Data 2.0 Backup Services (disaster recovery back-up)  
 DemoGraph Surveys (associate engagement survey)  
 Drill Down Research (customer research)  
 J-Pro Statement Services (statement services)  
 Cumulus ATM Network  
 Pamlico River Investments  
 IZOR Credit Card  
 TNBard

e. Financial auditor

f. Fiscal year (e.g., October 1–September 30)

Carolina Piedmont Accounting	January 1 through December 31
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**Eligibility Package due April 12, 2011 (March 1 if you nominate an examiner)  
 Award Package due May 17, 2011 (May 3 on CD)**

**14. Nomination to the Board of Examiners**

If you submit your eligibility certification package on or before March 1, 2011, you may nominate one senior member from your organization to the 2011 Board of Examiners.

Nominees are appointed for one year only. Nominees

- **must not have served previously on the Board of Examiners;** and
- must be citizens of the United States, be located in the United States or its territories, and be employees of the applicant organization.

The program limits the number of examiners from any one organization. If your organization already has representatives on the board, nominating an additional person may affect their reappointment.

Board appointments provide a significant opportunity for your organization to learn about the Criteria and the evaluation process. The time commitment is also substantial: examiners commit to a minimum of 110 hours from April to December, including approximately 40 hours in April/May to complete self-study, three to four days in May to attend Examiner Preparation, and 50–70 hours from June through September to complete an Independent and Consensus Review. If requested by the program, examiners also participate in a Site Visit Review of approximately nine days. The nominee or the organization must cover travel and housing expenses incurred for Examiner Preparation.

Mr.    Mrs.    Ms.    Dr.

Dudley O'Shea
Dudley.Oshea@triview.com

from our organization will serve on the 2011 Board of Examiners.  
E-mail address

I understand that the nominee or the organization will cover travel and hotel costs associated with participation in Examiner Preparation.

**15. Fee**

Indicate your method of payment for the \$150 eligibility certification fee.

<input checked="" type="checkbox"/> Check (enclosed) <input type="checkbox"/> Money order (enclosed) <i>Make payable to the <b>Malcolm Baldrige National Quality Award.</b></i>			
<input type="checkbox"/> ACH payment <input type="checkbox"/> Wire transfer		Checking ABA routing number: 075-000-022 Checking account number: 182322730397	
<i>Before sending an ACH payment or wire transfer, notify the American Society for Quality (ASQ; [414] 298-8789, ext. 7205, or mbnqa@asq.org). Reference the Baldrige Award with your payment.</i>			
<input type="checkbox"/> Visa <input type="checkbox"/> MasterCard <input type="checkbox"/> American Express			
Card number		Authorized signature	
Expiration date		Printed name	
Card billing address		Today's date	

**W-9 Request**


If you require an IRS Form W-9 (Request for Taxpayer Identification Number and Certification), contact ASQ at (414) 298-8789, ext. 7205.

**If you are unable to respond to any item,  
call (877) 237-9064, option 3, before submitting this form.**

## 16. Self-Certification and Signature

I state and attest the following:

- (1) I have reviewed the information provided in this eligibility certification package.
- (2) To the best of my knowledge,
  - this package includes no untrue statement of a material fact, and
  - no material fact has been omitted.
- (3) Based on the information herein and the current eligibility requirements for the Malcolm Baldrige National Quality Award, my organization is eligible to apply.
- (4) I understand that if the information is found not to support eligibility at any time during the 2011 award process, my organization will no longer receive consideration for the award and will receive only a feedback report.

	Henry J. Chandler	Feb. 27, 2011
Signature of highest-ranking official	Printed name	Date

## 17. Submission

To be considered for the 2011 award, submit your eligibility certification package

- on or before March 1, 2011, if you include a nomination to the Board of Examiners
- on or before April 12, 2011, without a nomination

to Malcolm Baldrige National Quality Award  
 c/o ASQ—Baldrige Award Administration  
 600 North Plankinton Avenue  
 Milwaukee, WI 53203  
 (414) 298-8789, ext. 7205

Include proof of the mailing date. Send the package via

- a delivery service (e.g., Airborne Express, Federal Express, United Parcel Service, or the United States Postal Service [USPS] Express Mail) that automatically records the mailing date or
- the USPS (other than Express Mail), with a dated receipt from the post office.

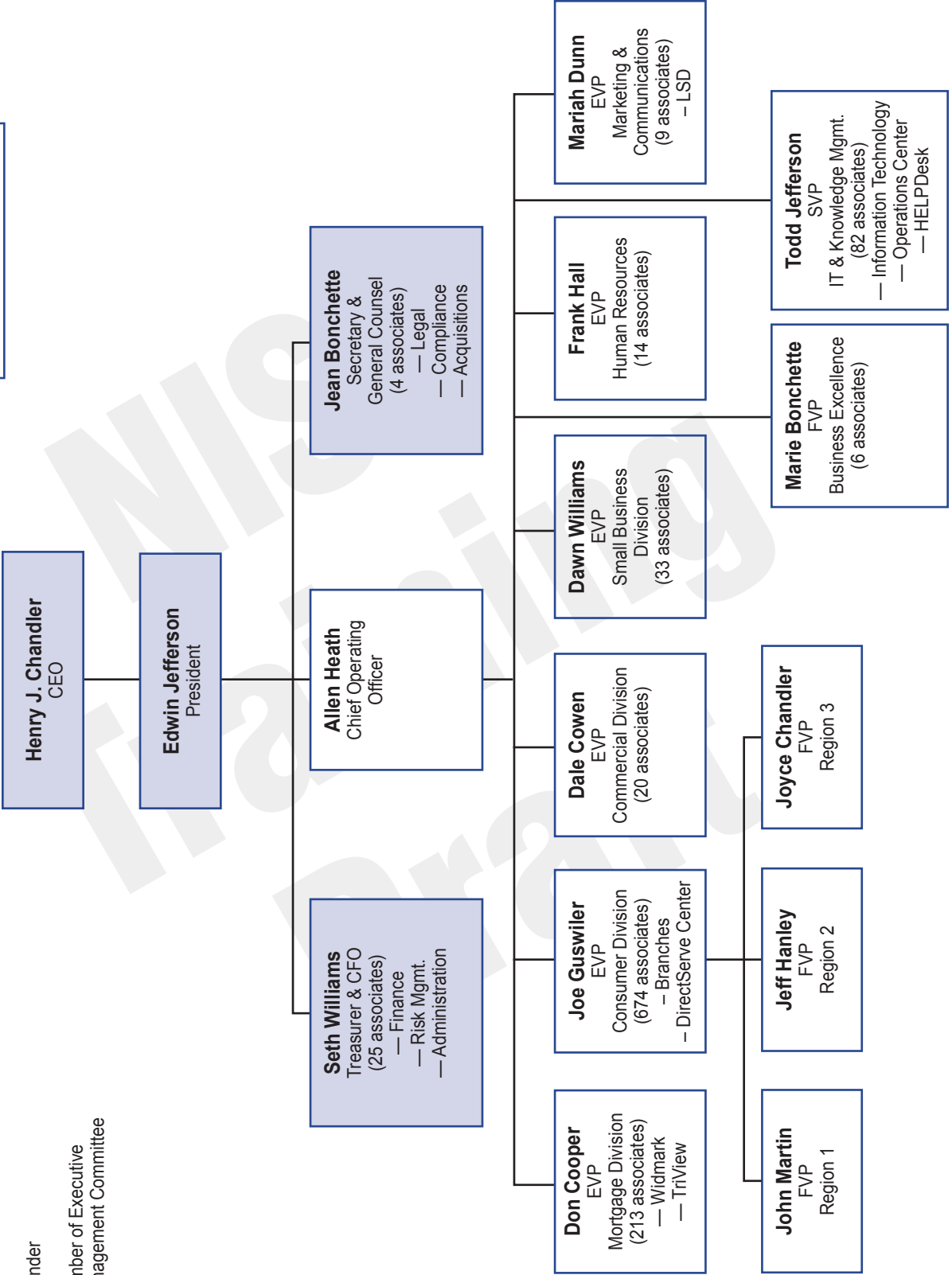
**Eligibility Package due April 12, 2011 (March 1 if you nominate an examiner)**  
**Award Package due May 17, 2011 (May 3 on CD)**

# ORGANIZATION CHART

# TriView National Bank Organization Chart

Board of Directors

- = Founder
- = Member of Executive Management Committee





**PAGE A-1  
OF THE  
2011 AWARD  
APPLICATION FORM**

## Malcolm Baldrige National Quality Award

OMB Clearance #0693-0006  
Expiration Date: March 13, 2013

### I. Your Organization

Official name	TriView National Bank
Mailing address	1000 Commerce Way Raleigh, NC 27601

### 2. Award Category and Criteria Used

- a. Award category (*Check one.*)
- |  |                                      |
|--|--------------------------------------|
| <input type="checkbox"/> Manufacturing   | <input type="checkbox"/> Education   |
| <input checked="" type="checkbox"/> Service  | <input type="checkbox"/> Health care |
| <input type="checkbox"/> Small business. The larger percentage of sales is in ( <i>check one</i> ) | <input type="checkbox"/> Nonprofit   |
| <input type="checkbox"/> Manufacturing   |                                      |
| <input type="checkbox"/> Service   |                                      |
- b. Criteria used (*Check one.*)
- Business/Nonprofit
- Education
- Health Care

### 3. Official Contact Point

Designate a person with in-depth knowledge of the organization, a good understanding of the application, and the authority to answer inquiries and arrange a site visit, if necessary. *Contact between the Baldrige Program and your organization is limited to this individual and the alternate official contact point. If the official contact point changes during the application process, please inform the program.*

Mr.    Mrs.    Ms.    Dr.

Name	Marie Bonchette
Title	First Vice President, Business Excellence
Mailing address	<input checked="" type="checkbox"/> Same as above
Overnight mailing address	<input checked="" type="checkbox"/> Same as above (Do not use a P.O. box number.)
Telephone	919-555-4210
Fax	919-555-4424
E-mail	Marie.Bonchette@triview.com

### 4. Alternate Official Contact Point

Mr.    Mrs.    Ms.    Dr.

Name	Dudley O'Shea
Telephone	919-555-4224
Fax	919-555-4424
E-mail	Dudley.Oshea@triview.com

### 5. Release and Ethics Statements

#### Release Statement

I understand that this application will be reviewed by members of the Board of Examiners.

If my organization is selected for a site visit, I agree that the organization will

- host the site visit,
- facilitate an open and unbiased examination, and
- pay reasonable costs associated with the site visit (see page 4 of the *2011 Baldrige Application Forms* booklet).

If selected to receive an award, my organization will share nonproprietary information on its successful performance excellence strategies with other U.S. organizations.

#### Ethics Statement and Signature of Highest-Ranking Official

I state and attest that

- (1) I have reviewed the information provided by my organization in this award application package.
- (2) To the best of my knowledge,
  - this package contains no untrue statement of a material fact and
  - omits no material fact that I am legally permitted to disclose and that affects my organization's ethical and legal practices. This includes but is not limited to sanctions and ethical breaches.

<i>Henry J. Chandler</i>	5/11/11
Signature	Date

Mr.    Mrs.    Ms.    Dr.

Printed name	Henry J. Chandler
Job title	CEO
Applicant name	TriView National Bank
Mailing address	<input checked="" type="checkbox"/> Same as above
Telephone	919-555-3616
Fax	919-555-4467

# GLOSSARY OF TERMS AND ABBREVIATIONS

# Glossary of Terms and Abbreviations

---

**24/7/365**

24 hours a day, 7 days a week, 365 days a year

## **A**

---

**ACCPP**

Associate Capability and Capacity Planning Process

**ACH**

Automated Clearing House is an electronic funds transfer system used to clear funds from one financial institution to another.

**ALIRTS**

Automated Legendary Information Review and Trends System

**AOP**

Annual Operating Plan (financial plan and budgeting process)

**ARM**

Associate Relationship Management information storage

**Asset quality**

Nonperforming loans to gross loan ratios

**Assets**

Assets are items of value that a business owns (e.g., financial assets).

**ATM**

Automated teller machine

**Average assets**

Average daily balance of assets for a full year

## **B**

---

**BAA**

Bankers Alliance of America

**BANC**

Bankers' Association of North Carolina

**Bank audits and examinations**

Bank regulatory agencies audit banks periodically to determine the soundness of the banks.

**BC**

Best competitor or best comparison

**BILLS**

Breakthrough Innovation Leading to Legendary Service program

**BOD**

Board of Directors

**BPM**

Business Process Management

**BPMS**

Business Process Management System

**Branch banking**

Branch banks can have multiple full-service offices. Some banks, such as TNB, which is state chartered, can engage in statewide branching.

## **C**

---

**CAB**

Community Alliance of Bankers

**CAMELS**

Rating of a bank's overall condition used to assess Capital adequacy, Asset quality, Management, Earnings, Liquidity, and Sensitivity to market risk

**CARD**

The Credit Card Accountability, Responsibility, and Disclosure Act of 2009 tightened requirements for credit card issuers.

**CD**

Certificate of Deposit

**CEO**

Chief Executive Officer

**CFL**

Compact fluorescent lamp

**CFO**

Chief Financial Officer

**CIP**

Continuous Improvement Process

**Community One**

A strategic area of focus to improve the communities where each branch is located

**COO**

Chief Operating Officer

**COP**

Customer Outreach Program

**CPA**

Certified public accountant

**CRA**

The Community Reinvestment Act of 1997 prevents "redlining," a procedure in which a lender supposedly draws a "red line" on a map and refuses to make loans in the area designated. CRA encourages banks and thrifts to help meet the credit needs of all segments of their communities.

**CRM**

Customer Relationship Management

**CSR**

Customer Service Representative

**D**

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**DDA**

Demand Deposit Accounts are accounts, such as checking or savings accounts, that the owner can withdraw instantly upon demand, either with checks or electronically.

**DMAIC**

Define, Measure, Analyze, Improve, Control

**DMEDVI**

Define, Measure, Explore, Design, Validate, Implement

**E**

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**ECC**

Executive Contact Center

**EEOC**

Equal Employment Opportunity Commission

**Efficiency ratio**

Noninterest expense divided by net interest income (taxable equivalent plus noninterest income)

**EFT**

Electronic Funds Transfer electronically transfers funds from one financial account to another.

**EMC**

Executive Management Committee

**EPM**

Enterprise Process Model

**ERP**

Emergency Readiness Plan

**EVP**

Executive Vice President

**F**

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**FASB**

Financial Accounting Standards Board

**FAQs**

Frequently asked questions

**FCRA**

Fair Credit Reporting Act of 2010

**FDIA**

Federal Deposit Insurance Act

**FDIC**

The Federal Deposit Insurance Corporation insures bank deposits up to \$250,000 per account.

**FFIEC**

Federal Financial Institutions Examination Council

**FHLB**

Federal Home Loan Bank

**FRS**

The Federal Reserve System is the nation's central bank. Its primary function is to control the money supply and financial markets in the public's best interest.

**FVP**

First Vice President

**G**

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**Glass-Steagall Bank Act of 1933**

This act separates banking from investment banking and restricts banks from engaging in nonbanking activities or acquiring nonbanking businesses.

**GPA**

Grade point average

**Gramm-Leach-Bliley Act of 1999**

This legislation modernizes the banking industry. It repeals a number of key Glass-Steagall Bank Act provisions so that banks can offer a broad range of financial products and services and combine with securities, insurance, and other financial companies.

**H**

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**HELOC**

Home Equity Line of Credit

**HR**

Human resources

**I**

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**IDEATION**

Process for systematically encouraging associate ideas, collecting them, and implementing them as quickly as possible

**IPP**

Individual Performance Plan

**IRA**

An Individual Retirement Account is a plan for individuals in which pension contributions are deposited with trustees.

**IT**

Information technology

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**J****JD**

Juris doctorate

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**K****KPIs**

Key Performance Indicators

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**L****LCL**

Lower Control Limits

**LDS**

The Leadership Development Series is a forum of the EMC, branch managers, other leaders, and high performers who are exposed to leadership education, including speakers, best practices, and strategic decision-making discussions.

**Legendary Service**

Understanding and consistently exceeding customer expectations

**LEND**

Legitimate External Need for Data

**LLDP**

Legendary Leader Development Program

**LSD**

Legendary Service Department

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**M****MBA**

Master of business administration

**MSP**

Measure Selection Process

**MVV**

Mission, vision, and values

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**N****Nonperforming asset ratio**

This ratio is nonaccrual of loans plus foreclosed assets and restructured loans, divided by period-end total loans plus foreclosed assets.

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**O****OCC**

The Office of the Comptroller of the Currency is an agency of the U.S. government responsible for regulating banks with federal charters. Only federally chartered banks may use the word “national” in their name.

**OSHA**

Occupational Safety and Health Administration

**OWLS**

Organization for WorldClass Learning Systems

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**P****PDCA**

Plan, Do, Check, Act approach

**PI**

Performance Improvement

**PIN**

Personal identification number

**PMDP**

Performance Management and Development Process

**PMI**

Project Management Institute

**PMP**

Project Management Professional

**PR**

Public relations

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**R****REAP**

The Rural Economic Advancement Program provides for investment in rural areas.

**Research Triangle area**

Triangularly shaped area in North Carolina that includes Raleigh, Chapel Hill, and Durham and covers approximately 300-square miles of suburban countryside

**ROA**

Return on assets is net income before nonrecurring items divided by average total assets.

**ROE**

Return on equity is net income before nonrecurring items, divided by average common share equity.

**ROI**

Return on investment

**R/R**

Rewards and recognition

**RSS**

Rich Site Summary (RSS) is a format for delivering regularly changing Web content.

## **S**

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### **SIPOC**

Supplier, Input, Process, Output, Customer diagram

### **SLA**

Service-level agreement

### **SMARTER**

System for Measuring, Analyzing, Reporting, and Tracking our Environment and Regulations

### **SOX**

Sarbanes-Oxley Act of 2002

### **SPP**

Strategic Planning Process

### **Super-Community Bank**

A community bank (i.e., a locally owned commercial bank) that operates on a large scale—often with more than \$500 million in assets.

### **SVP**

Senior Vice President

### **SWOT**

Strengths, Weaknesses, Opportunities, and Threats

## **T**

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### **TARP**

Troubled Asset Relief Program of 2009

### **TBIS**

TriView Banking Information System

### **T-Dashboards**

Balanced scorecards that are specific to the needs of the branch, department, or other unit of the bank. Include performance review findings.

### **TEAR**

TriView Excellent Associate Recognition program

### **TLS**

Triview Leadership System

## **TLT**

Tight-Loose-Tight is a leadership philosophy that articulates clear goals, empowers managers and the workforce to determine the best way to execute, and then holds the responsible persons accountable for achievement of the goals.

## **TMIS**

TriView Management Information System

## **TNB**

TriView National Bank

## **TNBSC**

TNB Scorecard

## **T-Net**

TNB's intranet and e-mail system

## **TOE**

TriView Operational Excellence is a collection of systematic process improvement, project management, and performance review approaches to managing and improving processes.

## **TriVolume**

Internal Web 2.0 social media application that allows teams to share and comment on problems and solutions.

## **TRR**

Total Recordable Rate

## **Trust Teams**

Trust Teams are multidisciplinary teams that are initiated to communicate key decisions, new programs, policies, and information using specific deployment toolkits.

## **U**

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### **UCL**

Upper Control Limits

## **V**

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### **VOC**

Voice of the Customer

# ORGANIZATIONAL PROFILE



# Preface: Organizational Profile

## P.1 Organizational Description

**P.1a** TriView National Bank (TNB) is a privately held bank headquartered in Raleigh, North Carolina. With \$6 billion in assets, TNB is a super-community bank. The bank was founded in 1973 by four Raleigh entrepreneurs as the Raleigh Merchant & Farm Bank. During the next two decades, the bank capitalized on and continued expanding its branch system through organic growth and acquisition of similar small banks. In 1990, the bank's name was changed to TriView National Bank to reflect the Research Triangle where the bank provides products and services. Today, TNB has 47 branches in 15 communities across the state.

In 1998, TNB repositioned itself from a traditional branch system servicing customers through checking accounts and loans to a consultative sales-oriented culture in which associates are involved in sales and service. TNB's primary business proposition is to bring customers into the bank, build multi-product relationships with them to keep the dominant "share of the wallet," and develop loyal customers for life. This strategy has been very successful.

As a result of a strong economy in the Research Triangle, increased demand for loans, and the ability of TNB to provide products and services desired by customers, assets grew internally by more than 30% during the early 2000s. As the economy started to decline in 2007 with the financial melt-down started by the bursting housing bubble, TNB was able to maintain a strong financial position even though lending dropped significantly. While some business failures have affected the area and unemployment is still higher than usual, the diverse economy of the Research Triangle has enabled this area to fare better than most of the country.

**P.1a(1)** TNB delivers products through a branch network, a phone center, and an online system providing access 24 hours a day, 7 days a week, 365 days a year (24/7/365). Each branch offers a range of consumer, small business, and commercial products and services (see Figure 3.1-1).

In the mid-2000s, TNB saw an opportunity to increase mortgage lending, as customers wanted mortgages from the same organization where they did their banking. As other mortgage companies failed because of their involvement with the risky subprime market, TNB, building on its earlier experience with acquisitions, took advantage of an opportunity for a major acquisition: Widmark Mortgage, a nearby, privately held competitor. Widmark started as a small, privately held savings and loan but grew quickly in the 2000s once it focused on mortgages. With one third of its business in the subprime market, it got into trouble when the housing market collapsed. In 2010, TNB completed the acquisition of Widmark Mortgage, capitalizing on the opportunity to acquire additional mortgage expertise, mortgage customers, and the Widmark building at a very low cost. The president of Widmark left during the acquisition, but the former Chief Operating Officer

(COO) currently is staying to manage the Mortgage Division, which is now composed of the 190 former Widmark associates in addition to the TNB Mortgage Division associates. The division is housed in the former Widmark building. Integrating the operations and workforce of Widmark into the Mortgage Division is a key challenge for leadership over the next several years.

**P.1a(2)** Key characteristics of TNB's culture are its mission, vision, and values (MVV; Figure P.1-1) and the use of Trust Teams. The original MVV served the bank well but were re-evaluated in 2008 as the financial industry was in turmoil and public perception of banking had deteriorated. The mission remains the same and continues to emphasize the local focus. The vision was refined to leverage TNB's position as a community bank, not a big bank with corresponding big-bank problems. The new vision seeks to create a customer experience that is so powerful it will lead to loyal customers who recommend TNB to friends and families. TNB's values describe expectations for associates' behavior to achieve the vision. The core competencies (Figure P.1-1) of Legendary Service and operational excellence directly support the vision, and operational excellence and agility support the mission.

As a result of acquiring Widmark, TNB also is developing a core competency in mergers and acquisitions to integrate Widmark (while adding mortgage talent, acquiring new customers who will buy other products, gaining cost savings, and adding revenue), as well as to capitalize on future opportunities. A Trust Team for Merger Integration has been established to lead the overall integration of Widmark and to capture lessons learned for the future.

**Figure P.1-1 Mission, Vision, Values, Brand, and Core Competencies**

<b>MISSION</b>
To provide customers with financial services and promote the growth and economic well-being of all the communities we serve
<b>VISION</b>
To be recognized as the number-one community bank in Legendary Service
<b>VALUES</b>
<ul style="list-style-type: none"> <li>• Integrity: keeping our word and dealing honestly and transparently with all stakeholders to build trust</li> <li>• Customer-driven focus: providing Legendary Service</li> <li>• Management for results: relying on data and holding people accountable</li> <li>• Operational excellence: performing every process effectively and efficiently</li> <li>• Innovation: constantly striving to improve and implement the best ideas from anywhere</li> </ul>
<b>BRAND</b>
TriView ... your bank family
<b>CORE COMPETENCIES</b>
<ul style="list-style-type: none"> <li>• Legendary Service: understanding and exceeding customer expectations</li> <li>• Operational excellence: demonstrating process and performance discipline</li> <li>• Agility: making and implementing decisions quickly</li> </ul>

**Figure P.1-2a Associate Profile: Diversity**

Education	Gender	Ethnicity	Status
High school degree – 100%	Female – 68%	Caucasian – 40%	Full time – 92%
At least an associate’s degree – 53%	Male – 32%	African American – 24%	Part time – 8% (an average of 2 associates per branch)
Baccalaureate degree – 22%		Hispanic – 26%	
Graduate degree – 6%		Native American - 3%	
		Asian American - 7%	

**P.1a(3)** TNB’s 1,080 associates work in the headquarters, the DirectServe Center, the Operations Center, the Mortgage Division (formerly Widmark), and in 47 branches. TNB has a highly educated leadership team with 78% of management having college degrees. Most of the senior leaders have masters in business administration (MBA) degrees and other professional credentials, including having juris doctorate (JD) degrees and being certified public accountants (CPAs). All branch staff associates have at least a high school diploma, and many have an associate’s degree. Many loan officers (65%) and managers (75%) hold baccalaureate degrees. The workforce is highly diverse and representative of the hiring community and customer base. TNB does not have organized bargaining units.

Workforce segments and factors affecting associates’ engagement and satisfaction are noted in Figure P.1-2b. The workforce increased by nearly 18% with the acquisition of Widmark Mortgage. The former Widmark associates had experienced a different culture than TNB’s, one of higher-pressure sales rewarded by greater incentives.

**P.1a(4)** Physical facilities include the headquarters, DirectServe Center, Operations Center, and Mortgage Division building. For the Mortgage Division, TNB is in the process of integrating operations and the workforce, as well as optimizing both the workforce and the facilities. A network of 1,400 automated teller machines (ATMs) augments the 47 branches; TNB customers have access to 500,000 ATMs throughout the world through the Cumulus ATM Network System. TNB is a member of the Federal Reserve System (FRS) and transfers payments through the Automated Clearing House (ACH) and Fedwire System.

DirectServe, TNB’s customer care center, provides consumer and business customers with access to customer service representatives (CSRs) 24/7/365. Customers can call DirectServe to reorder checks, submit a loan application, get current rates on products, and receive assistance with resolving a problem. TNB also offers 24/7 online chat in support of online banking.

Several banking systems run in the data center that is located in the Operations Center. For example, the TriView Management Information System (TMIS) provides customer, account, and financial information through a suite of software applications. TNB has a data warehouse with predictive modeling capabilities to enable it to access customer information and identify customer needs, as well as to predict propensity to purchase. This capability helps TNB design products and services for different customer groups and creates a more efficient sales effort and competitive pricing. Statement services are outsourced to J-Pro Statement Services.

**P.1a(5)** U.S. financial institutions, including banks, are highly regulated and subject to capital requirements administered by federal and state banking agencies, such as the Federal Financial Institutions Examination Council (FFIEC). TNB is a nationally chartered community bank regulated by the Office of the Comptroller of the Currency (OCC). Deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Examiners from the OCC are on-site somewhere in TNB approximately 15% of every year.

Regulatory agencies are concerned with capitalization, predatory lending, and unfair and deceptive practices. The government regulates banking activities through such legislation as the Gramm-Leach-Bliley Act of 1999; the Credit Card

**Figure P.1-2b Associate Profile: Workforce Segments and Factors of Engagement and Satisfaction**

Segment	# of Associates	Factors of Engagement	Factors of Satisfaction
CSRs (branches, DirectServe Center, Mortgage Division)	682	<ul style="list-style-type: none"> <li>• Environment of empowerment</li> <li>• Opportunity for career progression</li> <li>• Desire to serve customers</li> </ul>	<ul style="list-style-type: none"> <li>• Job security</li> <li>• Physical safety and security</li> <li>• Resources and skills to succeed</li> <li>• Competitive compensation and benefits</li> <li>• Schedule flexibility</li> <li>• Ability to work on teams</li> </ul>
Administrative Staff	158	<ul style="list-style-type: none"> <li>• Environment of empowerment</li> <li>• Opportunity for career progression</li> </ul>	<ul style="list-style-type: none"> <li>• Job security</li> <li>• Resources and skills to succeed</li> <li>• Competitive compensation and benefits</li> <li>• Schedule flexibility</li> <li>• Ability to work on teams</li> </ul>
Professional Staff	157	<ul style="list-style-type: none"> <li>• Environment of empowerment</li> <li>• Opportunity for career progression/promotion</li> <li>• Opportunity to contribute to TNB/local community/profession</li> </ul>	<ul style="list-style-type: none"> <li>• Ability to invest in career</li> <li>• Schedule flexibility</li> <li>• Challenging and rewarding work</li> </ul>
Management	83	<ul style="list-style-type: none"> <li>• Environment of empowerment</li> <li>• Opportunity and career path for promotion</li> <li>• Opportunity to contribute to TNB/community/state/profession</li> </ul>	<ul style="list-style-type: none"> <li>• Ability to invest in career</li> <li>• Challenging and rewarding work</li> </ul>

Accountability, Responsibility, and Disclosure (CARD) Act of 2009; the Troubled Asset Relief Program (TARP) of 2009; the Rural Economic Advancement Program (REAP); the Bank Secrecy Act of 1970; consumer privacy regulations; the Check Clearing for the 21st Century Act (Check 21); the Fair Credit Reporting Act (FCRA) of 2010; the Community Reinvestment Act (CRA) of 1977; and the Truth in Savings Act of 1993. In addition to banking regulations, TNB must comply with state and federal Occupational Safety and Health Administration (OSHA) and Equal Employment Opportunity Commission (EEOC) requirements.

TNB currently is operating in a very challenging regulatory environment that is impacting the entire financial services industry. Because of the challenging economy and well-publicized banking failures, regulators have become much more rigorous in examinations and are increasingly conservative in the approaches they will accept. Additionally, previously collegial regulators sometimes appear adversarial and confrontational. Regulations that used to take months to develop are now changed quickly by regulatory agencies. Additionally, numerous law revisions are being debated in Congress that could further change the regulatory landscape and impact TNB's lending operations. While regulators share TNB's focus on providing exceptional service to customers, they appear less accepting of innovations they feel may increase TNB's risk profile. As innovative approaches have enabled success in the past, TNB is challenged to be able to leverage innovation while still maintaining full compliance with regulatory requirements and examiners' interpretation of requirements. However, TNB has retained its focus on innovation in other (nonregulatory) areas.

**P.1b(1)** The four partners who formed the original bank are still actively involved as Chief Executive Officer (CEO) and Chairman of the Board, President, Treasurer/Chief Financial Officer (CFO), and Secretary and General Counsel. The Executive Management Committee (EMC) is composed of these partners and the rest of the senior management team. TNB is governed by a Board of Directors (BOD) as required by banking regulations. The CEO reports to the BOD, the President reports to the CEO, and other EMC members report to the President. The BOD is responsible for the selection of the CEO; the effective governance of the bank's affairs; and the adoption and adherence of sound policies and practices, including an awareness of the bank's financial condition and policies. Although TNB is a privately held company, the BOD strives to comply with the principles of the Sarbanes-Oxley Act of 2002 (SOX).

**P.1b(2)** TNB's market is defined as the 15 communities in which it operates. These communities are segmented into three regions, or primary market segments: the Research Triangle area, the Winston-Salem/Greensboro/High Point area, and other major growth communities. Customers are segmented into three groups: consumer, small business, and commercial customers, each with unique requirements, as shown in Figure 3.1-1. In addition, to help focus its customer relationship-building strategies, TNB segments its customers by the customer life cycle (Figure 3.2-4).

In addition to customers and associates, TNB considers regulators, shareholders, and the community to be stakeholders. The key requirements and expectations of these groups are shown in Figure P.1-3.

**P.1b(3)** TNB utilizes numerous suppliers and partners to support the administrative, business, operational, and technology infrastructure of the bank (Figure P.1-4). Key suppliers and partners are invited to interact regularly with TNB, and they support strategy, process improvements, and innovation. Several partners and suppliers participate in strategic planning and the TriView Operational Excellence (TOE) process. Great Smoky Marketing and J-Pro have been instrumental in identifying innovations in support of the paperless initiative, for example.

## P.2 Organizational Situation

**P.2a(1)** TNB is the largest community bank in Raleigh, and it is in the first or second position in each of the 15 communities in which it operates. It has grown market share in each community over each of the past five years, fueled by Legendary Service. TNB's continued investment in branch banking, even while increasing its online services, has positioned it to be viewed as the local, "hometown" bank in many North Carolina communities, a place of refuge from the impersonal megabank and the one-branch, at-risk, small bank. Two midsize banks that were competitors have been closed since the financial crisis, with TNB gaining most of their local customers. A number of smaller banks also have closed or been acquired since 2009, with many customers seeking the safety of TNB. However, banking is still a commodity business with strong competitors (Figure P.2-1), including many nonbank competitors that operate in North Carolina.

**P.2a(2)** Customer satisfaction and loyalty have always been important but now are essential. The key change taking place that affects the competitive situation is that, for many financial products and services, customers are willing to trade off higher interest rates for security, peace of mind, and local bankers whom they can access and in whom they have confidence. TNB has been able to take advantage of this shift while many of its competitors have not. Since late 2008, TNB has seen market share increase as consumer customers fled larger banks and banks that are not locally based. Consumer deposits are at an all-time high. Even though TNB does not profit from

**Figure P.1-3 Stakeholder Requirements and Expectations**

<p><b>Regulators</b></p> <ul style="list-style-type: none"> <li>• Proactive compliance with regulations</li> <li>• Responsiveness to requests for information</li> <li>• Timely and full access to information</li> <li>• Appropriate risk assessment and mitigation</li> </ul>
<p><b>Shareholders</b></p> <ul style="list-style-type: none"> <li>• Accurate financial records</li> <li>• Transparency and objective decision making</li> <li>• Appropriate risk assessment and mitigation</li> <li>• Fiscally sound reputation, locally and nationally</li> </ul>
<p><b>The Community</b></p> <ul style="list-style-type: none"> <li>• Community reinvestment</li> <li>• Reputation as a good corporate citizen and community partner</li> <li>• Proactive volunteer and financial support</li> </ul>

**Figure P.1-4 Suppliers and Partners**

Supplier/Partner	Role	Communication/Management Mechanism	Supply-Chain Requirements
Great Smoky Marketing (Supplier)	Provide direct mail and telemarketing services	<ul style="list-style-type: none"> <li>• Participation in strategic planning</li> <li>• Contract</li> <li>• Monthly meeting</li> </ul>	<ul style="list-style-type: none"> <li>• Expertise</li> <li>• ROI</li> <li>• Marketing innovations</li> </ul>
Polk-Wolfe Advertising (Supplier)	Provide advertising	<ul style="list-style-type: none"> <li>• Contract</li> <li>• Semiannual meeting</li> </ul>	<ul style="list-style-type: none"> <li>• Expertise</li> <li>• ROI</li> <li>• Advertising innovations</li> </ul>
Canby Distributors (Supplier)	Provide office supplies, forms, and equipment	<ul style="list-style-type: none"> <li>• Purchase orders</li> <li>• Semiannual meeting</li> </ul>	<ul style="list-style-type: none"> <li>• Provide best value</li> <li>• On-time delivery</li> <li>• Accurate orders and invoicing</li> </ul>
Burly Security (Supplier)	Provide armored car cash service	<ul style="list-style-type: none"> <li>• Purchase orders</li> <li>• Semiannual meeting</li> </ul>	<ul style="list-style-type: none"> <li>• Safety and security for associates, customers, suppliers, facilities, and the community</li> <li>• On-time route maintenance</li> <li>• Provision of best value</li> <li>• Accurate orders and invoicing</li> </ul>
Checks for You (Supplier)	Provide check supplies	<ul style="list-style-type: none"> <li>• Contract</li> <li>• Semiannual meeting</li> </ul>	<ul style="list-style-type: none"> <li>• Accurate transactions</li> <li>• Provide Legendary Service to customers</li> </ul>
Data 2.0 Backup Services (Supplier)	Provide disaster recovery “hot” site	<ul style="list-style-type: none"> <li>• Contract</li> <li>• Semiannual meeting</li> </ul>	<ul style="list-style-type: none"> <li>• 100% recovery</li> <li>• On-time recovery</li> </ul>
Drill Down Research (Supplier)	Conduct customer research; administer COP surveys	<ul style="list-style-type: none"> <li>• Contract</li> <li>• Semiannual meeting</li> </ul>	<ul style="list-style-type: none"> <li>• Timely reporting</li> <li>• Value-add analysis</li> </ul>
J-Pro Statement Services (Supplier/ Outsource Vendor)	Provide online and other statement services	<ul style="list-style-type: none"> <li>• Participation in strategic planning</li> <li>• Monthly meeting</li> <li>• Participation in TOE/process improvements</li> </ul>	<ul style="list-style-type: none"> <li>• Flawless statements</li> <li>• Process innovations</li> </ul>
Cumulus ATM Network (Partner)	Provide shared ATM network	<ul style="list-style-type: none"> <li>• Partnership agreement</li> <li>• Semiannual meeting</li> </ul>	<ul style="list-style-type: none"> <li>• Accurate transactions</li> </ul>
Pamlico River Investments (Partner)	Provide securities, financial planning, and insurance services	<ul style="list-style-type: none"> <li>• Participation in strategic planning</li> <li>• Partnership agreement</li> <li>• Monthly meeting</li> </ul>	<ul style="list-style-type: none"> <li>• Expertise</li> <li>• Provide Legendary Service to customers</li> </ul>
IZOR Credit Card (Partner)	Provide credit card services	<ul style="list-style-type: none"> <li>• Partnership agreement</li> <li>• Semiannual meeting</li> </ul>	<ul style="list-style-type: none"> <li>• Accurate transactions</li> <li>• Provide Legendary Service to customers</li> <li>• Product innovations</li> </ul>
TNBard (Partner)	Provide credit card services	<ul style="list-style-type: none"> <li>• Partnership agreement</li> <li>• Semiannual meeting</li> </ul>	<ul style="list-style-type: none"> <li>• Accurate transactions</li> <li>• Provide Legendary Service to customers</li> <li>• Product innovations</li> </ul>
DemoGraph Surveys (Partner)	Administer associate engagement survey	<ul style="list-style-type: none"> <li>• Partnership agreement</li> <li>• Semiannual meeting</li> </ul>	<ul style="list-style-type: none"> <li>• Expertise</li> <li>• Process innovations</li> </ul>

**Figure P.2-1 Competitor Types and Numbers**

Type of Competitor	Key Competitor(s) in Category
Megabanks	CSSNCS Bank
Super-regional banks	North Mountain Regional Bank
Midsized banks	J&L Community Bank
Super-community banks	State Savings Bank of Tuscarora
Community banks	92 competitors
Savings and loans/thrifts	69 savings and loans/thrifts with multiple offices
Credit unions	At least one in each community
National credit card companies	Numerous banks across the United States
Mortgage companies	In addition to local banks, 13 national loan originators
Insurance companies	Numerous national competitors
Mutual fund companies	Numerous national competitors

deposit accounts, it made the strategic decision to grow these accounts, especially from new consumer and small business customers, recognizing that when the economy improves, these customers will need lending products that do provide a profit to TNB. The recent financial crisis has been challenging, but TNB has been able to leverage its unique position as a bank large enough to capitalize on economies of scale but local

enough to be trustworthy (see Figure P.2-2). TNB seeks opportunities for innovation and collaboration, particularly in services, and has worked closely with several partners to introduce new and enhanced services. The heavily regulated environment, which is becoming even more regulated, does not support innovation in products.

**P.2a(3)** Primary sources of organizational comparative and competitive data are described in Figure P.2-3. On a local level, branch managers and associates are expected to be involved in their communities and to participate in local chamber and other community organizations. Through this informal network, they collect and share information about the local competition.

**P.2b** As a result of the economic turmoil of the last few years, in late 2009, TNB started to discuss strategy almost weekly. The bank maintains its focus on providing services efficiently, and while it has always maintained effective cost controls, this is more important now than ever before. Deposit growth at TNB has been strong as it has acquired customers from bank

**Figure P.2-2 Principal Success Factors Relative to Competitors**

<ul style="list-style-type: none"> <li>Well-capitalized, giving TNB the ability to invest in very favorable mergers and acquisitions</li> </ul>
<ul style="list-style-type: none"> <li>Hometown presence and image, despite growth and expansion since the 1990s; TNB maintains a very strong presence in each of its local communities.</li> </ul>
<ul style="list-style-type: none"> <li>Legendary Service; long-time customers feel that they know bank associates and vice versa.</li> </ul>
<ul style="list-style-type: none"> <li>Engaged and highly satisfied workforce</li> </ul>
<ul style="list-style-type: none"> <li>Maintaining a credit union feel with a no-fee culture</li> </ul>
<ul style="list-style-type: none"> <li>Paperless processes that are innovative for the industry and allow fast transaction processing at low cost, particularly for loans, resulting in quick response time with “ask-to-cash” in less than 24 hours</li> </ul>
<ul style="list-style-type: none"> <li>Agility and the ability to take reasonable risks for its size, and a streamlined decision structure to make decisions quickly and to move on opportunities</li> </ul>

closures in the area. TNB made a key strategic decision to take advantage of federal loans as part of TARP, resulting in a lower cost of capital for five years. Many competitors failed to take advantage of this program and now risk under-capitalization. Figure P.2-4 lists TNB’s key challenges and advantages.

**P.2c** TNB’s approach to process improvement has been an evolutionary journey from simple problem solving, to a Plan-Do-Check-Act (PDCA) approach (1998), to the Continuous Improvement Process (CIP; 2001), to Lean/Six Sigma (2007), to the integrated Triview Operational Excellence (TOE) approach that includes CIP, Lean/Six Sigma, and project management, along with disciplined, frequent review of process performance. This evolution has occurred under the umbrella of the Baldrige Criteria, which have been applied since the late 1990s. Improvements are identified and implemented by cross-functional Trust Teams; teams may use any one of the available approaches within TOE, depending on the nature of the issue. Through this integrated approach, TNB systematically drives improvement that ensures both breakthrough and continuous improvement. Continuous improvement, defined as 5% improvement per year, occurs as a result of the systematic annual evaluation of core processes. Breakthrough improvement, or innovation, usually involves a Trust Team using Lean/Six Sigma to address administration or service delivery processes. Due to regulatory constraints on products, TNB’s innovation is focused on people and administrative and service delivery. TNB encourages and rewards ideas and innovation, as described in 1.1.

**Figure P.2-3 Primary Sources of Comparative/Competitive Information**

Comparative Data Source	Measures Monitored	Frequency of Comparison	Advantages* and Shortcomings**
Community Alliance of Bankers (CAB)	ROI	Annually	**Top tier not always available; most data available only on averages **Blinded data
Bankers Alliance of America (BAA)	Asset classifications	Annually, quarterly	**Does not identify specific banks; uses mean and blinded data
Junovia Index	Efficiency indices	Annually	*Identifies specific banks **Limited primarily to efficiency data
Baldrige Award recipients	Selected service benchmarks	Annually	*Supports comparisons outside of the industry **Data for past recipients not current
Blooming & Flowers Solutions	IT metrics	Annually, quarterly	*Recognized standard for IT metrics **Provided only by industry sector
Customer satisfaction/engagement survey: DemoGraph Surveys	Legendary Service metric: customer satisfaction/engagement	Annually, with some intermittent data available	*Nationally “normed” data **Can identify a peer group, but data anonymous (peer 1, peer 2, etc.)
Associate engagement survey: DemoGraph Surveys	Associate satisfaction/engagement	Annually	*Measures both satisfaction and engagement *Online capability
<i>Financial Pulse Magazine</i> Best Places to Work Survey	Associate satisfaction/engagement	Annually	*Comparison to “like” workforce **Participants may be able to skew data

**Figure P.2-4 Strategic Challenges and Advantages**

Strategic Challenges
1. Addressing the many changes in banking regulations and more regulations coming in the future
2. Meeting earnings targets while serving increasing numbers of customers using low-margin services*
3. Addressing the loss of public confidence in the financial industry in general and the impact this has had on customer confidence and expectations, particularly important in local community-focused banks such as TNB*
4. Integrating the mortgage acquisition processes, which need to be streamlined, and workforce, which needs to be right-sized, into TNB’s structure and culture
Strategic Advantages
1. Taking advantage of the relatively low cost of TARP funds (5%) through 2013, unlike some local competitors that are now facing capital constraints
2. Hometown bank with a reputation for stability and integrity, resulting in increasing market share due to acquiring customers fleeing other banks*
3. Numerous opportunities for mergers and acquisitions for banks with capital
4. A loyal and stable workforce with low turnover despite dealing with difficult customers and cost reductions that require associates to perform multiple jobs*
5. Process discipline and a TOE focus enable TNB to process transactions better than competitors and at a lower cost*

\*Affects organizational sustainability

**RESPONSES  
ADDRESSING ALL  
CRITERIA ITEMS**

## Category 1: Leadership

### 1.1 Senior Leadership

The EMC uses the Baldrige Criteria (adopted in 1997) and the TriView Leadership System (TLS; Figure 1.1-1) to guide and sustain the organization. Through the TLS, the EMC sets organizational direction, deploys plans, engages the workforce and customers, and designs a path to sustainability built around TNB's core competencies and a decentralized Tight-Loose-Tight (TLT) leadership approach.

**1.1a(1)** The EMC sets the organizational MVV during Step 1 of the Strategic Planning Process (SPP; Figure 2.1-1); as part of this process, senior leaders ensure that the MVV is still relevant, drives performance, and creates a synergizing purpose throughout the workforce. The EMC relies on both internal and external stakeholder input gathered during the SPP (see 2.1a) to decide if revisions to the MVV are necessary. For nearly 13 years, through this repeatable process, the EMC validated the original MVV. However, in 2008, as the financial industry was in turmoil, TNB used an approach adapted from a Baldrige Award recipient to refine its vision: (1) each associate was asked what the current vision meant to him/her and how it could be improved; (2) two community focus groups validated stakeholder input gathered during the SPP and provided feedback; (3) a multidisciplinary team of associates used the feedback to draft potential vision statements; (4) the workforce voted on three options; and (5) using the voting results, the EMC made the final decision on how to refine the vision.

Once the revised vision was deployed, the EMC refined the customer and associate engagement surveys to reflect the changes and to accurately assess the vision's continued significance and meaning. Given the success of this approach, the EMC decided to officially integrate the five-step methodology above into its systematic process for setting and reaffirming the mission and values, as well.

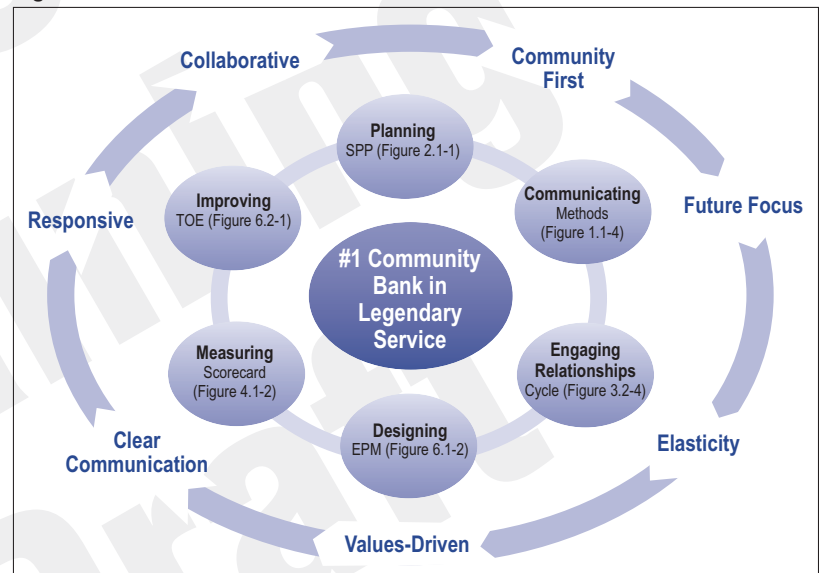
The EMC uses the TLS and a variety of mechanisms (Figure 1.1-2) to deploy the MVV, as well as all key leadership processes, to the branches, headquarters, DirectServe Center, Operations Center, and Mortgage Division. Senior leaders' involvement in deployment approaches (see below) also reflects their personal commitment to the organization's values:

- *Planning*: Throughout each step of the SPP, the EMC uses the words of the MVV as the final litmus test to ensure alignment among the strategic objectives, actions plans, and measures that cascade from a strategic level to each associate's Individual Performance Plan (IPP).
- *Engaging*: The EMC engages the workforce through monthly branch visits, rounding, conversations, and collaborative decision making. Various methods reinforce the importance of the MVV (e.g., once a month, each EMC

member shadows a frontline worker to build a relationship, learn how the MVV is integrated within the workforce, and improve decision making and strategic planning).

- *Designing*: The EMC ensures that key products and services fully align to the MVV and meet customer needs, using key requirements in the Business Process Management (BPM) process (Figure 6.1-4).
- *Measuring*: The EMC uses the SPP to set key performance indicators (KPIs) commensurate with the MVV and TNB Scorecard (TNBSC; Figure 4.1-2) and to communicate performance to the workforce and key stakeholders, reinforcing the vision of being "the number-one community bank in Legendary Service."

Figure 1.1-1 TLS



- *Improvement*: Using the Baldrige process, the EMC continues to invest in the development of improvement tools for the TOE process and provides a focus on the values of operational excellence and innovation (e.g., each member of the EMC has been trained in Lean/Six Sigma and each leads two improvement projects annually).

The effectiveness of the EMC's personal deployment of the MVV is reviewed through stakeholder surveys, overall KPI performance, and IPPs, and it is evaluated during the SPP.

**1.1a(2)** In the banking world, trust is the most valuable currency to a customer. Trust is earned—it comes from consistently open, honest, and transparent interactions. And it comes from perpetual and reliable integrity. The EMC has committed to personally promoting an organizational environment that requires and results in legal and ethical behavior (Figure 1.1-3). Approaches to accomplish this integrate, foster, and reinforce cultural expectations and attributes, customer needs, the design and delivery of services, and strategic planning.

**Figure 1.1-2 MVV Deployment Methods**

<b>Mission/Vision</b>	<ul style="list-style-type: none"> <li>• Ongoing internal/external communications (e.g., newsletters, Web site, intranet, meetings) (ALL)</li> <li>• Supplier/partner contracts (S/P)</li> <li>• Personal notes to customers on birthdays (C)</li> </ul>
<b>Values</b>	
<b>Integrity</b>	<ul style="list-style-type: none"> <li>• Ethical standards in all new account information (C, R)</li> <li>• Code of Conduct signed annually by every associate (A)</li> <li>• Supplier/partner Legendary Service Guide (S/P)</li> <li>• Ethical parameters included in DMEDVI (A)</li> </ul>
<b>Customer-driven focus</b>	<ul style="list-style-type: none"> <li>• Legendary Service (Figure 3.2.2) and customer service standards (Figure 3.2-3) (A, C)</li> <li>• Customer financial education seminars (C)</li> <li>• In-person meetings with banking officers on financial portfolios and opportunities for additional benefits (A, C)</li> </ul>
<b>Management for results</b>	<ul style="list-style-type: none"> <li>• The PMDP (see 5.1[a]3) (A)</li> <li>• Trust Teams (A)</li> </ul>
<b>Operational excellence</b>	<ul style="list-style-type: none"> <li>• Cascading scorecards throughout the branches (A)</li> <li>• Refining approaches to the developing core competency in mergers and acquisitions (A)</li> </ul>
<b>Innovation</b>	<ul style="list-style-type: none"> <li>• Rate of innovation and PI shared quarterly with associates (see 1.1a[3]) (A)</li> <li>• Key stakeholders attend and participate in the SPP (S, A, C, S/P, Co)</li> <li>• “The Game Changer” and “The Most Radical” awards (A)</li> <li>• Return of 15% of health benefits to eligible associates (see 1.2c[2]) (A)</li> </ul>

C = Customers, A = Associates, S/P = Suppliers/Partners, S = Shareholders, Co = Community, R = Regulators

Legal and ethical approaches are evaluated at least annually during the SPP when analyses are done on stakeholder requirements, community perceptions, associate attitudes, and any breaches. Using these analyses, in 2006, the EMC appointed the Secretary and General Counsel to lead a small, but diverse committee that meets quarterly and takes responsibility for evaluating internal progress, researching best practices, and identifying opportunities for innovation within TNB’s legal and ethical environment. For example, in early 2008, the committee recommended, and the EMC adopted, ethics refreshers during the morning office huddles.

Legal and ethical approaches are systematically and fully deployed to all people and branches through new hire orientation, annual education sessions for all associates, new and current partner/supplier/vendor contracting, and performance updates. TNB currently is focusing on deploying ethical expectations to the former Widmark workforce now integrated in TNB.

**1.1a(3)** TNB’s senior leaders create a sustainable organization by (1) striving to understand and exceed customer expectations, (2) ensuring operational excellence, and (3) being agile. At a macro level, the EMC ensures sustainability through consistent execution of the TLS, which drives a clear sense of purpose; achievement of the mission and strategic objectives; innovation through IDEATION; constancy of value creation; processes that strengthen existing and identify new core competencies; and a robust scenario planning system within the SPP (Step 3) to proactively scan and anticipate blind spots.

The EMC’s commitment to creating an environment for organizational performance improvement (PI) and innovation begins in new hire

orientation when the EMC introduces the TOE and the concept of IDEATION to each associate. This focus continues through an investment in education and associate opportunities to exercise the learned tools. This commitment to PI and innovation has led to 75% of the workforce being trained in Lean, using value-stream mapping. Rewards reinforce improvement and innovation. In an innovation for the banking industry, one completed PI project a year is required for all associates, and depending on the outcome, the EMC shares a percentage of what was saved by the PI project with the associate generating the improvement. In addition, the EMC uses upper and lower control limits (UCL/LCL) in the design of services and in performance reviews, an internal knowledge management tool is used to share improvements/innovations, and an annual Innovation Exhibition is held during the annual all-associate meetings.

To help create an environment for the accomplishment of the mission and strategic objectives, at the beginning of new hire

**Figure 1.1-3 Promotion of Legal and Ethical Behavior**

	<b>Sample Key Legal/Ethical Approaches</b>
<b>EMC commitment demonstrated through personal actions</b>	<ol style="list-style-type: none"> <li>1. During all TNB and branch-specific presentations, legal/ethical concepts discussed by an EMC member</li> <li>2. During monthly branch rounding, each EMC member reinforces ethical obligations in the Code of Conduct</li> <li>3. EMC members create ethics case studies for online education sessions</li> <li>4. Legal and ethical questions considered during the SPP, when strategic objectives and action plans are developed</li> <li>5. An EMC member discusses ethics at new hire orientation</li> <li>6. EMC members write an internal blog that discusses ethical standards and legal regulations</li> <li>7. EMC members lead the Best Ethical Practices conference</li> <li>8. EMC members set clear values and communicate/teach the values; branch leaders reinforce them and associates execute them</li> </ol>
<b>EMC commitment demonstrated through organizational promotion</b>	<ol style="list-style-type: none"> <li>1. During the design of services, legal and ethical requirements input into the EPM</li> <li>2. Code of Conduct signed annually by every associate</li> <li>3. Ethics discussed and input gathered at annual stakeholder meetings</li> <li>4. Ethical/legal results shared monthly and posted in the staff rooms of each branch</li> <li>5. As part of their IPPs, associates evaluated by peers for ethical behavior</li> <li>6. Policy of no double standards</li> <li>7. Annual mandatory online education sessions for all associates</li> <li>8. Expectations covered in job applications, hiring interviews, and new hire orientation</li> <li>9. Ethical Achiever of the Year Award provides cash incentive to up to 25 associates</li> <li>10. Partner/supplier contracts include ethical/legal provisions</li> </ol>



orientation, the EMC stresses the MVV and the key objectives for the year, as well as how each associate's work relates to his/her achievement. Further, through the IPP process, all associates have goals aligned with at least two strategic objectives, which are reviewed during the Performance Management and Development Process (PMDP) and reinforced through various rewards and recognition (R/R) methods. In addition, to create an environment for performance leadership, a member of the EMC discusses progress on KPIs in all functional areas at unit meetings at least quarterly, scorecards are posted in the staff office for viewing, and all internal communications are organized by strategic areas to offer further reinforcement.

Historically, banks were not known for being agile; however, the EMC has implemented specific interventions to create an environment for agility. This is done primarily through transparent performance reviews, the annual Macro-Micro Econ Watch, and weekly MNO-Factor Watch reviews (see 2.1), as well as the TLS and the TLT management style, which fosters associate engagement and empowerment to adjust rapidly to changes. In addition, the EMC developed Trust Teams, which are small groups of staff members who help implement organization-wide changes at each branch in a timely and effective manner. The Trust Teams were developed in a cycle of learning following an opportunity to improve the dissemination and implementation of changes.

Creating a workforce culture that delivers a consistently positive customer experience and fosters customer engagement requires a focus on learning and development to meet the key workforce requirement of career progression. A primary responsibility of EMC members is to teach and mentor associates, using every interaction as a potential teaching opportunity. Thus, TNB's approach to creating an environment for organizational and workforce learning consists of (1) defining one education theme per month that is communicated via daily huddles and weekly stand-up meetings by the EMC and branch leaders; (2) offering a rotating Leadership Development Series (LDS) three times a year for learning, career growth, and succession planning (see 1.2a[2]); (3) ensuring a robust learning and development system that provides differentiated learning opportunities; and (4) requiring each associate to adopt one personal/professional learning objective per year. For example, during the last quarter of 2010, monthly teaching themes included methods to maximize IDEATION and execute the principles of Legendary Service (Figure 3.2-2).

These methods are now fully deployed, with special attention to the Widmark associates as they become acclimated to TNB's culture and processes.

EMC members develop and enhance their leadership skills via the leadership evaluation system, executive coaching, the LDS, conferences, seminars, and participation on community boards, among other opportunities. To effectively

participate in organizational learning and succession planning, the EMC (1) reviews quarterly the knowledge management system for learning themes (see 4.2a[3]); (2) teaches many of the workforce/learning programs and offerings (see 5.2c[1]); and (3) executes a systematic process to identify and develop high performers (see 5.2c[3]). The process for developing these high performers as future organizational leaders consists of (1) identifying high performers and development areas to improve or maximize performance, (2) rotating mentorship of each high performer among EMC members, and (3) evaluating the high performer's performance and readiness to advance. Identified high performers are invited to attend the LDS. Lastly, to role model performance leadership, each EMC member sets at least two professional/personal learning objectives each year and leads at least two PI projects. With the acquisition of Widmark, each EMC member's professional objective is to identify two high performers from Widmark for placement into a leadership development track.

**1.1b(1)** Various communication methods, including mechanisms to encourage frank, two-way communication throughout TNB, help the EMC communicate with and engage associates (Figure 1.1-4). These methods are systematically reviewed for effectiveness informally throughout the year and formally during Step 2 of the SPP, using overall KPI performance and the associate engagement survey.

Validating that TNB is "the number-one community bank in Legendary Service" at every customer interaction demands an engaged workforce that demonstrates advocacy. The EMC's method for engaging the entire workforce includes intentional and integrated processes that are driven by the TLS, TLT philosophy, and key factors of workforce engagement (see Figure P.1-2b and 5.2a[1]). In addition, the EMC engages associates through the collaborative element of the TLS, which is manifested through (1) strategic objectives that cascade down to IPPs with aligned goals; (2) the TLT philosophy that supports empowerment; (3) a set of aligned R/R measures, such as incentives for PI efforts; (4) the Community One initiatives; and (5) monthly follow-up on associates' ideas.

The EMC uses a number of methods to disseminate key decisions and information, to gather input from various stakeholders, and to foster a culture of open two-way communication (see Figure 1.1-4). These methods are coupled with a universal commitment to transparency; the sharing of key organizational

**Figure 1.1-4 EMC Communication Methods**

Method	Type of Information
"What Is Important" messages	Key decisions, specific performance findings, and key bank policies
Annual all-associate meetings (2-way)	Associate input, planning around strategic areas, discussion of short- and long-term objectives
Intranet (2-way)	Policies, regulations, KPIs, EMC blogs, SPP, knowledge management
EMC quarterly lunches (2-way)	Anything associates want to discuss with the senior leader
EMC branch rounding (2-way)	Opinions on how to improve TNB
EMC job shadowing	Associates' perceptions, how the MVV is integrated within the workforce
Morning office huddles	Key updates for the day, associate celebrations, and Legendary Service standards
E-mail/bulletin boards	KPIs, ethical standards, Legendary Service standards, emergency contact information, etc.

information related to new banking procedures, guidelines, and external regulations; and overall TNB direction. At least annually, through the associate engagement survey, the EMC reviews comments on two questions related to leadership openness and communication. This information is supplemented with the 360-degree EMC performance review process (see 1.2a[2]). Based on information received from these tools, in late 2009, an internal EMC blog was created. EMC members write biweekly notes describing the state of the banking industry, what TNB is doing to manage the rapidly changing environment, and how Legendary Service continues to be achieved. As demonstrated by comments on the EMC blogs, this approach has been well-received by TNB associates, including the former Widmark associates.

The EMC takes an active role in reinforcing high performance and a customer and business focus by designing R/R programs (see 5.2a[3]) based on the needs of both the organization and the workforce, and through direct participation in the programs. The fully deployed programs and approaches include identifying award recipients, discussing with associates TNB's balanced portfolio of performance, recognizing associates on the spot, and sending home congratulatory notes to high-performing associates.

**1.1b(2)** In support of the measuring element of the TLS, the EMC creates a focus on action to accomplish the organization's objectives, improve performance, and attain TNB's vision (resulting in stakeholder value) through six systematic methods: (1) aligning the work of all associates to organizational and branch/office strategic objectives via the SPP (Step 6) and IPPs, (2) aligning the PMDP and results of weekly reviews of the TNBSC KPIs (Figure 4.1-2), (3) aligning R/R to IPPs, (4) disseminating the "What Is Important" messages, (5) visiting branches, and (6) facilitating all-associate meetings. Together, these methods provide the appropriate environment for change, improvement, and innovation, and they contribute to TNB's pursuit of Legendary Service. The EMC focuses on creating and balancing value for customers and other stakeholders through the TLS and clear performance expectations that align associates to customers through the PMDP. In addition, the methods reinforce all of the core competencies and are supplemented by the weekly MNO-Factor Watch Reviews and the annual Macro-Micro Econ Reviews. The use of UCL/LCL helps ensure that excellence is consistently achieved across the stakeholder spectrum.

## **1.2 Governance and Societal Responsibilities**

**1.2a(1)** With the deteriorating economic environment, financial governance has taken the public spotlight recently. TNB has been well ahead of this scrutiny through a set of well-managed processes that link the BOD with the EMC and the TLS. Overall, TNB's approach to governance is integrated with its values and the core competency of agility, with a focus on management's behaviors, actions, and decisions and increased overt transparency, while also addressing rapidly changing external regulations and fragile customer perceptions.

*Accountability for Management's Actions:* A cascading methodology begins with the BOD, which meets quarterly to review T-Dashboards, with particular focus on legal, ethical, and customer metrics. Each EMC leader and his/her direct report(s) are measured on KPI achievement via performance reviews (Figure 4.1-2). Monthly, each unit/branch manager meets with his/her direct reports and discusses key changes in the environment; reviews KPIs; and discusses updates to any governing and operating policies, guidelines, and procedures. Lastly, an anonymous and random survey is completed quarterly by a portion of associates, shareholders, and community representatives asking their perceptions of leadership's adherence to the policies and guidelines (see Figures 7.4-3 and 7.4-8).

*Fiscal Accountability:* The approach includes a quarterly review process during which all senior leaders and managers meet and assess organizational, business, and branch financials. Gaps in performance are addressed by the TOE and the modified action planning process (2.2a[5,6]). In 2009, the EMC made financial statements available in branch/office staff rooms and on the System for Measuring, Analyzing, Reporting, and Tracking our Environment and Regulations (SMARTER) data warehouse (4.1a[1]).

*Transparency:* Key processes, such as the SPP, project prioritization, succession planning, and performance management, involve the entire workforce either directly or indirectly through input or communication. Key decisions are fully disclosed to all units, workforce segments, and other stakeholders, as appropriate, to ask for ideas and achieve buy-in before a process is implemented or an action taken.

*Independence in Internal and External Audits:* TNB is subject to periodic audits conducted by federal and state agencies. The OCC conducts operational, credit, and compliance audits of banks and issues audit ratings. The FDIC conducts an annual risk assessment audit in compliance with the Federal Deposit Insurance Act (FDIA) to insure deposits in qualified banks and guarantees up to \$250,000 to protect stakeholders. Audits are conducted by state charter bank regulators, and the Department of State Lands audits unclaimed deposits and property. On an annual basis, Carolina Piedmont Accounting independently audits TNB's consolidated financial statements in accordance with the Financial Accounting Standards Board (FASB).

*Stakeholder Protection:* TNB ensures stakeholder protection through balanced input opportunities during the SPP, where the needs of all key stakeholders are considered when setting strategic objectives and action plans.

**1.2a(2)** The performance of EMC members is evaluated quarterly by the president, who reviews (1) the year-end performance of each EMC member, (2) executive and workforce input gathered via 360-degree reviews, and (3) previously agreed-upon personal development goals. The performance of the president is reviewed by the CEO, whose performance is reviewed by EMC members, who rate him on five dimensions: communication, flexibility, creativity, decision making, and stewardship. This feedback is considered by the BOD when it

conducts the CEO's performance evaluation and in determining compensation. Lastly, each EMC member is provided with a leadership Grade Point Average (GPA; an anonymous rating by all TNB leaders), using the same five dimensions; this GPA serves as another measure of performance (Figure 7.4-6). Informally, each branch/office has access to an anonymous and confidential online tool, enabling associates to submit feedback on individual leaders and on the TLS on topics such as decision making, priority setting, communication styles, and interpersonal skills. An EMC member and a frontline associate oversee the data. In 2005, the BOD implemented an annual anonymous survey to evaluate its own performance. This survey is completed by board members, the EMC, and a random sample of associates.

Using these performance reviews, the BOD, CEO, president, and EMC further their development and improve their personal leadership effectiveness by (1) identifying areas of deficiency at the TLS and individual levels and (2) creating collective and/or leader-specific development plans. In addition, to further the development of the board and leadership system, each year, the CEO brings in three speakers during the LDS to share best practices, discuss opportunities for improvement, and create accountability systems. In 2009, an LDS session on ethics and connecting with the next generation of consumers led to the creation of the external, online bulletin board.

**1.2b(1)** TNB addresses the impacts of its services/operations on society and the risks associated with its products and operations through two methods. Proactively, during the design stage of the BPM, internal/external requirements for all stakeholders are designed into products and services, which are then tested for whether they meet requirements and for unnecessary resource consumption. Products and services are implemented and then monitored using a set of process and outcome indicators. This approach helped TNB avoid offering the risky financial vehicles that contributed to the economic recession. TNB also has a reactive approach: Should an adverse event occur, the root cause is identified using TOE tools, an action plan is developed to address the root cause, and the EMC uses its transparency and communication methods (Figure 1.1-4) to inform stakeholders, as appropriate, how and when the issue will be fixed.

Public concerns are anticipated through integration of the proactive methods above, in addition to other steps: (1) key operations are reviewed at least annually by the process owners and the EMC using voice-of-the-customer (VOC) tools

as a baseline; (2) during the SPP, information on community and overall consumer perception is collected and analyzed, supporting the identification of blind spots; (3) the EMC sets nonnegotiable expectations that all associates are to ensure that their actions do not have adverse consequences; and (4) communications are always transparent regarding the state of the market and the TNB customer.

Woven into the aforementioned methods, resource conservation is an important part of TNB's Community One initiatives, which capitalize on relationship-building approaches (see 3.2) to engage the customer and help TNB be a better steward of its natural resources. For example, TNB's efforts to go paperless internally and with customer-based banking documents are built on trust between TNB and the customer.

EMC members and branch leaders review key compliance and regulatory indicators (i.e., regulatory reports and *Reg Alert*) at least quarterly but often monthly during the strategic agenda review. As a result of these regular reviews, the EMC identified an opportunity to further deploy the changing regulatory requirements to key suppliers and partners via an e-mail list-serv that automatically sends out new industry regulations, notice of formal meetings, and contract/performance reviews.

Many risks to stakeholders and regulatory requirements, such as protecting confidential consumer financial information, fair lending, transparency in lending, and community reinvestment, are the same. Figure 1.2-1 depicts the processes, measures, and goals for achieving and surpassing regulatory and legal requirements. The Audit Compliance Review is the key process for addressing the many compliance requirements, and it is conducted on compliance requirements on a rotating basis throughout the year. The process is rigorous and identifies potential noncompliances at a lower threshold than the regulating agencies so that TNB can proactively identify the root cause of potential noncompliance and revise the process that allowed it to occur. This rigorous internal audit process is intended to result in no external audit findings.

The key process for addressing risks associated with TNB's products and operations is the FDIC's Risk Assessment Review, which includes a review of TNB's overall portfolio, customer group portfolio, and branch and region portfolio. The internal goal is a risk score below 10; the external FDIC goal is zero risk assessment audit findings.

**1.2b(2)** Figure 1.1-3 shows how TNB promotes and ensures ethical behavior in all interactions. Key processes and

measures/indicators for enabling and monitoring ethical behavior are in Figure 1.2-2; results for these measures/indicators can be found in item 7.4.

Breaches of behavior are monitored and addressed at both the individual and organization levels by

**Figure 1.2-1 Achieving and Surpassing Regulatory and Legal Requirements**

Processes	Measures	Goals
Audit Compliance Review	# and level of noncompliance  # of external audit findings and noncompliances	<ul style="list-style-type: none"> <li>Internal: 0 Level 1 (most serious noncompliance)</li> <li>Internal: Fewer than 10 Level 2 and 3 noncompliances (Figure 7.4-5)</li> <li>External: 0 OCC audit findings (Figure 7.4-5)</li> <li>External: 100% compliance with requirements (Figure 7.4-4)</li> </ul>
Community Investment Review (loans to commercial and small businesses)	% planned community investment achieved	Internal: Planned community investment +/- 10% (Figure 7.4-5)
Reserve requirement maintained	% reserve requirement	100% reserve requirement (Figure 7.4-5)

**Figure 1.2-2 Key Processes and Measures/Indicators for Enabling and Monitoring Ethical Behavior**

Processes	Measures/Indicators	Where Used
Code of Conduct	% compliance	Throughout governance structure, in organization, and in external interactions
Associate Engagement Survey	Management integrity question score	Throughout organization
Leadership GPA Process	Ethical competency score	Throughout governance structure
Internal Audits	# of findings related to ethics	Throughout organization

**Figure 1.2-3 Sample of Community One Initiatives**

Initiatives to Support Social Structures	Initiatives to Support the Environment	Initiatives to Support the Economy
<ol style="list-style-type: none"> <li>1. Transparency in operations and decisions</li> <li>2. “Give-back” community days</li> <li>3. Branch food drives</li> <li>4. Annual 5K breast cancer run/walk</li> <li>5. Financial education seminars for customers</li> </ol>	<ol style="list-style-type: none"> <li>1. Online banking</li> <li>2. Phone book recycling days</li> <li>3. Key environmental metrics tracked on TNB’s public Web site</li> <li>4. 75% of all lights converted to compact fluorescent light bulbs</li> </ol>	<ol style="list-style-type: none"> <li>1. Expedited loan process</li> <li>2. 1% credit card purchases donated to local schools</li> <li>3. Access to new small business loans</li> <li>4. Partnerships with local colleges and schools to keep talent in the area. The focus ranges from teaching students personal financial literacy in middle school to providing TNB scholarships for finance majors in college.</li> </ol>

each senior leader. Organizationally, the Secretary and General Counsel is responsible for observing, reinforcing, and enforcing TNB’s ethical standards and expectations. TNB has refined its approach, based on the external environment, to be more stringent by implementing a “one-strike” policy depending on the severity of the breach. If the act is egregious, the associate is immediately dismissed. The appropriate leader addresses less serious offenses through interventions such as education. Unit-level breaches become input into organizational ethics training. Furthermore, the Secretary and General Counsel provides each leader with ethics-monitoring education, and senior leaders are held accountable to their unit-specific measures.

**1.2c(1)** Legendary Service means creating relationships with communities that go beyond financial transactions—relationships include how TNB interacts with the social structures, environments, and economies of its communities. In order to contribute to the societal well-being and benefit of these communities, as well as their environmental, social, and economic systems, TNB offers a set of value-add programs and actions as part of its Community One initiatives to strengthen the local communities where TNB facilities are located (Figure 1.2-3). These programs and actions include charitable contributions, participation on boards, and educational offerings.

**1.2c(2)** Given TNB’s vision to be the number-one community bank in Legendary Service, key communities have been identified as the locations in which branches are located. TNB analyzes data from Step 2 of the SPP for patterns, using the following decision-making rubrics: Will the support (1) meet a community need; (2) align with the MVV, a strategic objective, or a core competency; (3) ensure return on investment (ROI); or (4) improve people’s lives? Most community support aligns to the core competency of Legendary Service in terms of service to the community. Using these constructs, TNB allocates financial resources, and each member of the EMC selects and is held accountable for participating actively with at least one community group. All TNB managers are expected to proactively identify in their IPPs a community group to become involved with and eventually serve in a leadership capacity. This focus on community also cascades to the associates who are encouraged to get involved with local community groups identified by each branch. In 2009, the EMC developed

an innovative incentive program that offers each associate who commits 100 volunteer hours/year to a branch-supported community group or project eligibility for up to a 15% reduction in health premiums through the Volunteer Hero award.

Community One is the primary mechanism for evaluating the effectiveness of approaches, tied in with lagging indicators such as increases in growth and financial strength both internally and for the local economy. As a result of the review in 2009, in early 2010, TNB held three community town halls to discuss how TARP funds were used to help with local building projects and defaulting customer mortgages.

Figure 1.2-4 presents a sample of the organizations in which EMC members are actively involved in a leadership capacity. All EMC members also are active in their local Chambers of Commerce.

**Figure 1.2-4 Senior Leaders’ Community Support**

Henry J. Chandler	Anich Foundation for Education Board, CAB, The Rhombus Foundation Board, BANC, Repertory Theater Board, United Way Foundation Board, Carrollville University Board
Edwin Jefferson	North Carolina Board for Economic Improvement, North Carolina Panel on Economic Education, Green Forest University Board, CAB
Don Cooper	Crosswinds of North Carolina (nonprofit dedicated to the homeless of the state)
Seth Williams	CPA Alliance of North Carolina, BANC
Allen Heath	Youth & Education Initiative Board, Breve Performing Arts Center Board
Jean Bonchette	State Bar of North Carolina, North Carolina Women in Banking Group, Women’s Center Board
Joe Guswiler	North Carolina Chambers of Commerce, several rotaries, and Carolina Volunteer Service Corps.
Dale Cowen	North Carolina Businesses for Financial Literacy, Young Tar Heels Advisory Board, Building Carolina Project
Dawn Williams	North Carolina Association of Small Businesses
Frank Hall	Raleigh Boys & Girls Club
Mariah Dunn	Youth & Education Initiative, BANC
Marie Bonchette	Baldrige Performance Excellence Program Examiner, Women’s Economic Club of Raleigh
Todd Jefferson	BAA, Information Technology International Summit

## Category 2: Strategic Planning

The SPP has undergone multiple, systematic cycles of learning and now guides TNB through economic peaks and valleys. Until 1998, TNB relied on its Annual Operating Plan (AOP) to drive strategic planning. In the spring of 1997, the President and a few members of the EMC attended the Quest for Excellence Conference and brought back an understanding of how strategic planning is used in the service and manufacturing sectors. In mid-1997, a new Business Excellence position was created with responsibility for developing a systematic SPP. Since then, TNB has implemented the TOE process whereby the EMC evaluates and improves the SPP twice a year: once at the end of the planning cycle in Step 6 for the process itself and again at the beginning of the next cycle in Step 2 for effectiveness of the overall strategic plan. Significant improvements include changes to both strategy development (Steps 1–3, see item 2.1) and strategy deployment (Steps 4–7, see item 2.2).

### 2.1 Strategy Development

**2.1a(1,2)** Steps 1–3 of the SPP (Figure 2.1-1) are used to develop the strategic plan. Steps 4–6 are used to develop supporting action plans and to deploy the strategic plan, and Step 7 is used to monitor the strategic plan (see item 2.2).

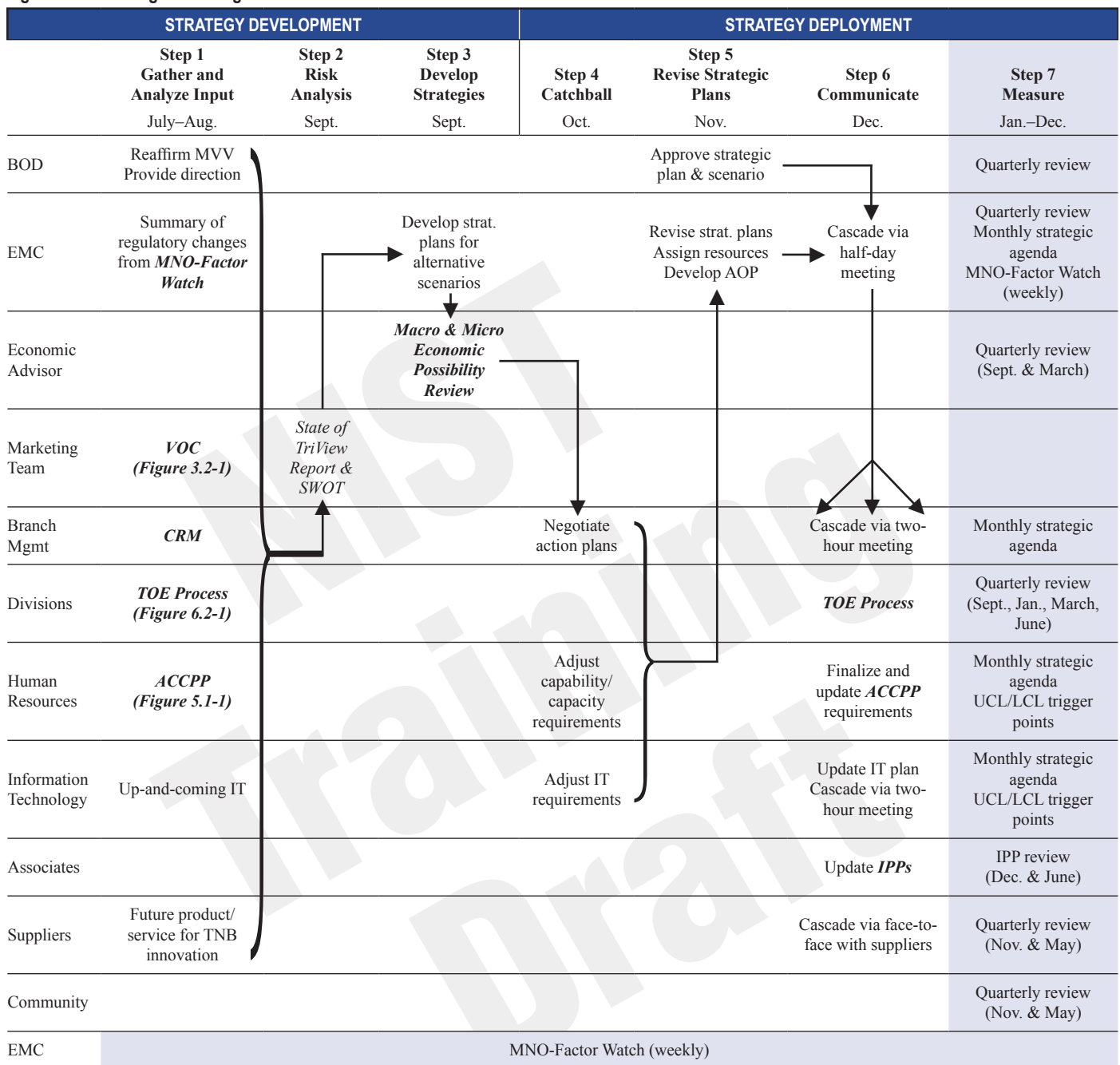
**Step 1, Gather and analyze the input.** Several key inputs (Figure 2.1-1) are used as the basis for the SPP:

- During its third-quarter meeting, the BOD reaffirms the MVV and provides general direction to the SPP.
- Through the VOC Process (Figure 3.2-1), the Marketing Team consolidates customer, competitive, market, and economic data, including trends on market share, customer activities, and key customer requirements with respect to TNB offerings, as well as new entrants to the banking industry and competitors' products and service offerings. Information from various listening and learning mechanisms (Figure 3.1-2) is used to develop projections of competitors' performance on key customer expectations and against competitors' business plans. This provides a long-term, three-year perspective on what customers expect, what competitors are going to do, and national banking trends and an overall prediction on the economy.
- This information is supplemented by data from the Customer Relationship Management (CRM) database, where all of the branches gather customer information throughout the year, including complaint data from Service Advantage. Surveys are sent to both customers and potential customers, with the results of current and future expectations summarized as part of Step 1.
- As part of the Process Improvement Methodology (Figure 6.2-1), members of the EMC submit potential key process improvement opportunities for consideration as input to the SPP. Two EMC members also participate in the strategic planning processes of two key suppliers, Great Smoky Marketing and Pamlico River Investments, which facilitates bringing in their new technology ideas for product and service consideration during Steps 2 and 3.
- As part of the MNO-Factor Watch process initiated in 2011, each EMC member is assigned to a different regulatory body, monitors information for that body weekly to stay updated on current and future regulatory issues (see 2.2a[6]), and submits to the SPP a summary analysis of the body's direction and potential impact.
- The Associate Capability and Capacity Planning Process (ACCPP; Figure 5.1-1) provides a current, one-year, and three-year projection of capacity plans by branch and job function, in combination with projected skill sets based on standard work associated with key processes (Figure 6.1-3). Feedback from the associate engagement survey is used during the Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis.
- Each department provides preliminary plans for possible future implementation. For example, the Information Technology (IT) Department benchmarks other financial institutions for current and future technology and selectively recommends a list of up-and-coming technology.
- Finally, TNB cultivates relationships with key suppliers to gain information about their future products and services and their perspectives on banking industry needs. This information is used by TNB to identify potential innovative products/services during Steps 3, 4, and 5 of the SPP.

**Step 2, Risk Analysis.** The Marketing Team, in conjunction with an annually rotating team of branch managers, conducts an in-depth data analysis of the inputs mentioned above:

- First, a regression analysis of the historical performance of TNBSC metrics is made to project future performance. The regression is also used to determine the effectiveness of the strategic action plans against the TNBSC metrics through correlation analysis (Figure 7.1-19).
- Next, customer, market, and competitive data from the VOC process are considered. This information is segmented by the consumer, small business, and commercial customer groups, as well as by region. Once these data are consolidated, several risk analysis models are used to summarize and rank risks according to customer, market, competitive, economic, regulatory, and demographic factors. Each area of risk has three scenarios projected for it (grow, sustain, and survive), along with a confidence percentage for occurrence. The net result is the *State of TriView Report* that is distributed to the EMC and all management.
- A SWOT analysis is conducted that includes the determination of TNB's current core competencies, strategic challenges, and strategic advantages, as well as consideration of these elements for all types of TNB competitors (Figure P.2-1). The criteria for a core competency are that it cannot be easily duplicated and/or is enjoyed only by TNB and perhaps one or two other competitors. Some core competencies, challenges, and advantages for both TNB and its competitors are classified as "super-strengths" and "super-weaknesses." In the latter case, a counter-measure action

**Figure 2.1-1 Strategic Planning Process**



plan is developed to neutralize the competitor’s advantage or core competency. For example, Legendary Service may be used to overcome a national bank’s cost advantage. This approach helps ensure that TNB has a sustainable strategy.

- Finally, the Marketing Team creates an affinity diagram of the core competencies and strategic advantages to ensure that they address the mission and vision. If there is a gap, then the Marketing Team will recommend a strategic initiative to the EMC as part of the *State of TriView Report*.

**Step 3, Develop Strategies.** EMC members conduct special staff meetings with their respective managers to discuss the *State of TriView Report* and SWOT. These discussions focus on the three scenarios, the percentage prediction for occurrence, and what counter-measures can be put in place to minimize risk. The EMC then meets for a day to conduct

scenario planning and develop alternative strategic plans, one each for grow, sustain, and survive scenarios.

The strategic plan is divided into two major time horizons. The first is a one-year operating plan that corresponds to regulatory, financial, and tax reporting requirements. The second is a three-year strategic plan that corresponds to a reasonable time frame in which a strategy can be implemented and expected to achieve tangible results. The *State of TriView Report* includes one- and three-year projections of expected performance, along with three levels of predicted performance. Three corresponding sets of strategic plans are developed to respond to the three scenarios. Associated with these are short-term action plans (established in Steps 4–6 of the SPP) that are expected to be completed in one year, as well as long-term action plans that may start in the next year but are expected to continue

for two or three years. As a result of TOE, the EMC initiated a microterm planning horizon of one week in late 2008 to be able to respond to changes in the regulatory environment and/or review acquisition opportunities.

Step 3 is also when potential blind spots are identified and considered via the Macro and Micro Economic Possibility Review. A nationally recognized economist from a think tank funded by three local universities has developed a mathematical model to determine the impact of national, economic, and regulatory issues and market, competitive, and regional issues on one another and on TNB. Once the EMC develops the strategic plans for the three scenarios in September, the economist receives a copy of the three plans and the *State of TriView Report*. The economist reviews these plans and in combination with her own economic analysis (recognized by The Economist Forum), she conducts a day-long Macro and Micro Economic Possibility Review with the EMC, during which she shares her findings and manipulates variables to determine if there is something not accounted for in the three strategic plan scenarios. Based on this day-long, interactive activity, the EMC modifies the three scenario strategic plans so that each becomes a valid, feasible strategy. In March, the economist provides an update on the economy and helps to guide the EMC in affirming the current scenario and associated strategic plan or determining whether one of the other two alternative plans is needed as a result of changes in the economy.

**2.1b(1)** The 2011 Strategic Plan—Sustain Scenario (Figure 2.2-1) describes TNB's key strategic objectives and its most important goals, as well as its short- and long-term action plans to achieve the strategic objectives. Related strategic challenges and advantages, core competencies, and performance projections also are part of the scenario.

**2.1b(2)** As part of Step 3, Develop Strategies, the EMC and the Marketing Team review the strategic objectives against core competencies, strategic advantages, and strategic challenges. This is done again during Step 5, Revise Strategic Plans, to ensure that action plans address the core competencies, strategic advantages, and strategic challenges. If a new core competency, strategic advantage, or strategic challenge is identified for TNB or a competitor during the SWOT analysis, this is also added to the analysis to ensure that counter-measures are developed to neutralize the advantages of competitors. Three levels of criteria are used to indicate direct support, indirect support, or no impact, with the intention of ensuring that all core competencies, strategic advantages, and strategic challenges are addressed. This same type of analysis is applied to stakeholders and other pertinent groups, using tiers that reflect their varying impact levels. In the first tier are customers, associates, and regulators. Associates are key to providing Legendary Service, which is required to satisfy the needs of customers. Without customers, the bank would have no cash flow. And if regulatory requirements were not met, TNB would not exist. In the second tier are shareholders, since without profitability, TNB cannot stay in business and address the needs of the third tier, which includes suppliers and the community.

## 2.2 Strategy Implementation

**2.2a(1)** TNB's action plans to accomplish its strategic objective are identified in Figure 2.2-1. Only one product change is planned: to adapt TNB's face-to-face Legendary Service to work seamlessly with a customer base that is connected electronically via the Internet and cell phones. Customer service standards (Figure 3.2-3) are revised each year as part of the competitive analysis conducted in Step 2 of the SPP, validated by the EMC in Step 3, approved by the managers in Step 4, and deployed in Step 6.

**2.2a(2) Step 4, Catchball.** Once strategic plans for each of the three scenarios have been developed, a catchball process is used with all branch and functional managers and their staff members. Managers review all three versions of the strategic plans and then have a day-long meeting with their delegated EMC member. Two meetings are conducted with branch managers to allow for more discussion and provide time for participants to think about the strategic plans, determine whether the plans make sense, and identify supporting short- and long-term action plans. Participants also develop a people, process, policy, technology, and capital fishbone diagram to identify necessary resources in terms of what they already have and what they need to accomplish the strategic plans. This process allows managers to negotiate their roles, thus helping to ensure realistic strategic plans, while also obtaining commitment from the entire leadership team. The Human Resources (HR) Team reviews the strategic plans for capacity and capability and makes any needed adjustments to the ACCPP, while IT staff members adjust requirements for the IT plan.

**Step 5, Revise Strategic Plans.** Based on the catchball feedback from branch and functional managers, the EMC revises the three sets of strategic plans and selects the scenario most likely to occur based on the discussion with the economist during Step 3. The single strategic plan for the selected scenario (sustain for 2011) is then formalized into a strategic plan document for management. A summary-level presentation is delivered during face-to-face meetings with all associates and key suppliers. Using Steps 1–4 of the Measure Selection Process (MSP; Figure 4.1-1), the EMC reviews the TNBSC metrics (Figure 4.1-2) for changing the business to ensure that each of the current metrics is valid and to determine whether additional metrics are needed for the new strategic plan.

**Step 6, Communicate.** Once the strategic plan is finalized, the EMC and Executive Vice Presidents (EVPs) of the consumer, small business, and commercial divisions conduct a coordinated, half-day meeting with all of the branch and department managers to communicate the short- and long-term action plans. Each manager then conducts a two-hour meeting with his/her respective branch or department. All associates are assigned roles in achieving specific TNBSC metrics and/or action plans. Managers then conduct one-on-one sessions with associates to finalize their IPPs for the coming year, including training plans based on the strategic plan and the individual associate's developmental needs. The HR Team makes final adjustments to ACCPP needs by department, branch, and classification of associate. Rapid Deployment Teams are chartered to execute the TOE process for changing the business,

Strategic Challenges	Strategic Advantages	Core Competencies	Strategic Objectives	Most Important Goals	Action Plans and Timetable (ST=Short-term LT=Long-term)	TNBC Metrics	Cat. 7 Figure/Ref.	Projection 2011	Projection 2013	Comp. Projection 2013
<b>CUSTOMERS</b> 3. Addressing the loss of public confidence in the financial industry		Legendary Service	Use Legendary Service as a means to become the preferred bank in the TriState region	Maintain customer leadership position  Increase market share by 5% year over year	Implement TOE project for VOC process (ST: 2011, Q3)  Create a virtual version of Legendary Service (LT: 2013)	Customer satisfaction Market share—assets Market share—loans Total deposits Products/household Consumer transactions accuracy Time deposit statement accuracy	7.2-1 7.5-7 7.5-8 7.5-5 7.2a(2) 7.1-5  7.1-5	3.70 \$6,921m \$77,767m \$1,900m 4.6 1 per 1,000  0.008%	3.80 \$8,375m \$94,098m \$2,100m 4.7 0.5 per 1,000  0.0045%	3.75 \$7,924m \$89,032m   1 per 1,000
<b>ASSOCIATES</b>	4. Loyal and stable workforce with low turnover	Legendary Service	Be known as the financial services employer of choice	Create a cross-functional workforce so that every associate has a dual career path	Implement TOE project for Legendary coaching (ST: 2011, Q2)  Implement PMDP for Widmark (ST: 2011, Q4)	“Best Places to Work” Associate satisfaction Associate engagement Associate vacancy rate	7.3a(1) 7.3-1 7.3-2 7.3-6	23rd 91% 80% 0.40%	10th 93% 84% 0.75%	4%
<b>PROCESSES</b> 4. Integrating the mortgage operation acquisition processes and workforce, into TNB’s structure and culture	5. Process discipline and TOE focus enables TNB to process transactions better than competitors and at a lower cost	Operational Excellence	Integrate the Widmark acquisition, including customers, associates, and products	Streamline the traditional TNB mortgage process, using technology, as appropriate  Win new business from Widmark customers through Legendary Service	Conduct TOE review for all Widmark processes (ST: 2011, Q4)  Implement Widmark mortgage process in all branches (ST: 2011, Q3)  Conduct Legendary Service training (ST: 2011)	Action plan to scorecard metric performance Time to auto loan approval Efficiency Ratio Cost per check transaction	7.1-19 7.1-6 7.1-10 7.1-16	0.75 1 day 0.3 \$0.31	0.75 1 day 0.28 \$0.29	0.78 2 days
<b>REGULATORY</b> 1. Addressing the many changes in banking regulations	2. Hometown bank with a reputation for stability and integrity	Operational Excellence  Agility	Meet and exceed all regulations so as to become the role-model financial organization	Become aware of new regulations as soon as possible  Have a voice in future bank regulations	Implement weekly MNO-Factor Watch (ST: 2011, Q1)  Get elected to bank industry committees (LT: 2013)	CAMELS rating Ethical/legal findings External audit compliance Tier 1 ratio	7.1-17 7.4-8 7.4-4 7.5a(1)	1 0 100% 17.8%	1 0 100% 18.1%	1 98% NA
<b>FINANCIAL</b> 2. Meeting earnings targets while serving increasing numbers of customers using low-margin services	1. Taking advantage of the relatively low cost of TARP funds (5%) through 2013  3. Numerous opportunities for mergers/acquisitions for banks with capital	Operational Excellence  Agility	Maintain current earnings as part of “Sustain” strategy and position for “Grow” strategy  Optimize market opportunities	Drive down past-due rate for Widmark  Become proficient on acquisitions	Implement TOE project for Widmark customer payment plans (ST: 2011, Q1)  Implement TOE project for risk analysis (ST: 2011, Q2)  Tighten UCL/LCL limits  Deliver products and services process (LT: 2012)  Target one acquisition (LT: 2013)	Audit findings ROE Nonperforming asset ratio Net interest margin Net interest income  Efficiency Ratio	7.4-4 7.5-1 7.5-4 7.5-6 7.5-6 7.1-10	100% 40% 0.50 3.75% \$78m 0.3	100% 43% 0.40 4.03% \$93m 0.28	99% 45%BC 0.43 Top-Q 4.16% \$98.4m



updating work system design, and achieving breakthrough improvements as identified in the strategic plan. New products and services are handed back for development and launch through the VOC process. Finally, all suppliers are brought in for a two-hour session that features the same presentation used for associates. Later (in Step 7), suppliers also participate in the quarterly review of the strategic plan to ensure follow-up on their assigned action plans.

To proactively ensure that action plans are effective and their outcomes sustainable, during Step 2, Risk Analysis, regression analysis is used to determine the effectiveness of the prior year's strategic action plans against the TNBSC metrics. This provides a check as to whether action plans are realistic. Sustainability is also addressed during Step 3, Develop Strategies, in particular through the Macro and Micro Economic Possibility Review. In addition, the status of action plans is reviewed during Step 7, Measure (see 2.2a[5,6]), via the Monthly Strategic Agenda Review conducted by all branch and functional managers, the quarterly review conducted by the EMC and the divisions, and the weekly MNO-Factor Watch.

**2.2a(3)** The identification and assignment of resources needed to accomplish the strategic plan occur across four steps of the SPP to ensure input from everyone associated with the execution of the plan:

- Step 2, Risk Analysis: Risks, including those related to available resources, are identified and assessed.
- Step 3, Develop Strategies: Blind spots, and resource implications, are identified and assessed.
- Step 4, Catchball: Branch and department managers identify necessary resources.
- Step 5, Revise Strategic Plans: The CFO leads a people, process, policy, technology, and capital fishbone review of all key action plans. This approach highlights any gaps in the plans so that either appropriate resources can be allocated or alternative action plans can be devised. From this, the EMC develops the AOP.

**2.2a(4)** HR plans are developed during Steps 4 and 6 of the SPP. In Step 4, Catchball, when the three alternative scenario strategic plans are presented, they are passed through the ACCPP to determine if adequate capacity and capability exists in the pipeline. If not, then supporting HR plans are developed to identify new hires, retraining, promotions, and overall development of all associates by branch, department, and associate classification and position. In Step 6, HR plans are finalized based on the revised and final strategic plan. These HR plans are identified in Figure 2.2-1 for the strategic objectives, "Be known as the financial services employer of choice" and "Integrate the Widmark acquisition."

**2.2a(5,6)** TNBSC metrics for the accomplishment of action plans and strategic objectives for 2011 are in Figure 2.2-1.

**Step 7, Measure.** TNB uses several methods to ensure that its action plan measurement system reinforces organizational alignment, that it covers all key deployment areas and stakeholders, and that action plans can be modified quickly and effectively when needed.

- *Quarterly Review:* The EMC conducts a quarterly review of the strategic plan, first by affirming that the correct scenario still is applicable, then by reviewing TNBSC metrics against goals and projections and against the respective competitive goals and projections or benchmarks. Action plans are reviewed with respect to deployment and effectiveness, as well as whether they favorably impacted a TNBSC metric. TNBSC performance is reviewed against UCL/LCL for cause and effect associated with both good and bad performance to ensure that action plans are having the desired effect. Exceptions are identified by division (consumer, small business, and commercial), by branch, or by department. A minicascade is conducted with the respective area in a face-to-face meeting, and, if necessary, individual IPP plans are revised.
- Members of the EMC conduct a face-to-face quarterly review with key suppliers to confirm their implementation of action plans and conformance to TNB's expectations.
- *Monthly Strategic Agenda:* Each division, branch, and department conducts a Monthly Strategic Agenda Review on the following topics, in sequence, for the respective area: TNBSC metrics, strategic action plans, customer issues, associate issues, and scheduled calendar events.
- *UCL/LCL Trigger Points:* Each branch and department is responsible for one or more key processes. As part of the monthly review, TNBSC metrics aligned to customer expectations of the process are reviewed according to UCL/LCL based on historical data, goals, and projected performance for the current year. Performance inside these limits is acceptable, while variations outside them are evaluated to determine if they are the result of a special cause. If not, a Trust Team is assigned to the issue to identify the root cause and implement corrective action plans. Progress is then reported at the next Monthly Strategic Agenda Review.
- *MNO-Factor Watch:* Each EMC member monitors information on an assigned regulatory body each week via an RSS feed from the Internet and by talking to contacts at the regulatory agency. The EMC meets weekly to discuss any significant issues or opportunities that may require a Trust Team to address.

In addition, the Marketing Team conducts an annual evaluation in Step 2 of the SPP via a coefficient of correlation analysis between action plan deployment and the TNBSC metrics to determine the effectiveness of the action plans.

**2.2b** Figure 2.2-1 contains short- and long-term projections, as well as projections for either a best competitor or best benchmark (see Figure 4.1-2 for the "comparative data source or benchmark"). Projections are determined during Step 3, Develop Strategies, during scenario planning, and all types of competitors are considered when setting comparative projections. As gaps in performance against competitors are identified, Trust Teams are chartered to first address those with the potential to impact a strategic objective.

## Category 3: Customer Focus

### 3.1 Voice of the Customer

**3.1a(1)** TNB's customers are segmented into three groups: consumer, small business, and commercial. Consumers include single or household account holders with Demand Deposit Accounts (DDAs) who utilize branches to deposit and withdraw funds and who desire home mortgage or consumer loans. Small businesses and commercial accounts include companies that are sole proprietorships, partnerships, and corporations. Both small businesses and commercial accounts utilize DDA products and transaction services, such as cash management, account reconciliation, and lockbox services. Small businesses are differentiated from commercial accounts by the size of the asset relationship. Small businesses generally are under \$1 million, and commercial businesses are over \$1 million.

TNB has developed multiple listening/learning mechanisms (Figure 3.1-1) to engage and obtain actionable information from its various customer groups and to enable customers to seek information, conduct their business, and provide feedback. Customer contact by telephone, mail, e-mail, electronic banking, and the live chat function on the TNB

Web site is managed by DirectServe Center CSRs who enter the information obtained from these contacts into the CRM application, Service Advantage. This application is integrated with SMARTER, TNB's data warehouse and analysis system, which enables the collection and analysis of customer data by the Legendary Service Department (LSD). The LSD, which was formed in 2006 to research trends in service and put forth recommendations on service strategies, reports to the EVP for Marketing and Communications. The LSD shares this analysis with the EMC, product managers, and the Marketing Team to improve associates' ability to understand customer behavior, anticipate customer needs, and build more profitable customer relationships. These data also serve as important inputs for the SPP and CIP.

To follow up with customers, TNB's Customer Outreach Program (COP) works with Drill Down Research to proactively contact customers about their banking experiences to help determine customer satisfaction with products and services; identify cross-selling opportunities; and ascertain emerging customer trends, issues, and new requirements.

**Figure 3.1-1 Customer Segments, Requirements, Products, and Listening Mechanisms**

Segment	Requirements and Expectations	Products and Services	Listening/Learning Mechanisms
Consumer	<ul style="list-style-type: none"> <li>• Security of deposits and information</li> <li>• Convenience to access accounts 24/7</li> <li>• Responsiveness to information requests</li> <li>• Accuracy of information and statements</li> <li>• Timeliness of service with quick turnaround and no wait-time</li> <li>• Knowledgeable associates</li> </ul>	<ul style="list-style-type: none"> <li>• DDAs (e.g., checking and savings accounts)</li> <li>• Debit cards</li> <li>• Money market accounts</li> <li>• Certificates of deposit</li> <li>• IRAs</li> <li>• Securities services</li> <li>• Financial planning services</li> <li>• Insurance services</li> <li>• Mortgages</li> <li>• HELOCs</li> <li>• Credit cards</li> <li>• Auto loans</li> <li>• Student loans</li> <li>• Safety deposit boxes</li> <li>• Online and mobile banking</li> </ul>	<ul style="list-style-type: none"> <li>• Focus groups (S, F)</li> <li>• New Loan Questionnaire (F)</li> <li>• New Account Opening Questionnaire (F)</li> <li>• Mystery Shopper program (C)</li> <li>• Quarterly satisfaction phone survey (COP) (F)</li> <li>• DirectServe Center (S, C)</li> <li>• Online chat (S, C)</li> <li>• Complaint data (F)</li> <li>• Feedback forms (sent with statements) (F)</li> <li>• Feedback link at the bottom of all e-statements (F)</li> <li>• Pre-addressed postage-paid postcards (available in branches) that include Web site address in case individuals prefer to complete online (S, F)</li> </ul>
Small Business	<ul style="list-style-type: none"> <li>• Security of deposits and information</li> <li>• Advocacy for interests in the community</li> <li>• Convenience to access accounts 24/7</li> <li>• Responsiveness to information requests</li> <li>• Accuracy of information and statements</li> <li>• Timeliness of service with quick turnaround and short wait-time</li> <li>• Confidentiality of business issues</li> </ul>	<ul style="list-style-type: none"> <li>• Checking accounts</li> <li>• Money market accounts</li> <li>• Lines of credit</li> <li>• Equipment financing</li> <li>• Commercial real estate financing</li> <li>• Credit cards</li> <li>• Cash management</li> <li>• Lockboxes</li> <li>• Online and mobile banking</li> </ul>	<ul style="list-style-type: none"> <li>• New Loan Questionnaire (F)</li> <li>• New Account Opening Questionnaire (F)</li> <li>• Complaint data (F)</li> <li>• DirectServe Center (S, C)</li> <li>• Online chat (S, C)</li> <li>• Quarterly satisfaction phone survey (COP) (F)</li> <li>• Feedback forms (sent with statements) (F)</li> <li>• Feedback link at the bottom of all e-statements (F)</li> <li>• Pre-addressed postage-paid postcards (available in branches) that include Web site address in case individuals prefer to complete online (S, F)</li> </ul>
Commercial	<ul style="list-style-type: none"> <li>• Low rates</li> <li>• Rapid approvals with quick turnaround</li> <li>• Advocacy for interests and issues</li> <li>• Timeliness of service with quick turnaround and short wait-time</li> <li>• Responsiveness to information requests</li> <li>• Accuracy of information and statements</li> <li>• Confidentiality of business issues</li> </ul>	<ul style="list-style-type: none"> <li>• Commercial real estate financing</li> <li>• Construction financing</li> <li>• Term loans</li> <li>• Lines of credit</li> <li>• Cash management</li> <li>• Lockboxes</li> <li>• Account reconciliation</li> <li>• Online banking</li> </ul>	<ul style="list-style-type: none"> <li>• Complaint data (F)</li> <li>• DirectServe Center (S, C)</li> <li>• Online chat (S, C)</li> <li>• Feedback forms (sent with statements) (F)</li> <li>• Feedback link at the bottom of all e-statements (F)</li> <li>• Pre-addressed postage-paid postcards (available in branches) that include Web site address in case individuals prefer to complete online (S, F)</li> <li>• Telephone surveys (S)</li> </ul>

**Key:** S = Seek information; C = Conduct business; F = Provide feedback

Customer listening and learning approaches, including COP surveys, are reviewed by the LSD on an annual basis, as are the other customer satisfaction mechanisms. After a 2007 review of COP survey design, TNB added questions about problem resolution and revised the New Loan and New Account Questionnaires to inquire into potential competitive advantages. This, in combination with the annual SPP competitor analysis, helps TNB determine if changes in its approaches are required in order to keep up with changing customer requirements and business needs. In addition to regular reviews, TNB uses the feedback reports provided by Baldrige Examiners to evaluate and improve approaches. Feedback provided by regulators also enables the bank to ensure its approaches are current with customer needs and requirements.

With the exception of customers becoming increasingly comfortable with ATMs and online banking, research shows that the majority of customers prefer traditional ways of providing input to the banking industry. However, younger customers, such as students and young professionals, are comfortable with social media (e.g., LinkedIn and Twitter). As a result, TNB is exploring ways to use social media without compromising the significant regulations about customer privacy. Industry and TNB research thus far indicates a very low return on investment for the banking industry because of these constraints, but TNB will continue to monitor the use of social media.

**3.1a(2)** To obtain actionable information and feedback on TNB's products and services from former customers, potential customers, and customers of competitors, TNB participates in the Greater Tri-State Business Forum. This forum is dedicated to helping organizations and the local government achieve planned growth by providing services such as consumer and business surveys and an annual demographic study. In addition, TNB works with Drill Down Research, a market research firm, to conduct focus groups each year of TNB customers and customers of other banks in order to ascertain customer and noncustomer requirements for financial products and services. In 2007, these focus groups were expanded beyond retail and mortgage products to credit cards in order to gain more information about this rapidly growing market. Lastly, TNB participates in community banking conferences and national studies sponsored by organizations such as the Bankers Alliance of America (BAA), the Community Alliance of Bankers (CAB), and Drill Down Research. EMC members who participate in these events present information learned during weekly MNO-Factor Watch Reviews, where significant issues are discussed in support of organizational agility. Non-EMC associates present their learnings at staff and/or department meetings. For example, the Your Banking Coach program, which will launch in the second quarter of 2011, resulted from shared learnings from an annual BAA conference on marketing practices for attracting small businesses during this time of economic turmoil. The program, which pairs small business customers with in-house CSRs who offer individualized small business coaching, supports the recently emerging requirements of advocacy and aligns with the brand promise.

To learn from former customers, TNB works with Drill Down Research to sample this population and identify their

reasons for leaving. The research firm attempts to contact each customer of the sample via phone three times. If no contact is made, Drill Down Research will send a paper survey to the address on record. This paper survey was added in 2009 in order to increase the exit survey response rate.

**3.1b(1,3)** TNB determines customer satisfaction, dissatisfaction, and engagement primarily through complaint analysis, DirectServe Center information, and a series of surveys that differ by customer group. New Account Opening Questionnaires, which are sent to all consumer and small business customers within 30 days of the initiation of the account, elicit feedback from customers on the helpfulness, courtesy, knowledge, and competency of associates. The responses are rated on a 5-point Likert scale, with 5 being the highest rating. Within 30 days after funding, New Loan Questionnaires are sent to all customers who receive loans about their perception of service handling. Both surveys include an open-ended question to indicate opportunities for improvement ("How might TNB improve?"), as well as a question targeted at cross-selling ("Are there other products or services that you might be interested in hearing about?"). The responses to these questions help determine where in the customer life cycle these customers fall.

Drill Down Research facilitates a series of telephone surveys administered quarterly through the COP. The survey sample is pulled from those consumer and small business customers who have completed a transaction within the past 90 days. Those contacted in one quarter are removed from the sample population for nine months to avoid survey fatigue. Surveys for commercial customers are administered annually due to the lower number of transactions. Each survey is designed to capture actionable information regarding overall satisfaction and satisfaction with service and products, with the goal to exceed expectations and increase customers' engagement with TNB. These surveys capture engagement information through questions regarding likelihood to recommend and TNB's ability to meet customers' financial needs. A review of the survey design by the LSD in 2007 resulted in the addition of questions concerning problem occurrence and satisfaction with problem resolution. This revision reflected LSD research that revealed that customers who were satisfied or highly satisfied with the way their problems were resolved were three times more likely to remain with the bank than those who expressed some level of dissatisfaction. Scores from each survey are aggregated by the LSD to produce a quarterly percentage engaged score for each customer group (Figure 7.2-14). These data are reviewed by the LSD and shared with the EMC, which cascades the results throughout the divisions.

**3.1b(2)** To gather information regarding customers' satisfaction relative to their satisfaction with TNB's competitors, the LSD uses multiple mechanisms (Figure 3.1-2) and analyzes regional and national market data. LSD and EMC members also attend industry conferences. In addition, to obtain information on customers' satisfaction relative to the satisfaction levels of customers of other organizations providing similar products, TNB conducts a monthly competitive rate analysis of banks operating in the area and throughout the state to assess

**Figure 3.1-2 Listening and Learning Mechanisms for Competitors**

Type of Competitor	Listening & Learning Mechanism								
	Rate Survey	Focus Groups	Market Surveys	Mystery Shop (External)	New Account Questionnaires*	New Loan Questionnaires*	Exit Surveys*	Banking Studies	Conferences*
Megabanks	Monthly	Biannually	Quarterly		x	x	x	x	x
Super-regional/Super-community banks	Monthly	Biannually	Quarterly	Biannually	x	x	x	x	x
Midsize banks	Monthly	Biannually	Quarterly	Biannually	x	x	x	x	x
Community banks	Monthly	Biannually	Quarterly	Biannually	x	x	x	x	x
Savings & loans	Monthly	Biannually	Quarterly	Biannually	x	x	x	x	x
Thrifts	Monthly	Biannually	Quarterly	Biannually	x	x	x	x	x
Credit unions	Monthly	Biannually	Quarterly	Biannually	x	x	x	x	x
National credit card companies	Monthly	Biannually	Quarterly				x		x
Mortgage companies	Biweekly	Biannually	Quarterly			x	x	x	x
Insurance companies		Biannually	Quarterly					x	x
Mutual fund companies		Biannually	Quarterly					x	x

\* Frequency is event-based

the competitiveness of its interest rate products. Conferences, as well as regional and national banking studies, provide insight on TNB’s performance vis-à-vis competitors. The New Account Opening and New Loan Questionnaires were revised in 2008 to include an open-ended question that asks customers why they chose TNB rather than other banks/financial organizations. This information is used for SPP analyses.

### 3.2 Customer Engagement

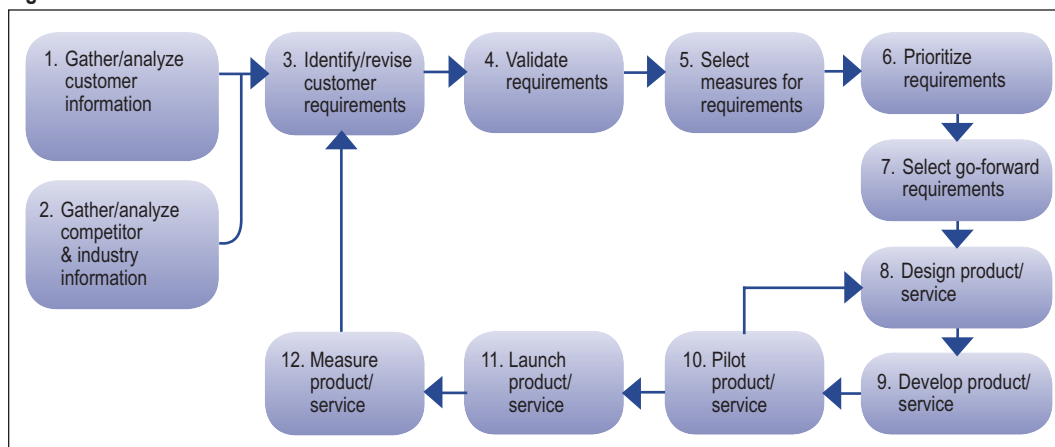
**3.2a(1)** TNB’s 12-step VOC Process (Figure 3.2-1) is designed to identify emerging customer issues and market requirements for product offerings and services. In this process, customer and market requirements are identified through analysis of existing customer data, such as complaints and purchasing behaviors, and competitor and industry data from industry studies and publications (Steps 1, 2, and 3). The requirements are validated through customer focus groups and surveys (Step 4). The metrics for these requirements are then determined (Step 5) using the MSP (Figure 4.1-1). The validation process may result in changes and/or updates to the metrics. The resulting requirements are then prioritized, based on the customers’ wants and needs (Step 6). TNB then assesses time, budget, and expertise constraints; strategic direction; and overall customer

relationship strategy for the final selection of requirements to be fulfilled (Step 7). A product team is formed to design the product/service to meet the requirements (Step 8), and it also examines other industries to identify and innovate product offerings within TNB. The product/service is developed and piloted (Steps 9 and 10), with feedback from the pilot incorporated into the design. After achieving pilot exit criteria, TNB launches the product/service and the associated measures (Step 11). Continuous monitoring of the product/service through T-Dashboard reports provides feedback on effectiveness and may yield new requirements for future products and services and/or the improvement of the existing product/service in alignment with the TOE process. The VOC process provides input into Step 7 of the SPP and aligns with the Business Process Management System (BPMS). The VOC process is reviewed annually for relevance by the LSD. In 2007, Step 2 was added to ensure that noncustomers were addressed by systematically considering competitor and industry data.

To identify emerging customer preferences and requirements in the marketplace, TNB’s VOC process leverages customer data from a variety of places, including verbal and written complaints captured by DirectServe CSRs, COP surveys, question-

nnaire responses, focus groups, feedback forms, and competitor and industry data. This enables TNB to align its existing and future products and services with changing customer needs and expectations. As described in the Organizational Profile and category 6, due to the industry’s heavily regulatory environment, it is very difficult to innovate products. Instead, TNB focuses on innovating

**Figure 3.2-1 VOC Process**



**Figure 3.2-2 Principles of Legendary Service**

<p><b>Respect every customer, every time.</b></p> <ul style="list-style-type: none"> <li>• Greet others with a smile, whether in person or on the phone.</li> <li>• Give your customers 100% of your time and focus.</li> <li>• Remember to say “thank you” and show your appreciation.</li> </ul> <p><b>Don’t leave ‘em guessing!</b></p> <ul style="list-style-type: none"> <li>• Talk and write in language your customers can understand.</li> <li>• Explain what you’re doing, why, and what happens next.</li> <li>• Ensure your customers know how to contact you.</li> </ul> <p><b>Take responsibility.</b></p> <ul style="list-style-type: none"> <li>• Follow up when you say you will.</li> <li>• Take the time to know what your customer needs.</li> <li>• When problems arise, focus on solving instead of blaming.</li> </ul>
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product delivery to meet customer needs and improve efficiency.

**3.2a(2)** Support requirements and associated mechanisms are determined through the VOC process and communicated through morning office huddles, new hire orientation, established principles of Legendary Service (Figure 3.2.2) and customer service standards (Figure 3.2-3), call center scripts, e-mail response scripts, CSR training, and branch representative training. In addition, support requirements are communicated to vendors and suppliers through service-level agreements (SLAs). The mechanisms and their requirements are reviewed annually by DirectServe management. An example of how emerging requirements are addressed occurred in 2009 when the VOC process revealed that customers wanted to know that their money was secure and their bank was stable. In response, a note from the TNB president on the state of the bank and how it is handling the economic turmoil now is included in the newsletter that accompanies paper and online statements. One month, the president specifically addressed the decision to receive TARP funding.

In addition to using convenient bank locations throughout 15 communities, customers are able to obtain support in several ways based on their requirements. A toll-free telephone number and contact information for their local branch are printed on customers’ account statements and also appear on the personal home page of their online banking sessions. In addition, customers can use e-mail, online chat, and a variety of online self-service capabilities, including frequently

asked questions (FAQs) and interactive tutorials. Customers’ preferred methods of contacting TNB and obtaining support vary depending on their preferred methods of banking. For example, online banking customers in most cases prefer online access through secure e-mail and instant chat. Customers who visit branches are more comfortable asking questions in person during their visits, while commercial and small business customers want the name of an associate whom they can call to immediately receive a response to their questions.

In support of the vision of being recognized as the number-one community bank in Legendary Service, in 2008, TNB established a set of service principles (Figure 3.2-2) that form the foundation of all customer support. Legendary Service principles were initially developed by the LSD and deployed through an online training module required for all associates. The principles also were deployed through posters, wallet cards, and screen savers on every desktop to ensure that they are top of mind throughout the day. Discussion topics on delivering Legendary Service are provided to all managers monthly to facilitate service conversations within morning office huddles and regular staff meetings. Stories illustrating delivery of Legendary Service are featured regularly on the intranet. These principles have resulted in the revision of call center scripts, e-mail response standards, CSR training, teller training, new hire orientation, and individual performance evaluations. In 2010, the service principles were rolled out to suppliers and partners. All suppliers were required to sign a copy of the principles in acknowledgment of their commitment to Legendary Service. The service principles are incorporated into all master SLAs and contracts as new suppliers come on board and as existing contracts are renewed.

TNB also has established a set of customer service standards (Figure 3.2-3). Originally developed in 2000, the standards were revised in 2005 to address Web site up-time, e-mail response time, and e-mail monitoring. In 2008, the standards were aligned with the Legendary Service principles, and in 2009, two additional measures related to complaint handling were added. Teller wait-time is tracked during both peak and nonpeak times. The transaction error rate refers to posting errors to an account. Consistent with its TLT leadership approach, the EMC established the goals in Figure 3.2-3 and

provides managers with enough flexibility to adapt to their specific circumstances in support of accomplishing the standards.

During customer conversations, DirectServe CSRs are monitored to ensure they are following the call script. Supervisors listen in on calls and rate associates’ performance on a scale from 1 to 5 on courtesy, efficiency, and accuracy of response. For e-mail support, a sample of e-mail responses is pulled daily to ensure representatives follow the appropriate e-mail response procedures and to

**Figure 3.2-3 Customer Service Standards**

Service Principle	Service Standard	Goal
<b>Respect every customer, every time.</b>	Call monitoring	Score 5 (on 5-point scale)
	E-mail monitoring	Score 5 (on 5-point scale)
	Rating on “Mystery Shopper” survey	Score 5 (on 5-point scale)
<b>Don’t leave ‘em guessing!</b>	Statement timeliness	100% mailed out on time
	Average teller wait-time	< 4 minutes during peak times < 2 minutes during nonpeak times
	Average time to answer (phone)	20 seconds (branch) 10 seconds (DirectServe)
	Time to respond (e-mail)	100% within 24 hours
<b>Take responsibility.</b>	Complaints resolved on first contact	95%
	Transaction error rate	Zero errors
	Web site up-time	99.7%

monitor the accuracy of the responses (scale 1–5) and adherence to the 24-hour response expectation.

Twice annually, the bank enlists the services of an outside vendor to “mystery shop” the branches. Shoppers pose as customers to evaluate the performance of associates. Shopper research is used to provide associates with feedback and to identify training or coaching needs. After branch managers receive the results of the surveys and research, they coach associates to close service gaps.

**3.2a(3)** TNB uses customer, market, and product offering information to identify current and anticipate future customer groups and market segments through (1) biannual focus groups with customers and noncustomers, including those of competing banks; (2) participation in the Greater Tri-State Business Forum, community banking conferences, and national studies sponsored by organizations such as the BAA, CAB, and Drill Down Research; and (3) monthly reviews by EMC members. These monthly reviews provide additional market and industry information. Industry periodicals, such as *Banker’s Monthly*, *the BAA Ledger*, and *Atlantic Banker Magazine*, are circulated among EMC members, who then meet to discuss the customer strategies, issues, and opportunities covered in these articles. For example, a recent *BAA Ledger* article on the credit card habits of Generation Y resulted in a rich discussion about the untapped potential of this segment and resulted in a comprehensive market analysis. The information gathered by these methods serves as an input to the VOC process and consequently helps determine future products and services.

Residents in TNB’s service area, including noncustomers and customers of competitors, are actively pursued. Involving competitors’ customers in the biannual focus groups has provided a wealth of information on their banking decisions, allowing TNB to refine product and service descriptions and in some cases to alter their communication about TNB offerings to encourage customers to change banks.

**3.2a(4)** In 2009, to address negative community perceptions about the banking industry and to use customer, market, and product offering information to improve marketing and build

a more customer-focused culture, TNB developed an external online bulletin board in which an EMC member posts public information on various TNB banking decisions, use of TARP monies, how customers can take advantage of current TNB offerings, and tips on how to thrive in the current financial environment. Posts from customers to the bulletin board are aggregated, analyzed, and communicated to associates to help reinforce the customer-focused culture and provide customer information directly to associates. The communication methods described in Categories 1 and 4 are used to relay this information.

Given a very conservative and highly regulated banking industry, innovation tends to be limited. While regulators share TNB’s focus on providing exceptional service to customers, the current banking environment has increased the risk profile of community banks, subjecting new products and nonstandard processes to enhanced scrutiny by regulatory agencies, thus dampening innovation. Within TNB, innovation tends to be limited to the branch environment, use of technology, and service delivery mechanisms. For example, the organization replaced the traditional branch layout with a more open-concept design in an effort to create a friendly, family environment. In addition, TNB looks to best practices both within and external to financial services, such as the casino industry, where it leveraged best practices in cash handling. The Trust Teams involved in such projects follow the standard practice for using customer data and best-practice research to drive improvements and innovation.

**3.2b(1)** Since 2002, TNB has used a customer life cycle matrix to help associates market, build, and manage customer relationships (Figure 3.2-4) and to target customers for certain product offerings based upon the customer’s life stage and dependent status (see also Figure 7.2-4). In 2008, TNB expanded its client profiling and worked with Drill Down Research to identify five stages of customer engagement (Figure 3.2-5) and the associated characteristics of each stage to help ensure retention of current customers, meet their requirements, and exceed their expectations in each stage of the customer life cycle. This is accomplished by using client profiling information to assess TNB’s existing customer base

**Figure 3.2-4 Customer Life Cycle Matrix**

	Student	Young Professional	Mid-Career	Late Career	Retired
No Dependents	DDAs, credit cards, student loans, auto loans	DDAs, money markets, IRAs, securities, fin. planning, credit cards, mortgages, auto loans	DDAs, money markets, IRAs, securities, fin. planning, credit cards, mortgages, auto loans, HELOCs	DDAs, money markets, IRAs, securities, insurance, fin. planning, credit cards, mortgages, auto loans, HELOCs	DDAs, money markets, securities, fin. planning, credit cards, mortgages, auto loans
With Dependents	DDAs, credit cards, student loans, auto loans	DDAs, money markets, IRAs, credit cards, mortgages, auto loans	DDAs, money markets, IRAs, securities, insurance, fin. planning, credit cards, mortgages, auto loans, HELOCs, student loans	DDAs, money markets, IRAs, securities, insurance, fin. planning, credit cards, mortgages, auto loans, HELOCs	DDAs, money markets, securities, insurance, fin. planning, credit cards, mortgages, auto loans

Figure 3.2-5 Customer Engagement Cycle

	Aware	Considering	Neutral	Satisfied	Advocate
<b>Customer Characteristics</b>	<ul style="list-style-type: none"> <li>Noncustomer with 0 products</li> <li>Not necessarily interested in acquiring any new product/service</li> </ul>	<ul style="list-style-type: none"> <li>Noncustomer with 0 products</li> <li>Actively interested in acquiring a new product/service</li> </ul>	<ul style="list-style-type: none"> <li>Current customer with 1–2 products, typically DDA holders</li> <li>Neither satisfied nor dissatisfied</li> <li>Not likely to acquire additional products/services</li> <li>Least likely to recommend</li> </ul>	<ul style="list-style-type: none"> <li>Current customer with 2+ products</li> <li>Satisfied</li> <li>Likely to agree with the statement “TNB is the best bank for my needs”</li> <li>Likely to acquire additional products/services</li> <li>Likely to recommend</li> <li>Satisfied with problem resolution</li> </ul>	<ul style="list-style-type: none"> <li>Current customer with 2+ products</li> <li>Highly satisfied overall</li> <li>Agrees with the statement “TNB is the best bank for my needs”</li> <li>Highly likely to acquire additional products/services</li> <li>Definitely would recommend</li> <li>Highly satisfied with problem resolution</li> </ul>
<b>Customer Relationship Strategies</b>	<ul style="list-style-type: none"> <li>Reputation</li> <li>Targeted marketing &amp; advertising</li> <li>Bank-sponsored community events</li> <li>Easy-to-use ATMs</li> </ul>	<ul style="list-style-type: none"> <li>Reputation</li> <li>Targeted marketing &amp; advertising</li> <li>Bank-sponsored community events</li> <li>Easy-to-use ATMs</li> <li>Competitive rates</li> </ul>	<ul style="list-style-type: none"> <li>Legendary Service</li> <li>Competitive rates</li> <li>Online bill-pay</li> <li>Product bundling</li> <li>Targeted product offers</li> <li>Strong problem resolution</li> <li>Bank switch kit</li> </ul>	<ul style="list-style-type: none"> <li>Legendary Service</li> <li>Mortgage &amp; credit card products</li> <li>Financial advising</li> <li>Strong problem resolution</li> </ul>	<ul style="list-style-type: none"> <li>Personalized financial advising</li> <li>Legendary Service</li> <li>Strong problem resolution</li> </ul>

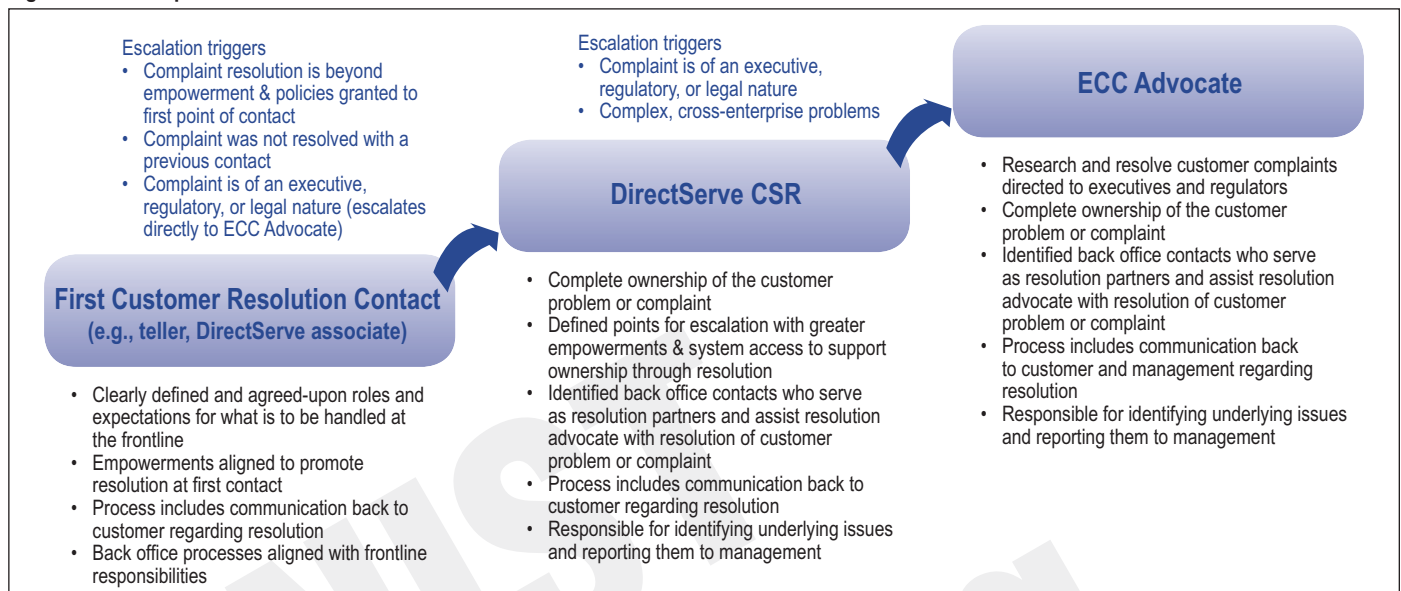
with respect to the customer engagement cycle and to revise its customer relationship strategy to include approaches designed to increase retention and engagement and thereby move noncustomer and existing customers up the curve to advocacy. For example, research shows that more satisfied customers will acquire more products and services and that the more products a customer has, the less likely it is he or she will leave. Therefore, TNB’s strategy has been to continue providing Legendary Service while increasing the number of products in the household as a method to acquire customers and build market share. In 2009, the strategy was revised again to address the large number of new customers acquired through the Widmark acquisition, recent bank closures, and customer defections from larger impersonal megabanks, all of whom tended to fall into the “neutral” category, given their limited exposure to TNB. To make transferring from another bank easier for new customers, TNB created “switch kits” with important forms, FAQs, and contact information for the local branch manager. These kits were deployed to all Widmark customers on the first day of the acquisition and to new customers transferring from another bank as they opened a TNB account. In addition, all customers who transfer to TNB receive a welcome phone call from a DirectServe CSR after 30 days to determine if TNB can do anything more to satisfy their banking needs or to make the transition easier.

Part of the customer relationship strategy review during the SPP is an assessment of the customer-related data and metrics needed to support the overall strategy and the progression of customers up the customer engagement cycle (Figure 3.2-5). Also reviewed annually are the VOC process, questionnaires, and COP surveys. In 2009, a field was added within Service Advantage to capture the name of the CSR in order to support the new Customer Problem Resolution Process (Figure 3.2-7). This field has facilitated improved tracking of open issues, as well as key learnings needed to improve both the problem resolution experience and the products/services themselves.

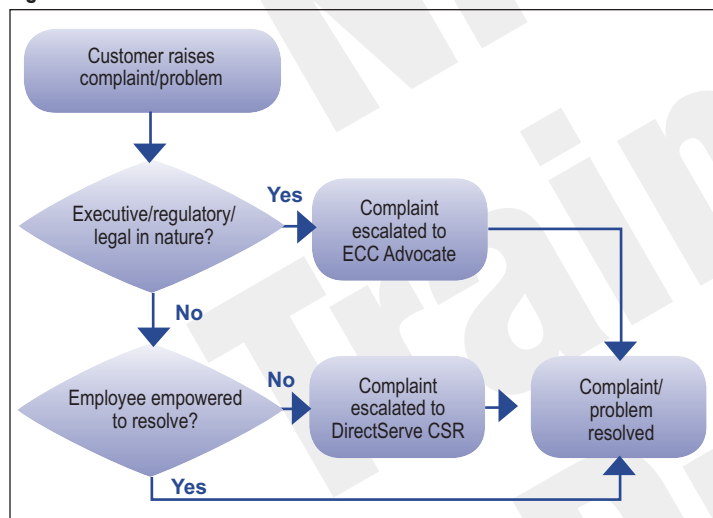
**3.2b(2) Service Advantage (3.1a[1])** captures complaints from the first point of contact for the telephone and online channels and for any escalations received from the branches. This information, in conjunction with comments from feedback forms, questionnaires, and COP surveys, is reviewed regularly by branch managers, operations managers, the LDS, and the EMC for developing trends (adverse and beneficial), changing requirements, and altered customer behavior. As required, Trust Teams are created to identify root causes and implement process improvements. New requirements are incorporated into new products and services through the VOC process. The TOE approach also helps keep a focus on the customer through its methodical process to incorporate VOC data into improvement projects.

To manage customer complaints, in 2008, TNB revised and deployed Complaint Escalation Guidelines and the Customer Problem Resolution Process (Figures 3.2-6 and 3.2-7) in response to a regulator’s recommendation. The process differed from the previous one in two areas: complaint escalation and the handling of executive and regulatory complaints. Prior to the new process, complaint escalation was left up to the discretion of the associate receiving the complaint. Well-meaning associates eager to resolve the issue for their customers were sometimes reluctant to escalate; this often resulted in resolution delays and customer dissatisfaction. TNB realized that this process wasn’t systematic and utilized a Trust Team to develop a new process that provides clear definitions and guidelines for complaint resolution and escalation in order to minimize handoffs and ensure the speediest, most effective resolution possible. Each associate still is empowered to resolve the issue provided it is within the scope of his or her realm of responsibility, which is consistent with the TLT approach. For example, each associate is empowered to reverse fees up to \$50 should the situation require it. In cases where escalation is required, customers will receive a personal phone call within 24 hours from a CSR who will see the issue through to resolution. This

**Figure 3.2-6 Complaint Escalation Guidelines**



**Figure 3.2-7 Customer Problem Resolution Process**



personal contact helps to recover customers’ confidence and enhance their satisfaction and engagement. This problem resolution process is first presented to TNB associates at new hire orientation and also provided in a required online training

module every January. This ensures that every associate is aware of the process so he or she can best serve TNB’s customers.

The handling of executive and regulatory complaints was also changed with the establishment of the Executive Contact Center (ECC), which handles escalated customer issues that frequently are addressed to members of the EMC or that come through regulators. Advocates in the ECC have a minimum of eight years with TNB or Widmark Mortgage and are highly experienced in multiple areas of the bank. They specialize in regulatory inquiries, legal inquiries, and complaints addressed to members of the EMC. They also address letters written directly to regulators that are forwarded to TNB by the regulatory agencies. These advocates receive special training regarding legal and regulatory issues prior to their joining the ECC, as well as additional training throughout their tenure as regulations change. This single point of contact ensures speedy resolution of sensitive issues in a consistent and systematic manner. The ECC also serves as the highest point of escalation for the rare issue that cannot be resolved outside the ECC.

## Category 4: Measurement, Analysis, and Knowledge Management

TNB’s investment in innovative, integrated technology and knowledge management systems, such as the TriView Banking Information System (TBIS) and the SMARTER data warehouse, includes Service Advantage, a recently upgraded CRM application. Real-time tracking and reports provide essential information for customers seeking the latest certificate of deposit (CD) rates, associates seeking to augment customers’ product holdings, suppliers tracking payments, and leaders assessing changes in market rates. Longer-term comparative trend reports provide essential metrics in support of the core competency of agility.

### 4.1 Measurement, Analysis, and Improvement of Organizational Performance

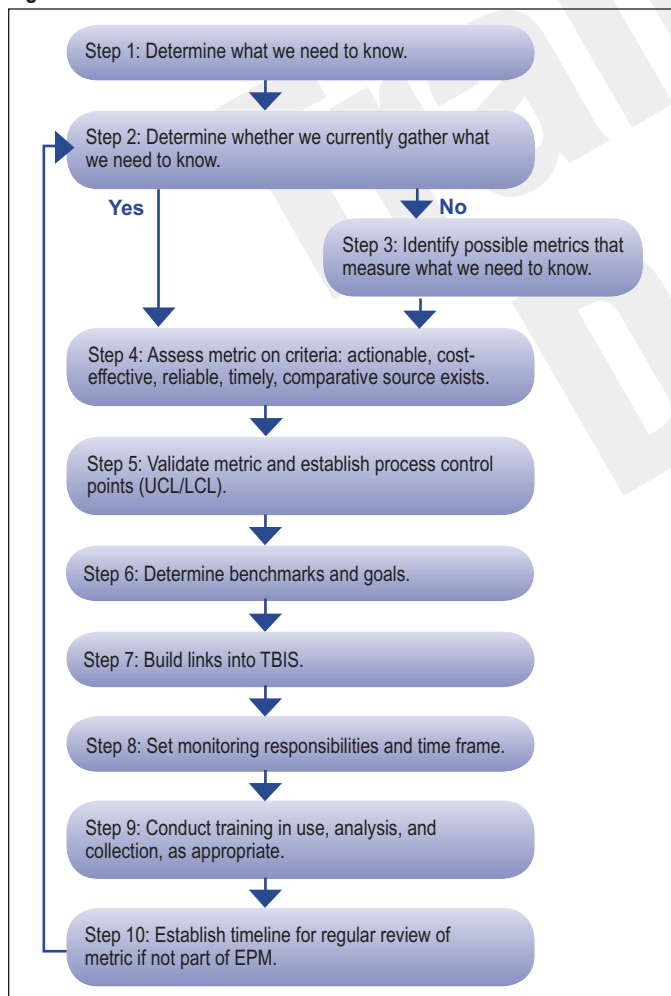
**4.1a(1)** Since its inception, TNB has focused on identifying, using, and improving metrics that support growth and sustainability. This is accomplished with integrated hardware systems and with assistance from skilled IT personnel who operate numerous enterprise systems to support the myriad activities of a super-community bank. The Performance Measurement System initially included only required regulatory and banking profitability measures, with limited metric coordination among bank units. Evolving with the SPP, it now utilizes a scorecard



approach that cascades measures through the enterprise and links metrics to strategic and action planning (Figures 2.1-1 and 2.2-1) and the TNB Enterprise Process Model (EPM; Figure 6.1-2) through T-Dashboards.

*Selection:* Data selection occurs several ways. The EMC identifies measures critical to “running the business.” These may be discretionary or in response to regulatory requirements noted by the Secretary and General Counsel or other EMC members. “Changing-the-business” metrics are developed annually during the SPP as part of Steps 3–6, with monitoring or adjustment of these metrics occurring during Step 7. Strategic plan metrics are identified as the plan develops (Step 3), during its revision (Step 5), and as it cascades into actions throughout the organization (Steps 4 and 6). Process owners develop T-Dashboards during Step 2 of the BPM process (Figure 6.1-4) for continuous improvement efforts for key processes within the EPM. The EMC, process improvement teams, branches, and departments follow the MSP (Figure 4.1-1) to determine and assess (1) whether a metric supports TNB’s principal success factors, (2) how timely it is, (3) whether it is reliable and actionable, and (4) whether related data collection will be cost effective. Measures that meet these criteria and for which an appropriate benchmark exists become active in the TBIS and are available for supporting departmental, branch, or organizational decision making.

**Figure 4.1-1 MSP**



SMARTER data warehouse operations enable data aggregation and disaggregation as needed. Through SMARTER routines, data on strategic, financial, customer, associate, and operational metrics are cascaded to branches or departments, or they are aggregated for organizational decision making. Metrics may also be determined by branches, departments, and/or teams using the MSP. Analyses incorporate targets and comparisons, trending, regression, and other statistical analysis, process control points, and cause/effect analysis.

*Collection:* Real-time data collection occurs automatically as part of TNB’s work processes. The TBIS, a set of enterprise resource systems that support key bank functions, is the primary collection agent for information, using an increasingly paperless process (7.4a[5]). Information from SMARTER and the T-Dashboards derived from it serves as a key driver for setting priorities for the strategic plan and TNB process improvements.

*Alignment:* The alignment of TNB’s operational excellence value/core competency with its management for results value encourages the effective use of data. Alignment of KPIs with strategic objectives and action plans begins during Step 3 of the SPP and continues through the EPM and the BPM and TOE processes. Many strategic and process metrics link to Legendary Service and cascade down through the organization. The TNBSC (Figure 4.1-2) provides the EMC and others with a quick view of overall organizational and strategic performance; subunit T-Dashboards (e.g., for divisions, branches, or departments) include measures linked to the scorecard, as well as measures of particular importance to the operations and actions of that unit. When a gap is identified, it is addressed in a strategic plan review, tasked to a Trust Team, or addressed through the BPMS.

*Integration:* Learnings from Baldrige feedback, internal processes, and strategic plan reviews assist TNB in identifying key scorecard metrics that provide meaningful feedback about processes, core competencies, and strategic challenges and advantages. The EMC employs such measures to assist the organization and its workers in designing complementary decisions that support TNB’s strategic initiatives. Excerpts from the TNBSC (Figure 4.1-2) include some cascaded measures that support the tracking of daily and overall organizational, branch, and unit performance. Regular reviews occur at many different levels and times depending on the frequency of data availability and trends. To facilitate complete integration of Widmark into TNB’s performance measurement and other systems, TNB established an Alignment and Integration Trust Team to present recommendations to the EMC by July 2011. To date, Widmark mortgage-tracking metrics are being collected and analyzed along with TNB’s legacy measures to assist the team’s analysis.

**4.1a(2)** The Organizational Profile provides information on comparative data sources (Figure P.2-3) and their use. In steps 4 and 5 of the MSP, TNB identifies appropriate sources of comparative and, where possible, competitive data. Competitive data are more difficult to collect because of the use of blinded data and comparisons to statistical means provided

by national data collection agencies, such as BAA and CAB. During Step 5 of the MSP, the EMC, Trust Teams, process teams, and departments review existing comparative sources to determine appropriate benchmarks that support the goals for Legendary Service and other TNB strategic initiatives. Because TNB strives to be “best in class,” it is essential to choose the top performance level for the measure among its diverse competitors, regardless of whether the competitor is a community bank, a megabank, or a credit union. Closing an identified gap between the existing TNB level and the best-in-class benchmark necessitates review by the EMC or a Trust Team to identify needed improvements. If TNB is the top

performer, performance is checked against the desired target or projections.

All levels of the bank use comparative data and information. The EMC uses these to monitor the strategic plan, core competencies, progress on addressing strategic challenges, and maintenance and reinforcement of strategic advantages (Step 7 of the SPP). For example, when the EMC was considering the Widmark acquisition, a review of Widmark’s mortgage banking data against its own mortgage banking databases and mortgage banking benchmarks helped verify that Widmark assets would support Legendary Service for mortgage banking

Figure 4.1-2 TNBSC

Selected Metric	Means of Analysis	Review Frequency	Owner/Process	Comparative Data Source or Benchmark	Category 7 Reference
<b>Customer</b>					
Customer Satisfaction	T, C, RC, RA, SA	Annually	Division EVPs/ EPM 3 & 5	Drill Down Research Survey	Figure 7.2-1
Market Share	T, C, RC, SA	Annually, Quarterly	Treasurer and CFO/EPM 3	CAB, BAA, National/ Megabank	Figures 7.5-5–7.5-9
Total Deposits	T, C, RC, RA, SA	Daily	FVPs, COO/EPM 8	CAB, BAA, Megabank	Figure 7.5-5
Products/Household	T, C, RC	Monthly	Division EVPs/ EPM 2, 3, & 4	CAB, BAA	7.2a(2)
Consumer Transactions and Time Deposit Statement Accuracy	T, RC	Weekly	COO/EPM 4	Internal	Figure 7.1-5
<b>Associates</b>					
“Best Places to Work”	T, C	Annually	EVP HR/EPM 6	<i>Financial Pulse Magazine</i> April Report	7.3a(1) (more data on-site)
Associate Engagement/Satisfaction	T	Annually	EVP HR/EPM 6	DemoGraph Surveys, Top Quartile	Figures 7.3-1–7.3-2
Associate Vacancy Rate	T, RC	Monthly	EVP HR/EPM 6	Internal	Figure 7.3-6
<b>Processes</b>					
Action Plan to Scorecard Metric Performance	T, C, SA	Monthly	President & COO/EPM 10	Internal	Figure 7.1-19
Time to Loan Approval by type of loan (Application to Closing)	T, C, RC	Monthly	FVP Business Excellence/EPM 4	Internal, CAB	Figure 7.1-6
Efficiency Ratio	T, C, RC	Quarterly	Treasurer and CFO/EPM 1 & 11	Junovia Index	Figure 7.1-10
Cost Effectiveness	T, C, RC	Monthly	Division EVPs/ EPM 8	Internal, BAA	Figure 7.1-16
<b>Regulatory</b>					
CAMELS Rating	T, C	Quarterly (internal) Annually (external)	President/EPM 1	Regulatory Agency, Internal	Figure 7.1-17
Ethical/Legal Findings	RC	Quarterly	Treasurer and CFO/EPM 1	Various Surveys	Figure 7.4-8
Compliance Ratings	C, RC	Quarterly (internal) Annually (external)	Treasurer and CFO/EPM 1	FDIC and Internal	Figures 7.4-4 and 7.4-5
Tier 1 Ratio	T, C	Daily or Weekly	COO/EPM 1	Internal, Regulatory Body	7.5a(1)
<b>Financial</b>					
Audit Compliance	T, RC	Annually	Treasurer and CFO/EPM 8	Carolina Piedmont Accounting	Figure 7.4-5
Return on Equity	T, C, U/L	Monthly	COO/EPM 8	BAA, CAB	Figure 7.5-1
Nonperforming Asset Ratio	T, C, RC	Weekly	COO/EPM 8	Credit Union, Regional Banks	Figure 7.5-4
Net Interest Margin	T, C, RC	Daily	Treasurer and CFO/EPM 8	CAB	Figure 7.5-6
Net Interest Income	T, C, RA, RC	Weekly	Treasurer and CFO/EPM 8	CAB	Figure 7.5-6

T: Trending; C: Comparisons; RC: Root-cause analysis; RA: Regression analysis; SA: Statistical analysis other than regression; U/L: Upper and lower control limits

to both TNB's and Widmark's clientele, and they would be conducive to gaining mortgage-lending market share. Because branches and the DirectServe Center can select metrics that are best suited to their economic and market environment and their services, some measures specific to these units supplement bankwide standardized metrics and allow them to identify the most appropriate comparisons. Branches use internal and external comparative/competitive sources to track their market share and efficiency relative to other financial institutions or similar TNB branches. Each process owner monitors and analyzes financial, organizational, and key process metrics via T-Dashboards. Analysts are incorporating legacy and current Widmark data into the TBIS and SMARTER.

**4.1a(3)** TNB uses listening and learning methods (Figure 3.1-1) that vary by customer group to gather VOC data. DirectServe Center and other associates enter these data into Service Advantage (see 3.1a[1]). To select and ensure the effective use of VOC data and information (including complaints) to support decision making and innovation, the LSD compares the data to research on trends in service within and outside the banking industry. Following the VOC Process (Figure 3.2-1), the LSD then recommends service strategies, including strategies related to industry innovations, to the EVP for Marketing and Communications.

**4.1a(4)** Review and needed changes to the Performance Measurement System occur during the SPP, Step 7. During Steps 4 and 5, when action plans are developed, branches, departments, and business areas review their measures to ensure that they meet customer service standards (Figure 3.2-3) and process requirements. Specific process measure reviews occur during annual EPM process reviews. Additionally, the EMC monitors trends during both the SPP and its strategic plan reviews of financial offerings, global economies, regulatory and legal environments, and new technologies that may impact the bank. TNB also uses economic scenarios to incorporate currency into its Performance Measurement System. Metric reviews are also in processes 1.4 and 10.1 of the EPM (Figure 6.1-2).

EMC weekly, monthly, and quarterly reviews enable TNB to address concerns arising from daily/weekly/monthly internal and external reports and identify new opportunities or challenges. When new opportunities are identified, a Trust Team is established to gather/analyze additional information and to identify any needed additions/deletions/changes to the MSP. Specific members are assigned monitoring roles by their function (e.g., the Senior Vice President [SVP] for IT and Knowledge Management monitors changing technology/knowledge management areas, while the Secretary and General Counsel and the President monitor potential regulatory changes and provide input to the EMC for immediate adjustments).

**4.1b** SMARTER creates routine, real-time, customized reports that allow managers and the EMC to quickly review current data and information and compare it to projections or benchmarks. In these reviews, process owners such as EMC members and other leaders use the key organizational performance measures (and related projections and comparative data)

identified as their responsibility in the TNBSC (Figure 4.1-2), while branch and department managers use T-Dashboard measures specific to their operations. Standardized data assessments include trend analysis, actual-against-projected or benchmark performance, and issuance of Automated Legendary Information Review and Trends System (ALIRTS) reports based on process control points. Other analyses available include data and process variation and forward forecasts of the bank's liquidity needs based on current assets, liabilities, and interest rates. Additionally, SMARTER provides special reports for the BOD that address areas such as capital outlays and adequacy; loans and investments made; the status of problem loans; credit concentrations; funding activities and management of interest rate risk; comparison of TNB's current performance to its past performance and competitors' performance; and activities undertaken to ensure compliance with applicable laws and any significant compliance problems.

Recently, the economist who assesses strategic plan scenarios identified MBA interns from surrounding colleges to expand TNB's ability to analyze data and automatically track its competitors and benchmarks. The students have undertaken leading-edge forecasting, analysis, and model-building for the EMC and BOD. Their first reports will be available at the next strategic plan quarterly review. The EMC views this student participation as part of its support for education, as well as an opportunity to identify potential future managers. These students also regularly update publicly available information on peer organizations identified by the EMC, and they work with the IT software staff to develop programs that automatically retrieve benchmark information from Internet sources.

**4.1c(1)** The Performance Measurement System utilizes a scorecard approach that cascades measures through the organization using T-Dashboards, which include performance review findings, for each department, branch, or other bank unit. These findings, especially those resulting from best practices, are shared as lessons learned on the intranet and discussed during weekly stand-up meetings, morning office huddles, the annual associate meeting, and quarterly lunches.

**4.1c(2)** Projections of TNB's future performance are based on extrapolated historical trends. The three alternative scenarios automatically adjust projected performance levels for each of the key performance measures based on the impact of the stakeholder, thus providing a weighted balance (2.1b[2]) to ensure that adequate resources are assigned to maintain strategic position. The historical projections are then adjusted to account for the expected results of any planned initiatives. For each individual TNBSC metric, all the types of competitors (Figure P.2-1) are used to determine the best, top-quartile, and average performance. For example, if the credit unions are best for return on assets, their performance level is used as the best comparison; if the megabanks have the most market share, their performance level is used as the best comparison.

**4.1c(3)** Performance improvement opportunities and priorities derive from data and information provided real-time to managers and associates at every bank level and from financial industry and other professional interactions that occur in day-

to-day activities of bank leaders and managers. For example, alignment with the principal success factor related to paperless and fast processing, the SVP for IT and Knowledge Management is investigating best practices for introducing mobile banking (e.g., smart phone check deposits) using information he gathered at a recent seminar at the Banking Center for Technology. He is using a Trust Team chartered by the Business Excellence Department to review security and risk issues, customer demand, and implementation and tracking metrics, as well as information and analysis gathered from a TNB pilot, to make recommendations to the EMC. This idea came from professional interactions and data analysis discussed at a daily huddle. Also, the Breakthrough Innovations Leading to Legendary Service (BILLS) program run by the Business Excellence Department supports efforts to become increasingly paperless and decrease process time by providing recognition and monetary rewards for process improvements and innovations to customer service and back-office operations identified and/or implemented by associates or business units. Monetary rewards may involve associate bonuses or funds returned to the initiating department as additional discretionary spending.

Performance review findings are prioritized based on their impact on the strategic plan. Those most closely related to the strategic objectives are ranked as the highest priority to address. Once the EMC establishes priorities, members meet with branch and department leaders to share the priorities and support an informed PMDP. EMC members also meet regularly with vendors/suppliers, including those not involved in the SPP, to seek ways to enhance business relationships, streamline roles, collaborate on future activities, and, most recently, iron out inconsistencies in TNB and Widmark contract requirements. Contracts with former Widmark suppliers are under review to determine if any new relationships are warranted, how best to phase out suppliers not compatible with TNB's operations, and whether any better practices exist in Widmark contracts.

## 4.2 Management of Information, Knowledge, and Information Technology

**4.2a(1)** Because of the nature of banking in the second decade of the 21st century and the concern of businesses and customers with the security of account funds and records, as well as bank liquidity, TNB pays particular attention to data and information properties. Figure 4.2-1 summarizes the actions and processes it uses to do this.

**4.2a(2)** Data and information are available via the intranet to associates and via Web access to customers and suppliers/partners. Each bank desktop/countertop terminal or computer/laptop is password connected to T-Net, TNB's intranet and e-mail system, and TBIS. Managers and EMC members provide data and information updates important to the branch or division, as well as updates on the strategic plan, using both systems. Branch and other unit managers update Data Information Boards (daily, when appropriate) on break room walls. SMARTER customized reports, some generated daily, support strategic and day-to-day management of these units.

Incentives encourage customers to utilize online banking, which enables access to immediate account information, amortization schedules, and payment tools that encourage use of Web-based online payments for both bank and nonbank accounts. Customers also access information through calls to the DirectServe Center, e-mail, and snail mail. Recently, the EMC initiated an internal blog site that allows members, including the President, to communicate informally with TNB associates. Suppliers/partners can access public information on the Web site and, with EVP permission, as appropriate, also may access nonpublic information through the Legitimate External Need for Data (LEND) process, a password-activated portal. LEND was initiated in 2008 as a result of supplier input during the SPP.

**4.2a(3)** In 2005, TNB began designing a knowledge management system (SMARTER; Figure 4.2-2) to accomplish the following in a user-friendly manner.

- *Collection and transfer of workforce knowledge:* SMARTER resulted from an SPP analysis that sought methods to capture retiring employees' knowledge and share information useful to other parts of TNB. The IT SVP benchmarked best practices in the financial and other industries. He also tapped into the Organization for WorldClass Learning Systems (OWLS), a professional development organization for knowledge management professionals, to develop a leading-edge system that incorporates a number of elements essential to various banking systems. For example, the CRM database, built with significant input from associates and the EMC, supports expanded cross-selling, which increases products per household (7.2a[2]) and allows more-robust product solutions tailored to customer needs. Equally important is the EPM database that provides easy retrieval of best practices on performing core transactions and identifies key people whose deep personal knowledge is available for support. It also allows associates to have anytime retrieval of information on new practices, programs, products, and services with a few keystrokes. Webinars and videos enhance information sharing and are used when the EMC wants all parties to receive simultaneous or identical information about new activities related to TNB's strategic objectives. TNB's nonproprietary Baldrige results are also a part of the knowledge management system.

Communities of practice have been established to facilitate associates' interaction and learning from each other. There are now 35 virtual communities of practice for groups of associates in similar positions, such as branch managers or CSRs, and for best practices, such as project leadership or team membership. Knowledge maps, which have been developed to support process maps, contain contextual associate knowledge beyond how to perform a step in the process. The knowledge maps are used as a resource for associates new to a process and are updated regularly.

- *Transfer of knowledge from and to customers, suppliers, and partners:* Customers receive quarterly e-mail or snail mail newsletters on new products and opportunities and on compliance and bank soundness that address their increased desire for security. Customers who opt for Internet access

**Figure 4.2-1 Properties of Data, Information, Hardware, and Software**

Data and Information Properties	
Accuracy	<ul style="list-style-type: none"> <li>• Specialized associate training for transaction process data-entry procedures</li> <li>• Established TBIS process involving a single point of real-time data entry with cross-checking at entry point</li> <li>• Rules-based enterprise banking systems and input screens</li> <li>• Established tolerances for variation in data sets</li> <li>• Daily Data Verification Process before data added to SMARTER</li> <li>• Data audits</li> <li>• Training for metric owners</li> </ul>
Integrity	<ul style="list-style-type: none"> <li>• Established tolerances for variations in data sets</li> <li>• Established data entry processes and control of ability to alter/delete data</li> <li>• Different enterprise software systems for different parts of the business</li> <li>• Redundant system design and system monitoring</li> <li>• Automatic server scans to identify possible security failures</li> <li>• Virus and malware protection</li> </ul>
Reliability	<ul style="list-style-type: none"> <li>• Operations Center monitors, trends, and aggregates trouble calls from associates regarding system problems</li> <li>• Historic data captured in hourly backups on-site; daily backups to off-site remote facility at a partner's site</li> <li>• Quarterly audit of backup processes</li> </ul>
Timeliness	<ul style="list-style-type: none"> <li>• Established system performance standards</li> <li>• Real-time availability of input for internally generated elements and some vendor/supplier elements</li> <li>• Real-time retrieval of external elements, such as cost of funds and the discount rate</li> <li>• IT associates trend and aggregate issues on a daily and weekly basis</li> </ul>
Security	<ul style="list-style-type: none"> <li>• Standard desktop configurations with regularly updated virus and malware protection</li> <li>• Redundant system design with automatic server scans to identify possible security failures</li> <li>• Security firewalls and a rigid firewall between systems</li> <li>• Contract with Carrollville University computer engineering students to undertake regular and random system security testing from external sites</li> <li>• PINs, signature cards</li> </ul>
Confidentiality	<ul style="list-style-type: none"> <li>• Adherence to federal and state customer privacy regulations</li> <li>• Associate privacy and ethics training; daily sign-in commitment as associates log in to the TNB system to adhere to security/confidentiality guidelines</li> <li>• Limited access to personal customer data based on job function</li> <li>• Screen renewal every 60 seconds; privacy screens</li> </ul>
Hardware and Software Characteristics	
Reliability	<ul style="list-style-type: none"> <li>• Redundant systems</li> <li>• Centralized IT management</li> <li>• Failover algorithms</li> <li>• Desktop virtualization</li> <li>• Defined system testing processes</li> <li>• Pilot programs before phased-in implementations</li> <li>• Testing against national reliability industry standards</li> <li>• IT staff training in latest reliability standards by Banking Center for Technology</li> <li>• Contractual clause for replacement hardware to be available within one hour of notification of need</li> <li>• On-site maintenance contracts</li> </ul>
Security	<ul style="list-style-type: none"> <li>• Secure technology equipment site in Operations Center; access limited to authorized personnel</li> <li>• System vulnerability monitoring; built-in and random checks</li> <li>• All applications, including those developed internally, subject to risk assessment and risk mitigation processes</li> <li>• Virus and malware protection; routine compliance audits</li> <li>• System lock-out after three failed efforts; established process for reentry privileges</li> <li>• Unique, restricted access codes; weekly password changes</li> </ul>
User-Friendliness	<ul style="list-style-type: none"> <li>• Help desk availability for associates and customers</li> <li>• IT-developed user-support tools</li> <li>• System design that involves key users; testing prior to implementation</li> <li>• Benchmarking of other financial organizations' experiences at trade shows, conferences, etc.</li> <li>• Employee survey feedback question on "technology ease of use"</li> </ul>

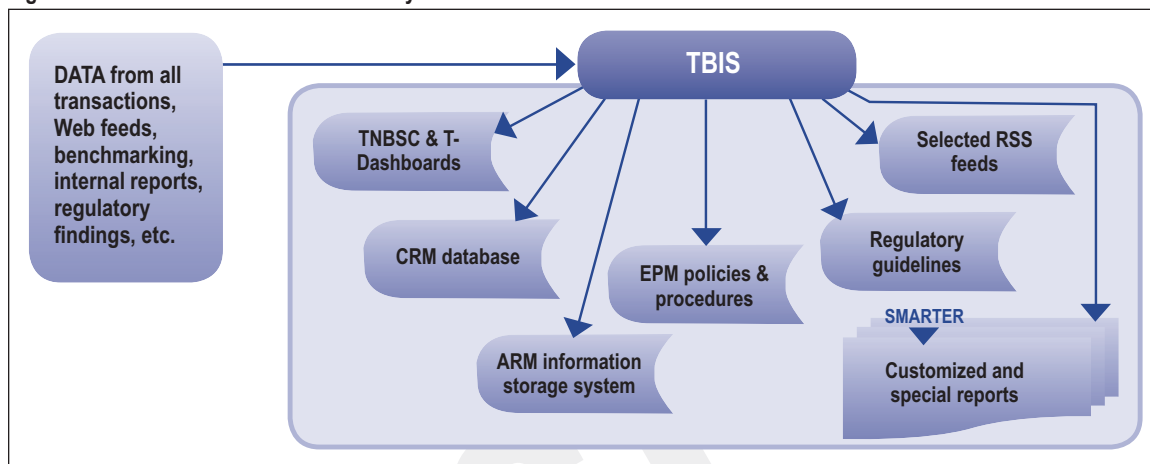
also receive a monthly e-mail on financial planning and education, a Sudoku puzzle, and coupons from local merchants. Similar practices exist for suppliers and partners.

- *Rapid identification, sharing, and implementation of best practices:* Transmission of TNB messages to desktops/work stations occurs at computer start-up. Messages include quarterly strategic planning updates personalized to the particular employee role, new product and/or service roll-outs, recognition of innovative ideas, and new procedures or processes. As part of TNB's green practices,

equipment and computer hardware shut down when not in use for a specified period of time.

- *Assembly and transfer of relevant knowledge for use in the SPP:* Special reporting tools facilitate assembly and transfer of relevant knowledge for use in the SPP, including input forms to support an electronic SWOT; dedicated reports built from trend data; projections based on the defined scenarios; MNO-Factor Watch Reviews; and benchmarking or best practices summary reports identified by TNB, the Sea to Mountain Banking Foundation, the

Figure 4.2-2 SMARTER Data Warehouse System



occur in the North Carolina area. It also allows EMC members secure, remote access from their homes.

The COO randomly specifies an emergency situation such as a fire, tornado, or flood or a malicious new virus at least once every nine months; this immediately initiates a practice

Banking Center for Technology, and recipients of the Baldrige national award and Baldrige-based state awards.

**4.2b(1)** Figure 4.2-1 provides information about how TNB provides for reliable, secure, and user-friendly hardware and software. Its desktop virtualization practices, which run programs off of servers in its data center that users pull down to their desktops, resulted in significant savings on software maintenance and installation.

**4.2b(2)** TNB ensures minimal disruption in its data and information systems under worst-case scenarios by maintaining an off-site backup facility at a partner’s Midwest site with geographically dispersed facilities. This secure site mirrors TNB technology and is available should major upheaval

drill on the established relevant emergency process (Figure 6.1-5). Once the drill is complete, the parties involved (including the IT staff) hold a session to assess the drill’s effectiveness and procedures. During the session, the group identifies unexpected problem areas, additional training, or vendor support needed; captures lessons learned; and develops any necessary policy/procedure revisions. The assessment includes potential impacts on customer service and associate safety (Figure 7.1-18). Based on this assessment, areas found lacking are addressed. TNB also learns from national consultants with experience in addressing disasters. Last year, the Office of Regional Planning recognized TNB with an award for its disaster recovery practices and participation in community disaster recovery planning.

## Category 5: Workforce Focus

### 5.1 Workforce Environment

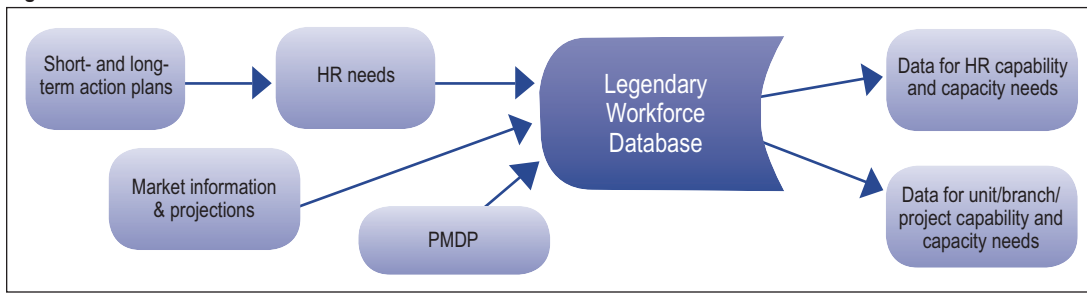
**5.1a(1)** Assessing workforce capability and capacity has historically been accomplished through HR planning relative to action plan deployment. As a cycle of refinement, and using the CIP, TNB has formalized this process. The new ACCPP (Figure 5.1-1) ensures that TNB will anticipate and meet its short- and long-term HR needs. All HR needs for action plans each year are entered into the Legendary Workforce Database, enabling a single view of the needs for the short and long term. Also, workforce availability as it relates to part-time associates, available working hours, and scheduled extended leave is assessed in terms of capacity planning. Further, this database is used by the HR Team to enable accurate projections for training, development, and other workforce planning needs. A recent outcome of the annual evaluation of this process is the addition of the market share projection as a multiplier into the algorithm, so that TNB will know how many associates it will need to accomplish the action plans and meet the changing market demand for its products. TNB will be able to measure the effectiveness of this outcome through projected and actual vacancy rates. The capability element of the ACCPP is

integrated with the PMDP, where training needs and cross-training opportunities relative to the skills and competencies for multiple incumbent positions are discussed. This allows TNB to increase its workforce capability and flexibility without increasing head count.

**5.1a(2)** TNB’s Legendary Service begins with the Hiring the Best program. Established in 1997, this approach has been through numerous cycles of refinement. In 1999, a step was added to ensure that TNB’s diversity goals were taken into consideration during the recruiting process. In 2005, the step of screening for qualities of ethical behavior and Legendary Service was incorporated. In 2009, as a further refinement and an exception to the no-hiring protocol, an element was added to enable TNB to hire for specific talent since new positions are not being created and existing positions are not being backfilled at this time due to the current downturn in the economy. This enables TNB the leverage to hire the best associates available.

Since Legendary Service is linked to the customer experience, all branch staff position descriptions are evaluated by external

**Figure 5.1-1 ACCPP**



is used as part of the SPP relative to the HR plans required for action plan deployment. The database is continually mined by the HR Team and other leaders to provide valuable information for departmental planning, such as the need for

HR specialists and by DemoGraph Surveys consultants to ensure that they meet the highest expectations of customer service staff in the industry. The short- and long-term goals in the Legendary Workforce Database include those for diversity. Operationally, diversity is supported through Diversity Month, and Trust Team leaders are encouraged to construct their teams to represent the diversity of the TNB family of associates. The HR Department is responsible for an annual evaluation of the workforce population to ensure that TNB is in compliance with all government regulations, such as EEOC requirements, and to ensure that TNB is meeting its goals for diversity and community development.

**5.1a(3)** TNB has multiple approaches to ensure that the workforce is managed and organized to meet its requirements (Figure 5.1-2). For example, the PMDP and its integration into the SPP ensure that there is a continued customer and business focus and that strategic challenges, as well as action plans, are addressed. In addition, Trust Teams and various R/R approaches support the accomplishment of work and help associates exceed performance expectations. Agility is ever more important in the new banking environment and is one of TNB’s core competencies, along with operational excellence and understanding and exceeding customer expectations (Legendary Service). To support organizational agility and operational excellence, TNB deploys the TOE to ensure that necessary change is managed effectively. Also, managers conduct a Legendary Service discussion with associates as part of the PMDP review. Associates discuss the skills and knowledge that are required for them to provide Legendary Service, and these are documented as part of their ongoing IPPs.

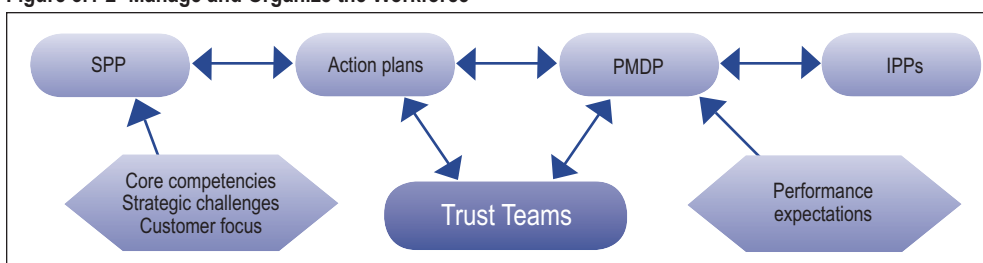
**5.1a(4)** The ACCPP ensures that TNB has all the necessary information to understand the current and emerging capability and capacity needs relative to workforce requirements. These needs are then incorporated into the Legendary Workforce Database. This database provides a view of future workforce requirements that is unique in the industry. The information

more technical capacity and capability as online banking grows and the need for flexible working arrangements as the industry moves from extended hours to a 24/7 operation. As needs are identified, the respective leader develops a plan and works with HR and finance associates to ensure that budgetary, hiring, and workforce development needs are addressed. TNB has multiple approaches to prevent workforce reductions, including cross-training and flexible schedules. To date, TNB has avoided a reduction in force during the economic downturn due to strict cost control and not backfilling positions when possible (only hiring when specific talent is needed). Cross-training has made this possible since associates have been able to step in and perform multiple jobs, adding to their development. Should a reduction in force become necessary, for example, as part of the Widmark acquisition, third-party outplacement services would be contracted to provide one-on-one support for impacted associates.

**5.1b(1)** TNB is a leader in the workforce health, safety, and ergonomic environment it provides. Although security is the major area of concern in the branches, all of these needs are addressed while still providing a pleasant environment for associates and customers. For example, tellers have access to emergency alarm buttons, and while high-resolution security cameras capture 90% of the customer area at any given time, reflective lighting and live plants provide a calming atmosphere. Associates undergo continuous training and spot checks on security procedures. For example, TNB trains staff members to be excellent witnesses and support each other as peers in complying with all security requirements. An ongoing Trust Team continually makes improvements to security approaches, such as extending security guard hours, tracking the security guard-to-associate ratio, and deploying random “undercover” security guards to ensure that all aspects of security are being addressed (including the performance of the uniformed security guards). Recently, three branches deployed a “vaulted kiosk system,” which effectively removes the need for cash from the teller stations by providing customers with tickets that allow them to withdraw cash from kiosks conveniently located in the branch. Results from the security Trust Team’s efforts and key data elements also are used in a formal six-month security review meeting, which is attended by the EMC and representatives from the Trust Team, customer service, and

to withdraw cash from kiosks conveniently located in the branch. Results from the security Trust Team’s efforts and key data elements also are used in a formal six-month security review meeting, which is attended by the EMC and representatives from the Trust Team, customer service, and

**Figure 5.1-2 Manage and Organize the Workforce**



various frontline associates. These six-month reviews are used to analyze data and look for opportunities where lessons and actions from one part of the organization can be deployed in other areas.

Health and safety also are critically important to TNB. Repetitive stress and back injuries are concerns throughout the banking industry due to the repetitive nature of much of the work. Annually, health insurance carriers dispatch teams to ensure that associates have all necessary training and adaptive devices. Facilities management and Trust Teams also ensure that aspects of a safe and healthful environment are addressed by focusing on specific workplace health opportunities and ensuring satisfactory outcomes. Although the branch staff members have higher requirements relative to security, all approaches are assessed for their value in nonbranch environments; for example, associate access using magnetic photo cards, once used only in the branches, is now standard practice in all TNB locations where there are 10 or more associates. Figure 5.1-3 shows the performance measures and improvement goals for TNB’s workforce needs.

**5.1b(2)** Compared to most of the country, the Research Triangle area and the state of North Carolina have seen less drastic effects on the employment market in the downturn and are expected to rebound. Competition for the best associates is expected to increase significantly over the coming years, so TNB continues to maintain its highly competitive benefits package. Benefits include medical, dental, disability, and life insurance programs, as well as a 401(k) program with an option for matching funds. All financial products offered by the bank or its affiliates are offered to associates on a “bank-cost” basis, as allowed by regulations. Discounted services include reduced-fee financial planning, free banking accounts, discounted brokerage services, and reduced-cost loans. TNB managers are empowered to implement flexible work schedules to meet both associate and organizational scheduling needs. TNB recruits part-time associates from local university student populations and offers a package to retirees to return part-time. Tailoring its package to part-time associates includes extending the same benefits as for full-time associates, with the exception of medical benefits. As a result of feedback from the recent associate engagement survey, TNB added greater flexibility to its offerings by allowing its contribution for one element (e.g., dental) to be applied to another element (e.g., medical) if the associate chooses not to elect a particular subsidized element. Every three years, a Trust Team analyzes

the services and benefits package against national benchmarks and associate feedback data and recommends improvements to the EMC.

## 5.2 Workforce Engagement

**5.2a(1)** The primary method for determining elements that affect workforce engagement and satisfaction is the annual associate engagement survey. The survey asks associates to provide their perceptions on six engagement elements and to provide comments (see Figure 7.3-2). The engagement elements are (1) commitment to the MVV, (2) emotional commitment, (3) intellectual commitment, (4) personal meaning in work, (5) trusting relationships within TNB, and (6) a safe and cooperative environment. TNB also uses algorithms in other parts of the survey to determine the relative importance of engagement elements. An example of post-survey analysis was to segment the responses from associates integrated in the Widmark acquisition. Results showed no difference in the key elements for engagement of these associates. TNB has a long-standing relationship with DemoGraph Surveys, its partner in administering the survey. The survey is deployed to all associates, including the new Widmark associates. To simplify survey administration, TNB moved from a paper survey to an online survey. Additionally, as a result of feedback from the 2007 Baldrige feedback report and to ensure that the survey measured both engagement and satisfaction, two additional items were added: “I would recommend a friend to work here” and “My level of engagement is [1–5]” (with 5 being highly engaged/satisfied based on the defined engagement and satisfaction elements). This improvement ensured alignment with the success factor of an engaged and highly satisfied workforce. Although the survey responses are anonymous, enough demographic data are obtained to enable TNB to stratify results by different workforce segments, as well as by tenure, generation, and job type.

In 2010, to address the needs of a rapidly changing and stressful work environment, TNB supplemented the DemoGraph Surveys with a series of associate focus groups designed to validate or determine new engagement elements as they evolve. The focus groups, which included both experienced TNB associates and new associates from the Widmark acquisition, were facilitated by HR professionals who collaborated with branch managers to develop the questions. To ensure data integrity from the focus groups (and to ensure that associates felt comfortable sharing information), responses were blinded before being shared.

**5.2a(2)** To ensure its competitive advantage, TNB has a variety of approaches in place to foster a culture of open communication, high-performance work, and an engaged workforce. An open-door policy is part of the culture, and well-attended, weekly, stand-up meetings and morning office huddles help to ensure open communication. TNB recently enhanced its communication approaches by creating social media opportunities; for example, three of its EMC members are currently authoring blogs. These blogs have been well received by associates and result in opportunities for quality dialogue with executives. The number of blog discussion entries has doubled every three

**Figure 5.1-3 Health, Safety, and Security Measures and Goals**

Measure	Goal
Workers’ compensation claims	Zero claims
OSHA TRR	Better than 80th percentile
Security guard-to-associate ratio	1:20
Number of security cameras per branch	6
Number of robbery attempts	Zero
Associate engagement survey: “I feel safe and secure at work.”	100%



months since the blogs were launched. TNB also has received direct associate feedback that these blogs are seen as a positive way to foster open communication with executives to whom the associates would otherwise have limited accessibility.

The culture of high-performance work is the product of the PMDP, which helps ensure that associates know what is expected of them at all times and how their work impacts the accomplishment of TNB’s objectives and mission. The PMDP also contributes to the engagement levels of associates, since they feel more engaged when they know what is expected of them. Trust Teams also foster a culture of high performance and communication by allowing associates to jointly collaborate on objectives and “win” together. Trust Teams are used to meet many different needs, including to address specific operational issues. They may be ongoing (with rotating team members) to ensure consistent focus on key areas such as security, or they may be used for specific tasks such as knowledge sharing or to ensure effective deployment of new processes. Teams are selected by the team leaders using the Trust Team skills availability matrix. This repository identifies associates who want to work on a Trust Team and their specific skills, knowledge, and abilities. Team progress is reported on the TriVolume pages that each Trust Team produces.

With multiple, systematic approaches, TNB ensures that its workforce reflects the diversity of the hiring community. Examples include recruitment advertisements placed in ethnic publications and the establishment of Diversity Month. Diversity is celebrated through short stories reflecting the value of diversity that are posted on the home page of associates’ computers and through diversity potluck lunches that are open to all associates during Diversity Month.

**5.2a(3)** Associate performance is evaluated through the PMDP, which is fully integrated with the SPP. The strategic plan is cascaded to all associates each December to coincide with the year-end individual performance review. This sets the tone and ensures the alignment of the following year’s IPPs with the strategic plan. Mid-year reviews of associate performance are conducted in June, with the strategic planning objectives as a reference to ensure continued alignment. This model of performance tied to objectives has been so successful that TNB decided to integrate the associates from Widmark into this approach. This integration is currently being deployed, with full deployment planned by the end of 2011.

TNB believes that it cannot realize its vision of being the number-one community bank in Legendary Service without fully engaged associates and that compensation and R/R are

key elements in satisfaction and engagement. The Variable Compensation Program ties 10% of a manager’s compensation to Legendary Service performance factors. Managers and bank officers can attain compensation up to 50% above their base salaries if they achieve their performance goals. For branch frontline associates, the performance goals and rewards are identical and related to team performance, thereby encouraging high-performing, results-oriented teams.

TNB has a comprehensive suite of approaches for R/R, collectively known as the TriView Excellent Associate Recognition (TEAR) program (Figure 5.2-1). A variety of refinements, mostly attributable to associate engagement survey feedback, have been made to this program. Examples include recognition for innovations made, however small, to a process that an associate is operating. Also, TNB now returns a percentage of savings from a project back to the associate’s or Trust Team’s department for discretionary spending. Rewards are also tied to the “well-being of all the communities” element of the mission through a program that offers a reduction in the associate’s health care premiums when he or she reaches 100 hours of volunteer service in the local community. Peer-to-peer recognition is provided for associates providing Legendary Service; peers award the recognition, and the associate receives a TriView Legendary Service Magnet. At the end of each year, the achievements for all magnet recipients are assessed by the EMC, and a winner is selected for an overall award, typically \$3,000 for education or training. This is presented by a member of the EMC at a weekly stand-up meeting.

The PMDP reinforces a customer and business focus through its alignment with the SPP by ensuring that both individual associates’ and teams’ objectives are derived from TNB strategic objectives.

**5.2b(1)** The annual associate engagement survey administered by DemoGraph Surveys is the primary method used to assess workforce satisfaction and engagement. Results are analyzed by the HR Team to identify patterns and trends. To ensure data stability, DemoGraph Surveys requires that fewer than 10% of the survey questions be changed each year. TNB has incorporated questions to reflect Baldrige feedback (e.g., to more fully address workforce engagement) and questions suggested by DemoGraph Surveys as a result of its national benchmarking work in banking. Although the same survey is presented to all associates, TNB is able to segment feedback as it applies to a particular group of associates through stratified analysis of the results. Former Widmark employees had taken the WidSat survey every year but have recently been integrated

**Figure 5.2-1 TEAR Program**

Award/Recognition	Frequency	Eligibility: Award
Trust Team Excellence	At project close	Formal Trust Teams: 10% of first-year savings
BILLS program	Recipients selected semiannually	Innovation validated by the EMC: Associate bonus or 10% of savings to department budget
Innovation Recognition	Per nomination	Innovation validated by the EMC: Gold “innovator key”
Volunteer Hero	Annual	Completion of 100 hours of community service: Health care premium reduction
Service Legend	Per nomination	Nomination validated by the EMC: Legendary Service Magnet
Annual Service Legend	Annual	Receiver of magnet: Winner receives \$3,000 for training, development opportunities

into the TNB model. Indicators such as retention, absenteeism, grievances, safety, and productivity were presented to and analyzed by the HR Team and other leaders at the 2011 inaugural associate engagement retreat that will be repeated each spring. The retreat included the CEO and key members of the EMC, as well as an advisor from Carrollville University. TNB shared many of these data with DemoGraph Surveys and therefore is able to obtain industry comparisons to enable more meaningful analysis. Outcomes from the retreat are either addressed through Trust Teams or, if they require a higher level of investment, leaders may decide to present them as inputs for the SPP.

**5.2b(2)** Results from the retreat and from the annual associate engagement survey are maintained within a secure database and are available to management throughout the organization. Whether it is for the SPP, action plan development, or a process improvement opportunity, the associate engagement findings are available to identify opportunities for improvement in both workforce engagement and business results. For example, leaders run associate and customer correlations by branch, product, and other categories to identify “excellence hotspots” where practices might be shared. When Safety and Health Trust Team members were preparing for the analysis phase, they used information from the repository to ensure that any proposed improvement opportunities considered key information impacting associate engagement.

**5.2c(1)** The approaches for workforce and leader development are key to addressing challenges in the current environment. For example, associates need to attain an increasingly higher technical knowledge to meet the expectations of customers who scrutinize details and require absolute assurance before considering products. Further, approaches need to be agile to meet the rapidly changing environment. To increase the agility and the performance of the workforce and leader development system, TNB is analyzing the opportunities for alignment and integration with the following approaches.

*Core competencies, strategic challenges, and action plans:* Workforce and leader development needs are discussed as part of the SPP. This integration ensures the thread between the learning and development system and the core competencies, strategic challenges, and accomplishment of action plans.

*Organizational performance improvement and innovation:* The IPP includes a responsibility for each individual to identify the learning and development needs that are required in order to provide Legendary Service. This approach to identifying learning needs also ensures that the learning and development system fosters necessary performance improvement elements. This approach is fully deployed to all associates and senior leaders. Innovation is addressed in many ways; for example, associates can receive an “innovator key” by being nominated for their innovative achievements.

*Ethics and ethical business practices:* A culture of ethical behavior has always been a priority for TNB, and with the recent and ongoing turbulence in the banking industry, this is more important than ever before. To support TNB’s core

value of integrity, the learning and development system starts with mandatory ethics training during new hire orientation and annually thereafter. The ethics module is revised each year based on identified benchmarks/best practices and the latest literature and now includes a post-training test. Participants, including all associates and leaders, are required to attain a score of 95% or higher to continue employment with TNB. “Ethics minutes” are often incorporated into the weekly stand-up meetings and include real ethical situations that have occurred in the organization. Further, the “ethics minutes” are posted on the intranet for review by all associates.

*Customer focus:* A dedicated focus on the customer is essential. The IPP has a section for the supervisor and associate to discuss what needs and objectives will be added relative to a focus on customers. In addition, mandatory training is added to the IPP depending on the associate’s specific role. For example, service recovery training may be required for one associate, and advanced communication skills may be required for an associate in a different role.

*Learning and development needs:* Associates identify learning needs as part of the PMDP performance review, and these are incorporated into the SPP. This approach is well-deployed, and associates have identified development needs relative to the skills required to provide Legendary Service to today’s more-demanding customer. An example is the level of technical knowledge required to satisfy customers who are increasingly more skeptical and require detailed explanations about any product before they will consider buying it.

*Transfer of knowledge:* To ensure that skills and knowledge are transferred from departing or retiring workers, TNB has recently incorporated a two-week handoff period whenever possible. This allows the retiring or departing associate to work on the job with the new recruit. This enables first-hand knowledge of the job to be transferred and has proven to be a useful method to help new recruits understand TNB’s organizational culture. Results for this approach are difficult to provide, as turnover has been very low over the past two years.

*Reinforcement of new knowledge and skills on the job:* Reinforcing new knowledge and skills on the job has traditionally been accomplished through surveys delivered after training. As a result of feedback from a Baldrige assessment, the approach has been improved in two ways. The first is to ensure, whenever possible, that associates are placed on assignments or Trust Teams where they can use the newly acquired skills immediately following training. For example, associates completing service-recovery training are often assigned to work with the Customer Service Trust Team for a period of time. Second, in 2010, a contractor for nonbanking areas helped develop special courses, and in 2011, associates who completed these courses will receive a six-month proficiency follow-up test so that the organization can measure the success of this improved approach.

**5.2c(2)** To ensure that development and learning systems are efficient and effective, the EVP for HR and his team evaluate feedback from training surveys and aggregated feedback

from the associate engagement survey. If any opportunities are noted, an action item is crafted and a Trust Team formed to ensure that the opportunity is effectively addressed. For example, associate feedback suggested that there was a need to reference some or part of the training material weeks, or even months, after the program. A Trust Team developed a repository where associates can access the training material and, where applicable, the video recording of the training event.

**5.2c(3)** Although turnover has been very low over the last two years, TNB recognizes that a retirement wave and an upturn in the market could very well coincide, resulting in a major HR challenge for the organization. As an adjunct to the approach for cross-training, associates are identified for further leadership development as part of the Legendary Leader Development Program (LLDP). The program’s success ensures that TNB will have the bench strength to address potential HR challenges in the future. Associates identified shadow an executive, and the top 50% attend the TNB Leader

Development Institute, a two-year program deployed in collaboration with Carrollville University. These candidates also become part of the EMC mentorship program. There are currently 60 associates in the program. A succession plan is updated semiannually to ensure at least two viable candidates for each management position. While not all associates can be identified as high-potential, all associates operate in an environment where they can develop and demonstrate their potential and thus are eligible for promotion. The broader approach for managing career progression starts with the PMDP discussion in which training needs and career interests are discussed. The resulting IPP and the internal posting system provide opportunities in management, teller, and other tracks. Associates are encouraged to continually develop their skills and to manage their career progression to ensure that both TNB and its associates have the capability to capitalize when the market recovers.

## Category 6: Operations Focus

### 6.1 Work Systems

**6.1a(1)** TNB designs and innovates its work system (Figure 6.1-1) to meet and exceed customer requirements by providing Legendary Service and delivering products and services through the TOE process. Work system design decisions are made by the EMC during Steps 5 and 6 of the SPP (Figure 2.1-1). During Step 5, the EMC evaluates the current work system to ensure that the structure is appropriate to accomplish both “running the business” and “changing the business” in alignment with newly defined strategic objectives. In the assessment of the current work system, the EMC incorporates feedback from multiple customers, suppliers, partners, and market sources, as well as an assessment of internal capabilities and

capacity and past performance. In Step 6 of the SPP, this input is used to validate or update the current work system design, with changes being incorporated into the ACCPP.

Recognizing that TNB’s core competencies are what set the organization apart from its competitors, the organization developed the EPM (Figure 6.1-2), which defines the processes necessary to deliver on those core competencies (see also the “core competency linkage” in Figure 6.1-3). Based on a 2003 Baldrige Award recipient’s best practice, the EPM is the framework used to identify and show the interconnections of the organization’s top-level processes. The EPM consists of 11 process families that contain several process levels within each

family. During the SPP, the EMC reviews and, if necessary, refines the EPM to add processes that may be necessary to deliver Legendary Service and leverage operational excellence and agility. During the SPP, the EMC also identifies key processes (Figure 6.1-3)—those most important for providing Legendary Service, delivering products and services, or achieving the

Figure 6.1-1 TNB Work System

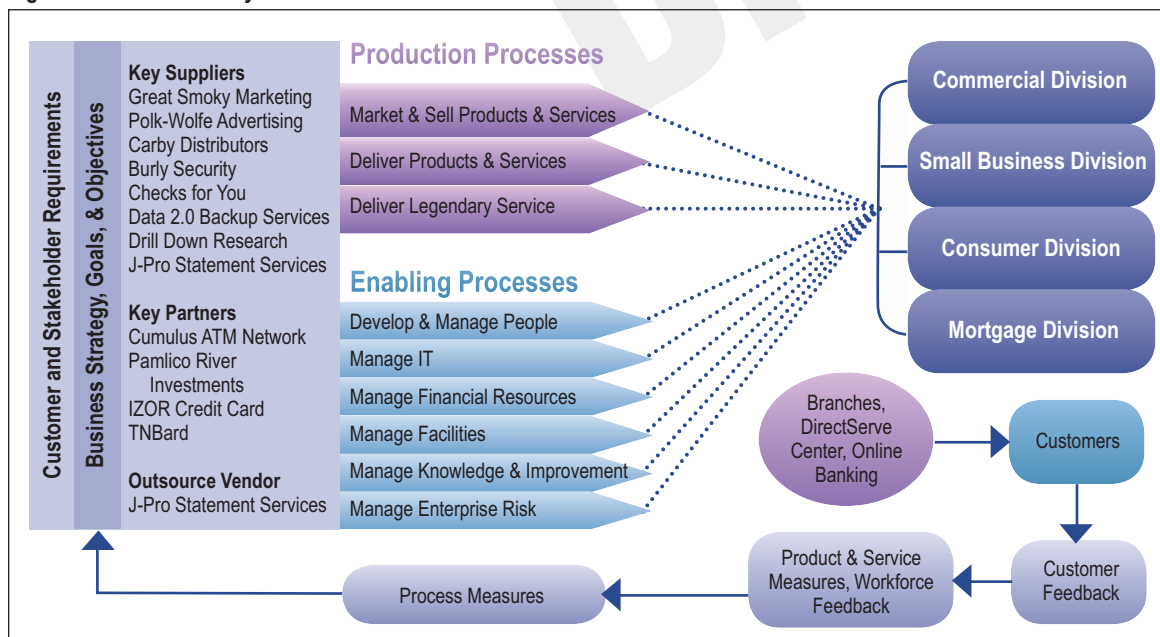
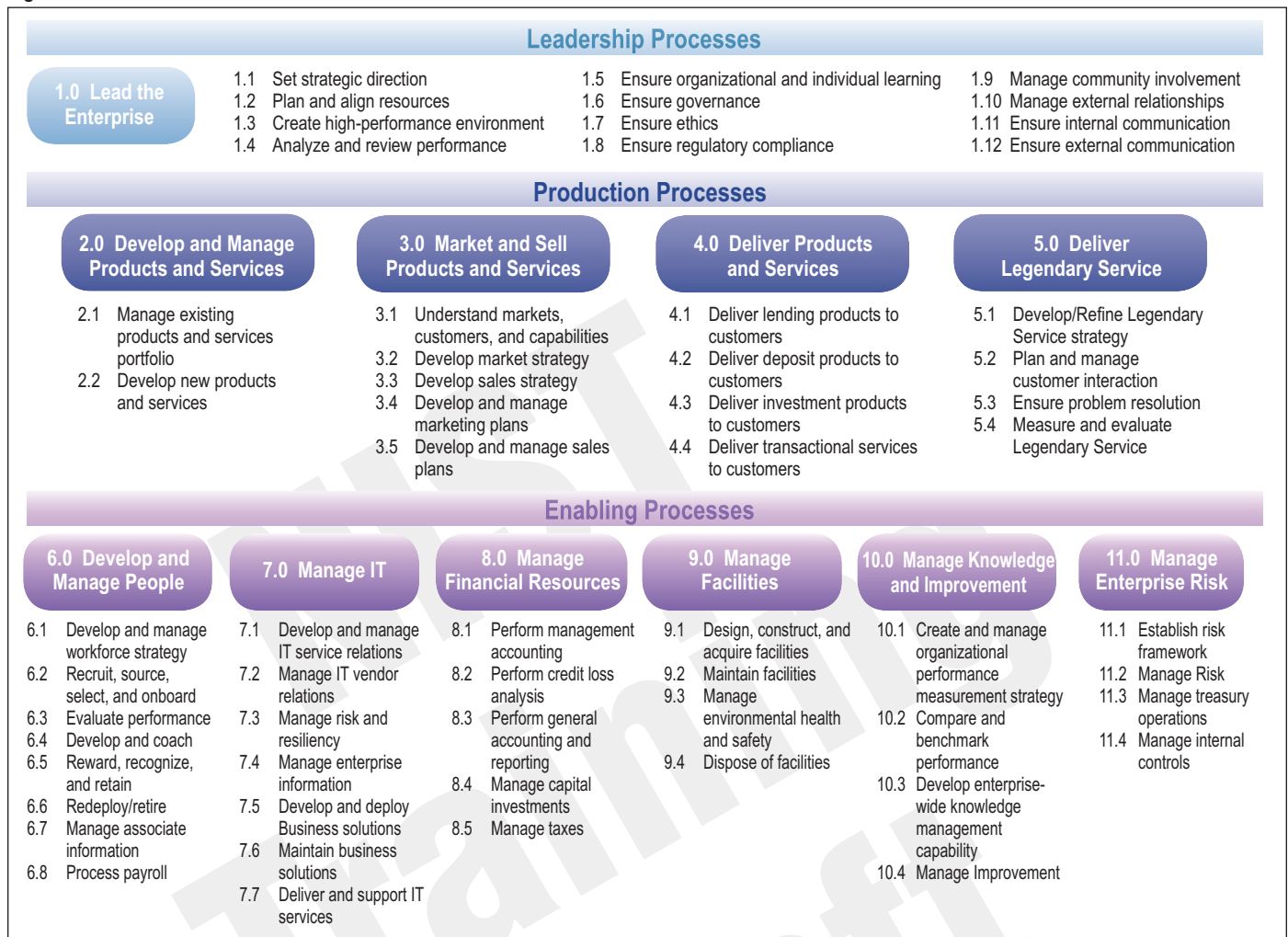


Figure 6.1-2 EPM



strategic objectives. These are updated annually. For example, in 2008, 1.10, Manage External Relationships, was added as a key process because TNB realized that deteriorating economic conditions made its external relationships more important than ever before. Likewise, 11.0, Manage Enterprise Risk, was identified as a key process family in 2005. To enable loan officers to focus on delivering Legendary Service, TNB has a separate risk management unit that reports to the Treasurer and CFO. This unit reviews and presents a risk analysis on all new credit extensions that are presented to loan committees. A healthy tension between risk management and loan officers has allowed TNB to serve its customers while avoiding many of the loan problems prevalent in peers.

While most banks outsource a variety of processes, such as security services or janitorial services, the approach at TNB is different. As a community bank, TNB considers a key element of its contribution to the communities in which it operates to be the jobs that it provides to community residents. As such, TNB made the strategic decision to consider outsourcing processes only (1) when the process is not part of a core competency or central to achieving the MVV and (2) when the required capabilities do not exist within TNB or cannot be developed internally. The EMC considers processes for outsourcing during the SPP, and it selects an outsource vendor

that can effectively provide the process and whose values align with those of TNB. Because of this approach, TNB currently outsources only one process: statement services.

**6.1a(2)** The TNB work system and its requirements have been through multiple cycles of refinement. The most significant change occurred in 2001 when the work system was restructured from a traditional top-down hierarchy structure to a more collaborative, team-based system with the introduction of Trust Teams. These cross-functional teams defined and deployed processes capitalizing on best practices. In 2005, as TNB became more experienced in process management, the EMC redesigned the work system to leverage process discipline and ensure consistent process execution. Process owners were identified and given responsibility for designing, managing, and improving processes, incorporating input from customers, suppliers, and partners. These processes were executed in the TNB divisions and delivered to the customer through the branch system, the DirectServe Center, and limited online banking. In 2003, online banking services were significantly enhanced. In 2008, the EMC expanded the work system to incorporate key suppliers and partners by sharing key strategies, goals, and measures. The work system was refined again when Widmark was acquired and all mortgage services were reorganized into the Mortgage Division. The current work

**Figure 6.1-3 Key Processes**

Key Process	Process Contributes to	Process Requirements	Process Measures	Core Competency Linkage	Cat. 7 Results
1.1 Set Strategic Direction	<ul style="list-style-type: none"> <li>Organizational sustainability</li> <li>Customer loyalty</li> <li>Revenue</li> </ul>	<ul style="list-style-type: none"> <li>Timely</li> <li>Accurate</li> <li>Effective</li> </ul>	<ul style="list-style-type: none"> <li>Action plan performance</li> <li>Environmental efforts achieved</li> <li>ROE</li> </ul>	All	7.1-19 7.4-11 7.5-1, 7.5-2
1.7 Ensure Ethics	<ul style="list-style-type: none"> <li>Organizational sustainability</li> <li>Workforce loyalty</li> <li>Reduction in legal claims</li> </ul>	<ul style="list-style-type: none"> <li>Timely</li> <li>Fair</li> <li>Comprehensive</li> </ul>	<ul style="list-style-type: none"> <li>ECC response to complaints about EMC</li> <li>Associate engagement</li> <li>Ethical/legal findings</li> </ul>	Operational excellence	7.2-11, 7.2-12 7.3-2 7.4-8
1.10 Manage External Relationships	<ul style="list-style-type: none"> <li>Positive corporate image</li> </ul>	<ul style="list-style-type: none"> <li>Timely</li> <li>Effective</li> <li>Reasonable cost</li> </ul>	<ul style="list-style-type: none"> <li>External contacts by EMC</li> <li>Positive press</li> </ul>	Legendary Service	On-site
3.1 Understand Markets, Customers, and Capabilities	<ul style="list-style-type: none"> <li>Customer loyalty</li> <li>Appropriate product/service</li> <li>Customer growth</li> </ul>	<ul style="list-style-type: none"> <li>Accurate</li> <li>Timely</li> <li>Reasonable cost</li> </ul>	<ul style="list-style-type: none"> <li>Customer satisfaction/engagement</li> <li>Knowledge management</li> <li>Customer research</li> <li>Satisfaction with advocacy</li> </ul>	Legendary Service  Agility	7.2-1, 7.2-14 7.1-15 On-site 7.1-8
4.0 Deliver Products and Services	<ul style="list-style-type: none"> <li>Revenue</li> <li>Customer engagement</li> </ul>	<ul style="list-style-type: none"> <li>Accurate</li> <li>Timely</li> <li>Reasonable cost</li> </ul>	<ul style="list-style-type: none"> <li>Transaction errors</li> <li>Time to resolve problems</li> <li>Cost-effectiveness</li> </ul>	Operational excellence  Agility	7.1-5 7.1-4, 7.2-13 7.1-16
5.0 Deliver Legendary Service	<ul style="list-style-type: none"> <li>Customer engagement</li> <li>Positive referrals</li> <li>Revenue</li> </ul>	<ul style="list-style-type: none"> <li>Advocacy</li> <li>Accuracy</li> <li>Timely</li> </ul>	<ul style="list-style-type: none"> <li>Customer engagement</li> <li>Likelihood to refer</li> <li>Complaint cycle time</li> </ul>	Legendary Service	7.2-14 7.2-14 7.2-12
6.2 Recruit, Source, Select, and Onboard	<ul style="list-style-type: none"> <li>Workforce effectiveness</li> <li>Customer loyalty</li> <li>Workforce loyalty</li> </ul>	<ul style="list-style-type: none"> <li>Timely</li> <li>Quality</li> <li>Reasonable cost</li> </ul>	<ul style="list-style-type: none"> <li>Vacancy rate</li> <li>Cost to hire</li> <li>Associate satisfaction</li> </ul>	All	7.3-6 On-site 7.3-1
6.4 Develop and Coach	<ul style="list-style-type: none"> <li>Workforce loyalty</li> <li>Workforce effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>Effective</li> <li>Tailored</li> </ul>	<ul style="list-style-type: none"> <li>Amount spent on training per associate</li> <li>Training hours per associate</li> <li>Associate satisfaction with training</li> </ul>	Legendary Service	7.3-4 7.3-5 7.3-3
8.0 Manage Financial Resources	<ul style="list-style-type: none"> <li>Organizational sustainability</li> <li>Organizational efficiency</li> </ul>	<ul style="list-style-type: none"> <li>Accurate</li> <li>Timely</li> </ul>	<ul style="list-style-type: none"> <li>Financial statement errors</li> <li>Days to complete financials</li> </ul>	Operational excellence	7.1-5 7.1-13
10.2 Compare and Benchmark Performance	<ul style="list-style-type: none"> <li>Fact-based decision making</li> </ul>	<ul style="list-style-type: none"> <li>Accurate</li> <li>Timely</li> </ul>	<ul style="list-style-type: none"> <li>Report accuracy</li> <li>% reports produced on time</li> </ul>	All	On-site On-site
10.4 Manage Improvement	<ul style="list-style-type: none"> <li>Improved performance</li> </ul>	<ul style="list-style-type: none"> <li>Timely</li> <li>Effective</li> </ul>	<ul style="list-style-type: none"> <li>% projects completed on time</li> <li>Efficiency ratio</li> </ul>	All	7.1-14 7.1-10
11.0 Manage Enterprise Risk	<ul style="list-style-type: none"> <li>Operational readiness/continuity</li> <li>Reduced financial exposure</li> <li>Organizational sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Accurate</li> <li>Timely</li> <li>Appropriate</li> </ul>	<ul style="list-style-type: none"> <li>Past due loans</li> <li>Regulatory, legal, and financial compliance</li> <li>Audit compliance</li> </ul>	Operational excellence	On-site 7.4-5, 7.4-7, 7.4-8 7.4-4, 7.4-5

system, including process families, is shown in Figure 6.1-1. A complete list of process families, as well as related subprocesses, is shown in Figure 6.1-2.

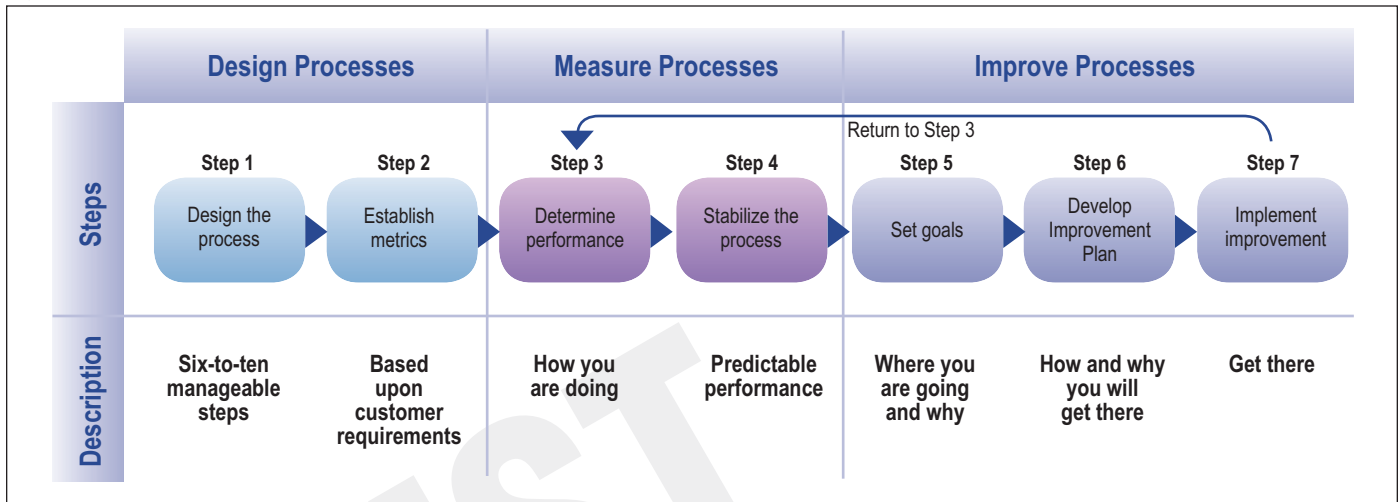
**6.1b(1)** TNB’s work system and key work processes and how these contribute to delivering value to customers or the organization are shown in Figures 6.1-1–6.1-3. In some cases, TNB has identified a macro process (i.e., process family) as a key work process, while in other cases, a subprocess is considered a key process.

**6.1b(2)** TNB determines process requirements (Figure 6.1-3) through the BPM process (Figure 6.1-4), which is used to control overall system costs. The bank began a focus on process design and management in 2001 with the deployment of the CIP. Since then, TNB has refined and expanded process discipline; it adapted the BPM approach following a 2008 benchmarking visit to a recent Baldrige Award recipient. This improvement provided a more detailed approach for ensuring

consistent process discipline across the organization, resulting in decreased service errors and rework.

In Step 1 of the BPM, Design the Process, process owners complete a Supplier-Input-Process-Output-Customer (SIPOC) diagram on each process. In the development of the SIPOC, process customers are defined; these may be internal customers, external customers, suppliers, or partners. Once the SIPOC has been completed, process owners interview (or survey) process customers and use the input to develop a Customer Requirements Tree through which the process owner and, frequently, a process team capture and prioritize process requirements. Process owners or teams validate the original customer research with other tools, such as customer surveys, community focus groups, regulatory recommendations and audits, legal requirements, performance benchmarking, and industry research. Through synthesis and analysis of this information, a balanced set of process requirements is identified. The most common requirements of TNB’s work processes

Figure 6.1-4 BPM Process



are quality (accuracy), reasonable cost, timeliness, and short cycle time. Process owners update the customer requirements annually to ensure that requirements remain current. In Step 2, Establish Metrics, the process owner uses the specified requirements to define the measures that will be captured and tracked to manage process performance.

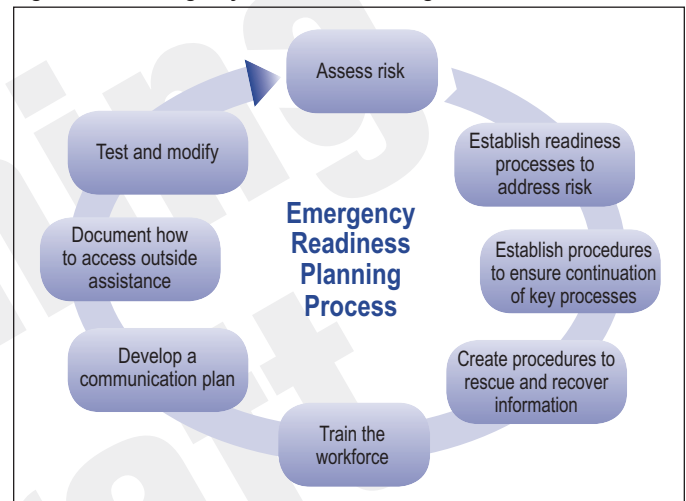
To provide greater discipline in Step 7, TNB implemented the Lean/Six Sigma improvement methodology in 2007 and has widely deployed related tools. For example, the Customer Requirements Tree that is now used in Step 1 of the BPM is a Lean tool. The BPM process is fully deployed in all businesses and functions, and all processes have gone through the seven BPM steps.

**6.1c** TNB ensures the organization’s preparedness for disasters and emergencies in several ways. The Emergency Readiness Plan (ERP), owned by the COO, details chains of command, actions, and notifications required for emergencies, including tornados and other severe weather; personal injuries; power failure; bomb threats; pandemics, such as the H1N1 flu; and workplace violence, such as robberies. The ERP includes requirements for resumption of operations after an event. Regular drills are conducted with local emergency professionals, as needed, to ensure effective training and to identify areas to improve preparedness and prevention. After any emergency preparedness drill, the EMC conducts a review and analyzes the strengths and weaknesses of the process. Based on the findings, improvements are implemented, including any related training for associates. For example, as a result of Baldrige feedback two years ago, TNB realized that approaches to emergency preparedness were not sufficiently proactive. TNB worked with a consultant to develop a more systematic approach, and it now has deployed the eight-step Emergency Readiness Planning Process (Figure 6.1-5). As a result of the analysis completed in the first step, Assess Risk, this year the H1N1 flu pandemic was added as a key focus area.

**6.2 Work Processes**

**6.2a(1,2)** Within the framework of the BPM process (Figure 6.1-4), TNB uses a defined set of tools and methods to design processes, including incorporating efficiency and effectiveness

Figure 6.1-5 Emergency Readiness Planning Process



factors (part of Step 1) and establishing metrics to assess these factors (Step 2). To ensure processes are implemented and continue to meet requirements, process owners periodically review process metrics with process stakeholders (Steps 3 and 4) and make process improvements (Steps 5, 6, and 7).

When a new process is required, or when a process needs to be re-engineered, TNB charters a cross-functional process team, which conducts a process workshop facilitated by an experienced Six Sigma Black Belt. In this workshop (which may occur over an extended period of time), the team completes the detailed steps of the BPM process. In Step 1, the team (1a) collects a variety of information to clearly define process objectives, (1b) defines key process stakeholders and collects/prioritizes/analyzes their process requirements, and (1c) defines key steps in the process to meet stakeholder requirements. As part of the team’s research, it may benchmark similar processes and define “best practices” that will be incorporated into the new process design. Technology that may facilitate process execution will be considered, evaluated, and incorporated into the process design in Step 1. The new or re-engineered process (1d) may be piloted, results evaluated, and process steps modified as needed prior to full implementation,

and (1e) control monitoring is defined to ensure effectiveness. In Step 2, the team (2a) identifies and selects outcome measures, (2b) identifies and selects in-process measures, (2c) identifies process control points, (2d) develops and validates measures, (2e) establishes process metric charts, (2f) obtains customer agreements on metrics, and (2g) establishes minimum acceptable performance levels. Once the process design is completed, the process team also reviews the performance of the selected process measures on a regular basis (daily, weekly, and/or monthly, as appropriate). Monthly process measures are reported in the BPMS, and data from this system are accessible to all process owners and leaders.

**6.2b(1)** TNB implements and manages work processes to ensure that they meet design requirements by executing Steps 3 and 4 of the BPM process. In Step 3, the process owner/team (3a) monitors and audits process performance, (3b) analyzes process performance, and (3c) determines the current process mean and range, and calculates the UCL and LCL. In Step 4, the team (4a) verifies conformance to procedures, (4b) fixes obvious problems, (4c) identifies and eliminates special causes of variation, (4d) identifies and eliminates potential problems (using failure mode and effects analysis), (4e) determines current process performance, and (4f) verifies that the process is in control and outcomes can be predicted. The performance and in-process measures for key processes are identified in Figure 6.1-3.

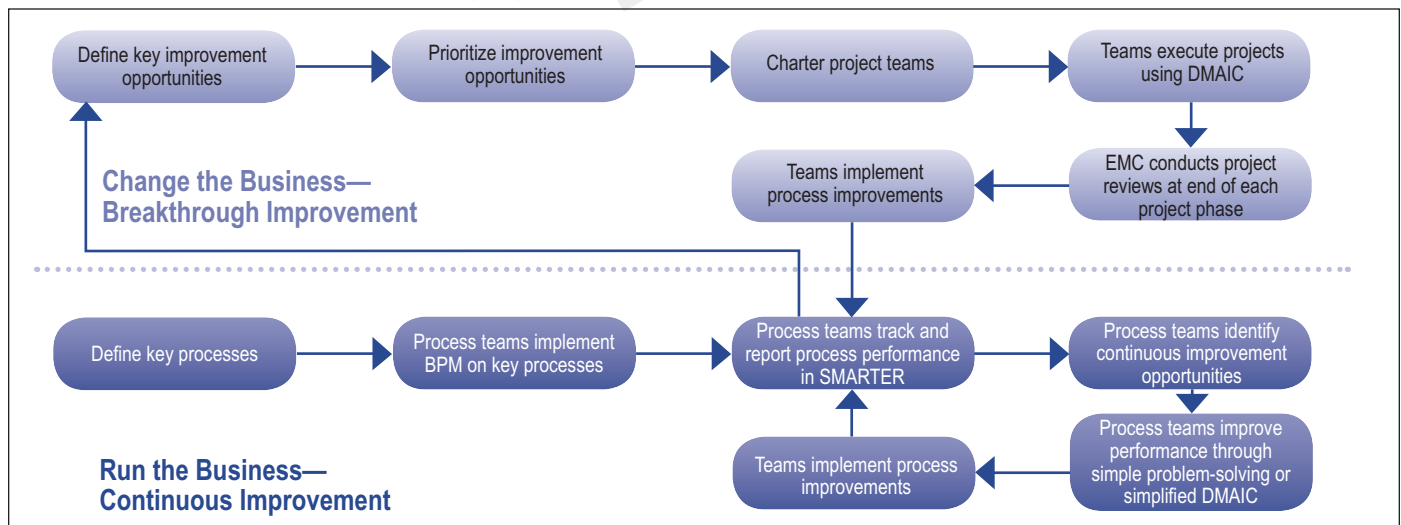
Workforce input is used to manage work processes by closely aligning and linking strategies and goals to those of first-level managers and teams (see Item 4.1). Managers or teams are able to review their performance against their own action plans and goals and take action as required. By rolling up the data to higher levels, process performance against action plans can be reviewed at various levels. Following input from process customers, suppliers, partners, and collaborators to define requirements and to determine in-process and outcome measures (BPM, Step 2), process-specific measures are used by the suppliers and process owners to evaluate overall process performance. BPMS provides a roll-up feature by site, function, and business.

**6.2b(2)** To manage its supply chain, TNB implements SLAs with each supplier that include specific requirements (Figure P.1-4) and performance benchmarks. TNB ensures that suppliers are positioned to enhance performance and customer satisfaction by requiring that suppliers' values are aligned with those of TNB and that their performance has proven that they can effectively provide the required services. TNB evaluates its suppliers' performance by tracking the performance benchmarks in their SLAs (see Figure 7.1-12). If these benchmarks are not met, TNB management discusses the issues during face-to-face meetings with the supplier, and if performance does not improve, that information will be critical when considering contract renewal.

**6.2b(3)** TNB's approach to improvement has been an evolutionary journey from simple problem-solving to a more robust approach (see P.2c). Through this integrated approach, TNB systematically drives improvement that ensures both breakthrough and continuous improvement (Figure 6.2-1).

Breakthrough improvement is achieved by identifying large-scale improvement opportunities. While many of the breakthrough improvements are identified as part of the SPP, opportunities may be identified throughout the year and across the entire organization. Organizational-level projects are prioritized based on their impact on accomplishing organizational goals. Project teams are chartered to execute these "vital-few" projects that will accomplish the breakthrough improvement goals set in the strategic plan. These teams are facilitated by experienced Six Sigma Black Belts who guide the teams through the Lean/Six Sigma Define, Measure, Analyze, Improve, Control (DMAIC) methodology. These projects are tracked and progress monitored through a defined Project Management Process that includes "gate" reviews at the end of each step of DMAIC. The Project Management Office is a part of the Business Excellence Department, and currently three associates have been certified as Project Management Professionals (PMPs) through the Project Management Institute (PMI). These PMPs support and coach project team leaders throughout their projects. While other improvements efforts are not required to go through the project management

**Figure 6.2-1 Process Improvement Methodology (TOE)**



discipline, the PMPs provide support to all project leaders. Through project management reviews, EMC members are able to provide guidance on projects, remove barriers that may exist, and allocate appropriate resources to ensure successful project completion and sustainability of improvements.

Opportunities for continuous improvement surface as process owners track process performance through the BPM process. When opportunities are identified, process owners can accomplish improvement through execution of a simple problem-solving approach or through a simplified DMAIC process. Teams may be used to accomplish this improvement, and Six Sigma Black Belts are available to provide guidance to process owners as needed. Improvement is validated through process measures that are tracked and reported monthly.

As part of its Process Improvement Methodology (Figure 6.2-1), TNB uses multiple approaches to control costs, achieve better performance, reduce variability, and improve its products, including the following:

- Training associates in improvement tools and team disciplines. For example, process owners and all process teams are trained in the BPM process. Lean/Six Sigma training is provided to all chartered improvement teams.
- Documenting standards for all key positions to reduce variability and ensure maximum efficiencies.

- Establishing daily, weekly, and/or monthly quality and productivity measures for these positions to track performance levels and integrating regulatory requirements, evidence-based standards, new technology, and other key requirements into process design (with automation where possible).
- Monitoring in-process measures on a daily, monthly, or quarterly basis to proactively identify opportunities for improvement, in alignment with efficiency objectives to reduce errors.
- Conducting annual internal audits of processes such as teller operations, cash handling, accounting, and risk management to provide early detection and prevention of errors and thus reduce rework. Internal audits of regulatory and financial standard compliance are conducted in response to external priorities and internal trends or patterns.
- Reviewing internal processes. Every key process is audited at least every two years by a team of internal process experts. These experts work with the process owner, process team, and process customers to review and validate requirements and standards, revise policies and procedures if necessary, and develop and implement educational rollout for changes across the system, as appropriate.
- Establishing standardization to reduce the potential for errors through decreased complexity and variation.

## Category 7: Results

### 7.1 Product and Process Outcomes

**7.1a** TNB delivers Legendary Service by meeting and exceeding customers' product and service requirements (Figure 3.1-1). One of the key requirements for both consumer and small business customers is the security of data and information. As shown in Figure 7.1-1, TNB has significantly improved its performance in this area through the approaches described in item 4.2. Unless otherwise noted, Junovia Index comparisons are to the Junovia top tier. Projected performance data are marked with asterisks throughout category 7.

To meet the customer requirement of convenience, TNB has not only expanded the number of branches provided but has also provided extended evening and weekend hours. Currently, 26 branches offer extended hours (Figure 7.1-2).

TNB measures responsiveness through Teller Wait Time (Figure 7.1-3) and Timeliness in Problem Resolution (Figure 7.1-4). A teller is often the first associate with whom the customer has face-to-face contact. TNB had three years of continually improving wait times for tellers and has outperformed the peer average each year since 2006. With the influx of new deposit customers in 2010, teller wait times increased slightly. First-quarter 2011 results show improvement, with current overall performance at five minutes

Customer research shows that problem resolution is a key determinant of customer loyalty. Results in this area (Figure

7.1-4) have shown improvement for all three TNB customer groups over the last five years.

Accuracy is another key requirement for all three customer groups. Through process discipline, TNB has reduced the error ratio for consumer account transactions from a high of 12 per 1,000 transactions to the current rate of 2 per 1,000, as shown in Figure 7.1-5. Similar improvements have been accomplished for the accuracy of financial statements to customers. While most statements are provided by J-Pro

Figure 7.1-1 Breaches in Data Security

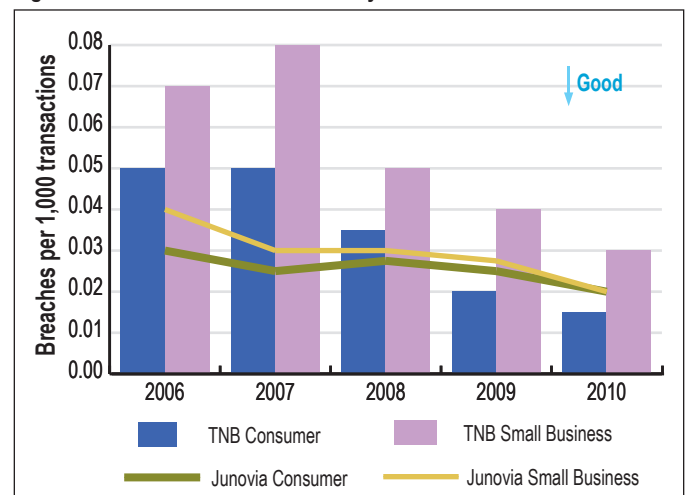
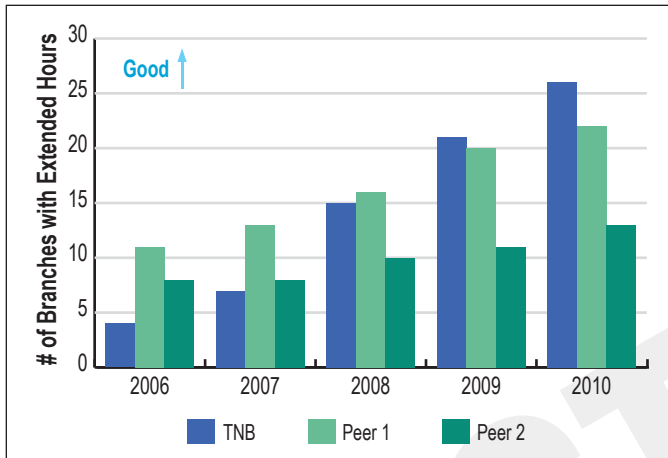




Figure 7.1-2 Convenience through Extended Hours



Statement Services, mortgage statements are still provided by the Mortgage Division (formerly Widmark), as these operations are not yet fully integrated into J-Pro. TNB's accuracy for both time deposit and demand deposit statements compares favorably to the CAB mean (results for other financial statements are available on-site).

Timely delivery of products and services is another requirement for all customer groups, and the lending process is a critical element in this area. Since 2006, process improvements have resulted in decreased cycle time for all types of loans (Figure 7.1-6). The 2010 increase in cycle time for mortgage lending reflects the ongoing integration of Widmark and TNB processes; results for this measure are projected to improve to 38 days in 2011. The reduced cycle time for commercial lending approval from 10 days in 2006 to 2 days in 2010 resulted from a Six Sigma improvement initiative that analyzed cycle times at each critical point in the process. It was determined that the biggest opportunity for improvement was in reducing "sit" time, which was accomplished by developing a "red" file folder that draws attention to the need for immediate action on a file.

As the economy became more challenging, the cost of fees in banking came under attack. TNB was in a favorable position, as its rate structure was already well below that of large banks. The bank has been able to keep its rates competitive as improvements were leveraged to keep lending costs low. For example, by 2010, TNB had significantly reduced its commercial fees to an all-time low of 0.8% of deposits (Figure 7.1-7).

Advocacy is a key requirement for both small business and commercial customers. As the economy deteriorated and banks began to fail in 2008, information from TNB's COP and other customer listening/learning

Figure 7.1-3 Teller Wait-Time

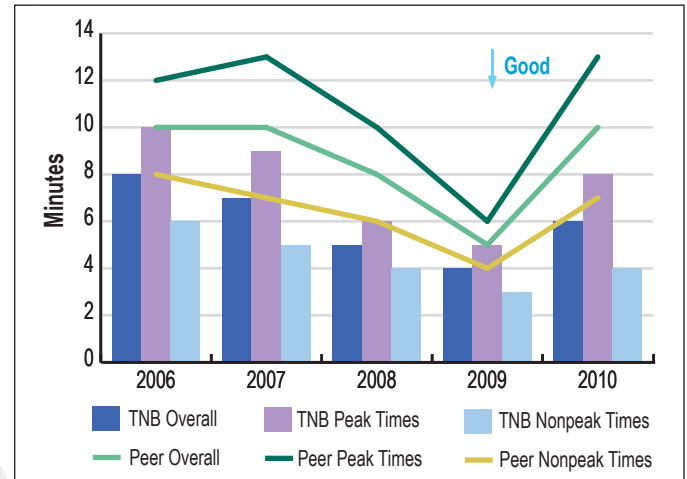


Figure 7.1-4 Timeliness in Problem Resolution

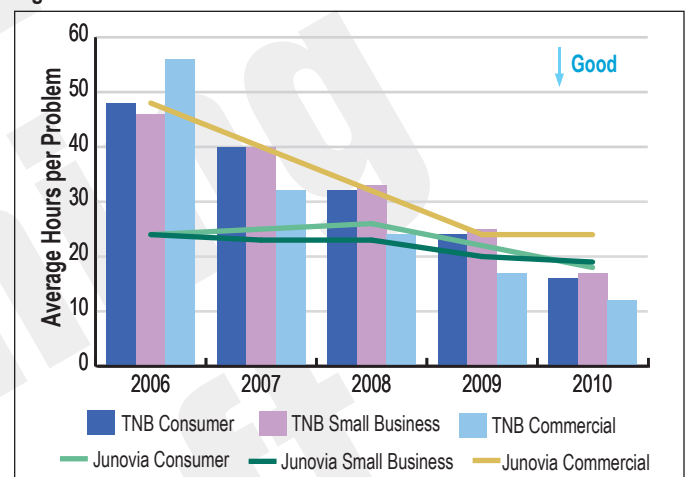


Figure 7.1-5 Accuracy of Transactions and Financial Statements

	2006	2007	2008	2009	2010	2011*
<b>Errors per 1,000 Transactions</b>						
<b>Consumer Transactions</b>						
TNB	12	7	5	3	2	1
Junovia Top Tier	8	6	6	2	2	
Peer Average	15	10	8	5	5	
<b>Small Business Transactions</b>						
TNB	8	6	5	2	0.5	0.5
Junovia Top Tier	10	6	7	5	2	
Peer Average	12	10	7	5	4	
<b>Commercial Transactions</b>						
TNB	22	16	8	6	4	3
Junovia Top Tier	12	10	10	6	6	
Peer Average	15	14	16	10	8	
<b>Error Rates on Customer Financial Statements</b>						
<b>Time Deposit Statements</b>						
TNB	0.015%	0.012%	0.012%	0.009%	0.008%	0.008%
CAB Mean	0.016%	0.015%	0.012%	0.012%	0.010%	
<b>Demand Deposit Statements</b>						
TNB	0.005%	0.005%	0.004%	0.005%	0.003%	0.0025%
CAB Mean	0.005%	0.006%	0.005%	0.004%	0.005%	
<b>TNB Short-Term Loan Statements</b>	0.003%	0.003%	0.002%	0.003%	0.003%	0.002%

**Figure 7.1-6 Lending Cycle Time (in Days)**

	2006	2007	2008	2009	2010
<b>Consumer Auto Loans (Application to Loan Delivery)</b>					
TNB	8	10	6	4	2
Junovia Top Tier	10	10	8	5	5
Target	10	10	8	5	3
<b>Consumer Mortgage Lending (Application to Closing)</b>					
TNB	45	37	36	38	40
Peer Average	40	40	38	38	35
Target	40	40	38	38	38
<b>Small Business Loans (Application to Closing)</b>					
TNB	40	32	28	22	15
Peer Average	45	42	40	35	35
Target	40	35	30	35	20
<b>Commercial Lending Approval</b>					
TNB	10	8	5	2	2
Junovia Top Tier	12	10	8	5	5
Target	10	9	5	3	2

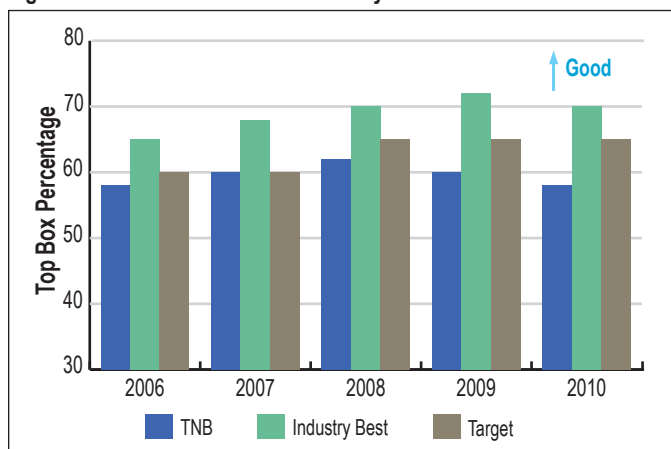
sources (see Figure 3.1-1 and 3.1b[1,3]) indicated that a level of dissatisfaction was beginning to develop within its customer base. This same information currently is helping the bank develop additional training for associates to help them deal with this current customer environment. Figure 7.1-8 shows the number of respondents who strongly agreed with the customer survey statement, “I believe TriView employees care about me or my business.”

**7.1b(1)** Figure 7.1-9 references results presented in other items for TNB’s work system (Figure 6.1-1) that reflect operational performance improvement.

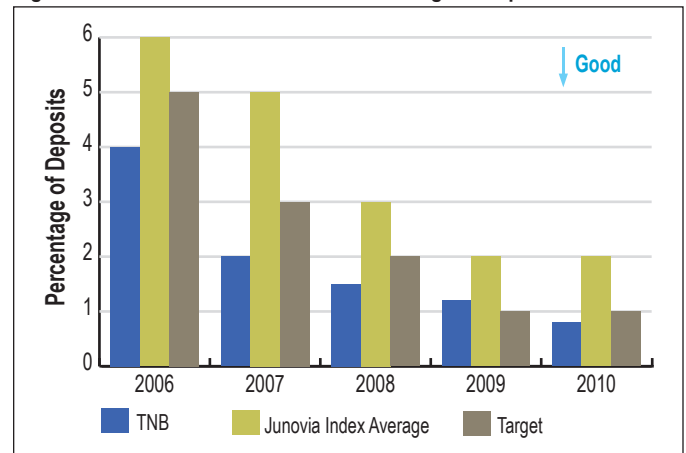
Junovia develops an efficiency ratio, or total operating expenses/total revenues, for all U.S. community banks with revenues of at least \$100 million. TNB’s consistent improvement on this ratio (Figure 7.1-10) reflects the positive effect of its Process Improvement Methodology (Figure 6.2-1).

Figure 7.1-11 depicts the reliability of TNB’s information systems and SMARTER for the last three years and the projection for 2011. Data prior to 2008 are inconsistent with subsequent data because of significant improvements made

**Figure 7.1-8 Satisfaction with Advocacy**



**Figure 7.1-7 Commercial Fees as a Percentage of Deposits**



in the integrated hardware and software enterprise systems and the move to 24/7/365 operations that occurred during 2007. Comparisons are to the Blooming & Flowers Solutions industry standard for IT metrics for other 24/7/365 operations, regardless of industry, as well as averages for the financial services industry. The percentage of downtime shown includes time for system maintenance.

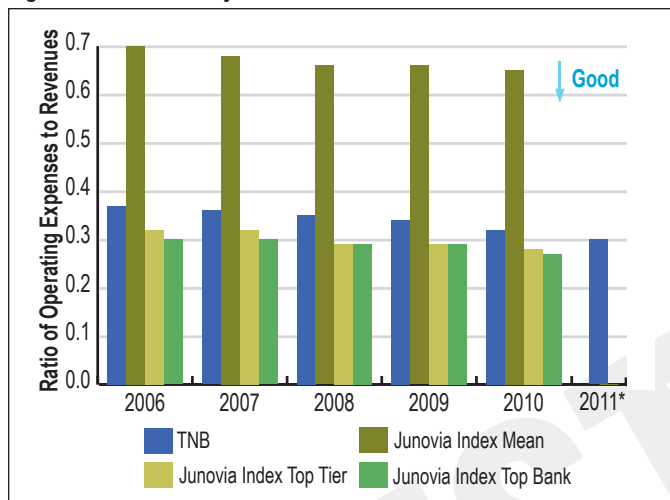
Figure 7.1-12 shows suppliers’ and a major partner’s success in meeting performance benchmarks included in their SLAs with TNB. Standards are moving to higher levels as TNB works with its suppliers and partners to more clearly define expectations. Despite some variation in meeting performance benchmarks, the overall trend has improved from 78% in 2006 to a projected 87% in 2011. TNB’s partner Cumulus, which provides the ATM network, is again moving toward the SLA standard for ATM availability, which is also the best industry benchmark.

Many improvements at TNB reflect process changes that occurred as a result of annual refinements built into the EPM (Figure 6.1-2). Figures 7.1-13 through 7.1-18 reflect some results from these enhancements. Productivity improvements appear in Figure 7.1-13, which provides information on the number of days to complete financial reports on net assets, delinquent loans, and delinquent credit card accounts. For the first two measures, credit union performance is the “best in class,” better than any other bank’s performance. Results

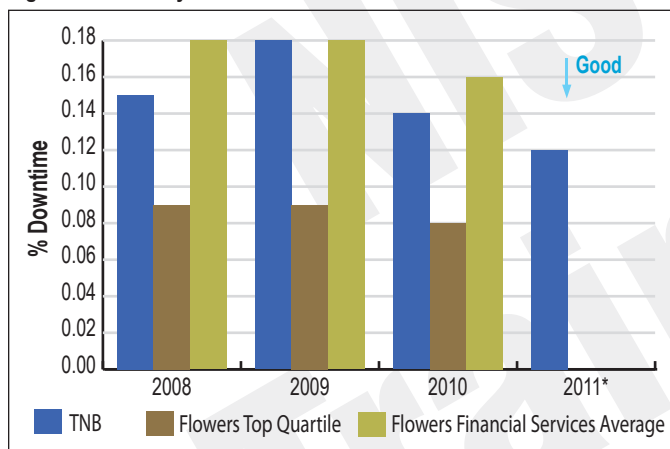
**Figure 7.1-9 Work System Indicators of Operational Performance Improvements**

Work System	Reference
Market and Sell Products and Services	Figures 7.1-2, 7.1-6, and 7.1-8 Products per household 7.2a(2) Figures 7.2-10, 7.2-11, 7.2-14 Figures 7.3-4 and 7.3-5
Deliver Products and Services	Figures 7.1-5, 7.1-10, 7.1-14, 7.1-15, 7.1-16
Deliver Legendary Service	Figures 7.2-1–7.2-4, 7.2-5–7.2-6, 7.2-7–7.2-9, 7.2-13
Manage Financial Resources	Figures 7.5-1, 7.5-6
Manage Knowledge and Improvement	Figures 7.1-15, 7.1-19, 7.4-6
Manage Enterprise Risk	Figure 7.5-3

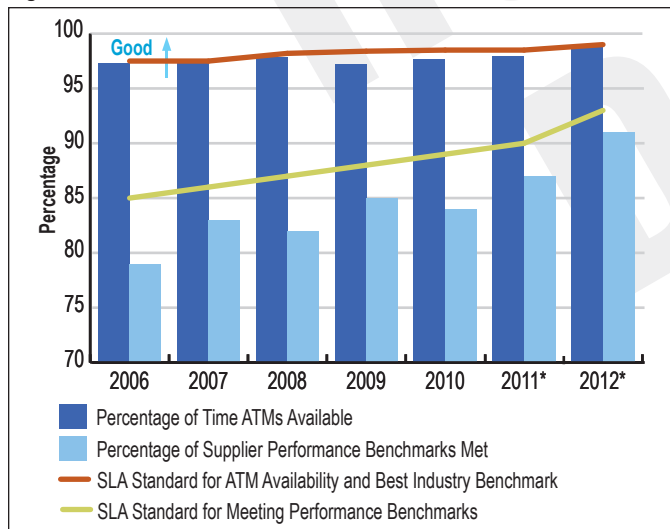
**Figure 7.1-10 Efficiency Ratio**



**Figure 7.1-11 IT System Downtime**



**Figure 7.1-12 SLA Performance**



indicate that TNB now matches the credit union net asset report time and is narrowing the gap for delinquent loan reports. The delay in reporting delinquent credit cards in 2010 relates to a glitch in the software that was corrected during the second quarter of 2010.

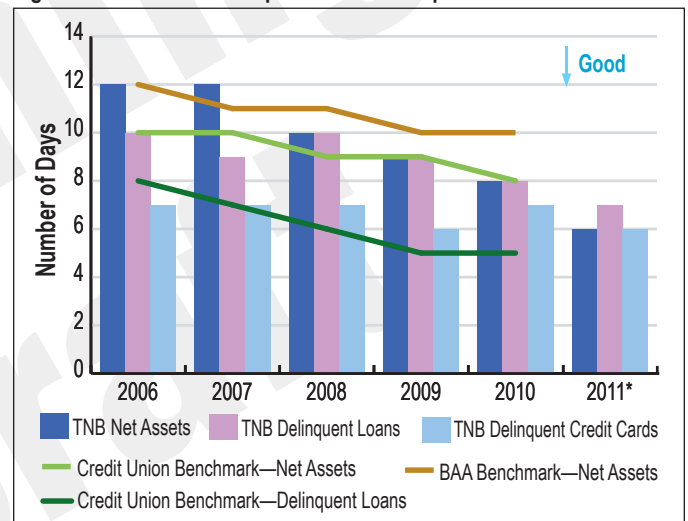
Through its CIP, TNB works to ensure that its scheduled activities and projects are completed on time (Figure 7.1-14).

Significant improvement occurred during the past five years, with the percentage of IPPs completed approaching the performance of the best benchmark, a Baldrige Award recipient in a service industry.

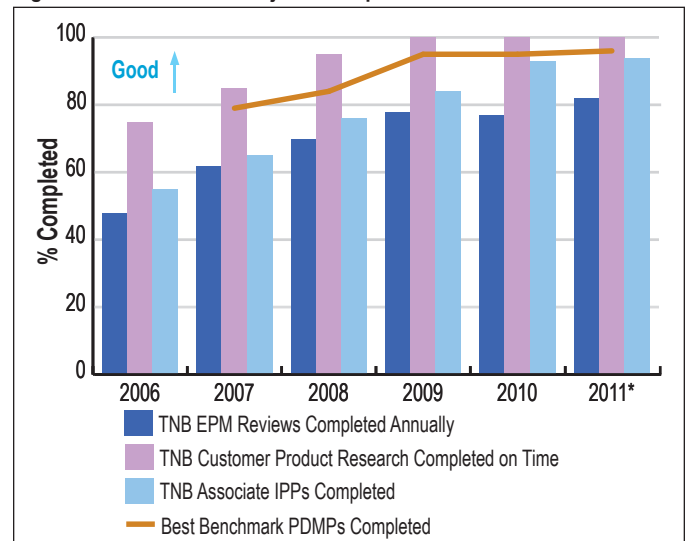
Figure 7.1-15 provides metrics related to TNB's successful efforts to expand the capture of knowledge within the bank for use by customers, suppliers, partners, the EMC, and associates. TNB currently has 35 communities of practice to promote innovation and support more effective and efficient service to customers. Knowledge maps support more effective processes in a number of ways, as do associates' efforts to find innovative ways to help themselves—and coworkers—do their jobs more effectively and efficiently (see Figure 5.2-1 for TNB awards/recognition for innovation).

TNB's commitment to efficiency is also seen in its successful efforts to control costs (Figure 7.1-16). TNB's cost per DirectServe Center call decreased by 20% (from \$1.00 to \$0.80) over the last five years and now matches the level of the Blooming & Flowers Solutions top quartile for financial institution call centers. Likewise, the cost per check transaction fell steadily from \$0.37 in 2006 to \$0.31 in 2010.

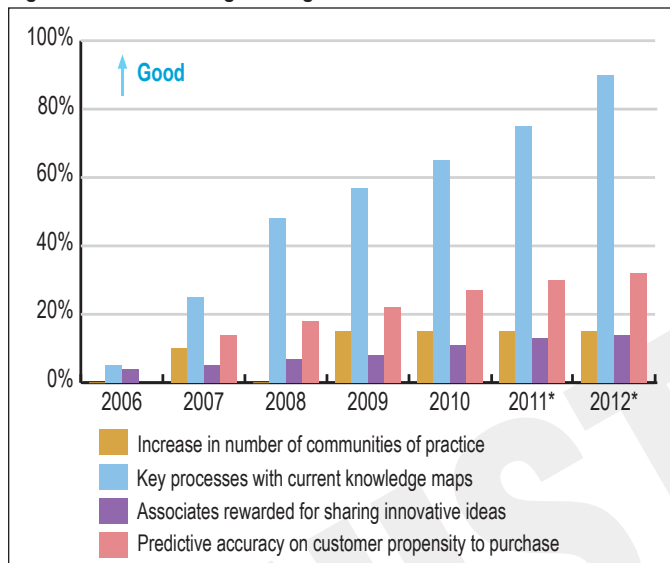
**Figure 7.1-13 Time to Complete Financial Reports**



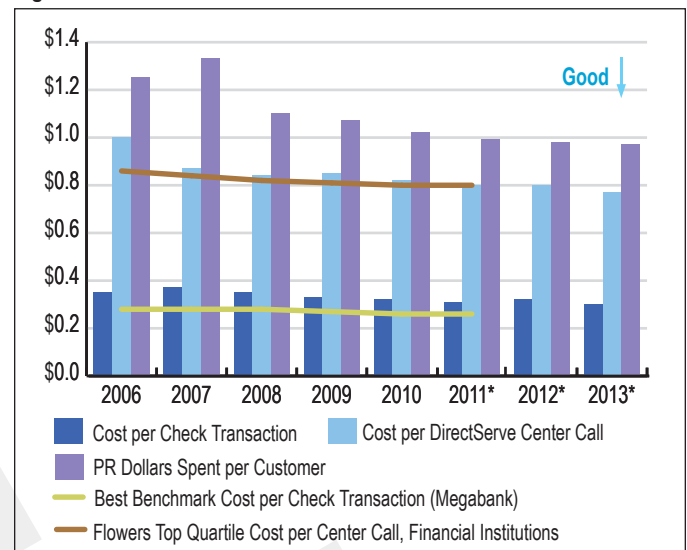
**Figure 7.1-14 Activities/Projects Completed on Time**



**Figure 7.1-15 Knowledge Management Successes**



**Figure 7.1-16 Cost Effectiveness**



The CAMELS rating provided in Figure 7.1-17 relates to a bank’s overall condition and is based on TNB’s financial statement and its federal regulatory on-site examination. The scale is from 1 to 5, with 5 being the weakest and 1 being the strongest rating. The elements of the financial statement and

**Figure 7.1-17 CAMELS Rating**

Year	Rating
2005	2
2006	1
2007	1
2008	1
2009	1
2010	1
2011*	1

on-site review that are assessed are capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk. Basically, a rating of 1 or 2 represents the need for “few, if any, supervisory concerns.” This rating serves as an indicator of both effective work systems and processes from an external monitor.

**7.1b(2)** TNB’s efforts to ensure preparedness through the ERP (6.1c) are documented in Figure 7.1-18. It shows gains in practice drill responses and associate training, as well as follow-up on post-drill reviews related to plan components. Additional results and further details are available on-site.

**7.1c** In addition to the TNBSC metrics important to the 2011 Strategic Plan—Sustain Scenario (Figure 2.2-1), TNB measures the accomplishment of strategy as achieved through action plans, which has improved from 55% in 2001 to 93% in 2010 (Figure 7.1-19). In 2007, the Marketing Team conducted a benchmarking study to develop a method to measure the impact of action plan accomplishment on TNBSC metrics. Since action plans are developed to achieve strategic objectives, which are themselves measured by key scorecard metrics, what was needed was a way to measure the impact

**Figure 7.1-18 ERP Audit of Practice Drill Activities**

ERP Items	August 2006	February 2007	November 2007	July 2008	February 2009	September 2009	June 2010
Training of associates on documented safety and survival processes	80%	82%	82%	85%	88%	90%	92%
On-site backup data processing systems initiated/fully operational	3.5/25 minutes	3.5/15 minutes	2.8/13 minutes	2.2/10 minutes	1.7/9 minutes	1.5/6 minutes	0.9/5 minutes
Remote site backup systems initiated/fully operational	65/120 minutes	60/115 minutes	60/102 minutes	57/99 minutes	57/90 minutes	55/84 minutes	54/84 minutes
Backup operating procedures initiated/fully operational	35/90 minutes	30/60 minutes	30/45 minutes	28/42 minutes	30/41 minutes	25/25 minutes	22/23 minutes
Time to ensure confidentiality requirements are met	3 minutes	2 minutes	1 minute	0.95 minutes	0.85 minutes	0.65 minutes	0.65 minutes
Communication plan fully implemented	5 minutes	4.5 minutes	4.2 minutes	4 minutes	4 minutes	3.1 minutes	2.8 minutes
Time to notify local government emergency services	1 minute	0.95 minutes	0.90 minutes	0.90 minutes	0.65 minutes	0.55 minutes	0.25 minutes
Damage assessments process initiated	30 minutes	30 minutes	25 minutes	25 minutes	18 minutes	18 minutes	16 minutes
Workplace Violence Board review and recommendations for improvement	Within 7 days; 28 recs.	Within 7 days; 35 recs.	Within 5 days; 22 recs.	Within 4 days; 16 recs.	Within 4 days; 25 recs.	Within 4 days; 12 recs.	Within 4 days; 8 recs.
Recommendations implemented prior to next drill	12	26	24*	22*	38*	16*	6 to date; rest in process

\*Includes completion of some recommendations from earlier drills, as well as from the current practice drill.

that action plan achievement was having on the key metrics. Comparisons to other organizations indicated that top-quartile performance has a correlation coefficient range of 0.70 to 0.78. The accomplishment of action plans at levels of 90% and above in 2008, 2009, and 2010 has placed TNB in the top-quartile of this research group, with a coefficient factor of 0.74, indicating a very favorable impact on TNBSC metrics. Thus, TNB can be confident that action plans are positively impacting key metrics, and this correlation study has proven to be an effective way to measure the effectiveness and accomplishment of strategy and action plans.

Figure 7.1-19 Accomplishment and Impact of Action Plans

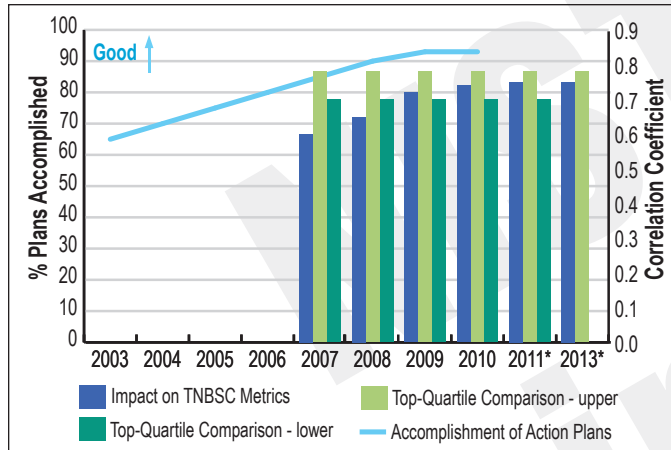


Figure 7.2-1 Overall Customer Satisfaction

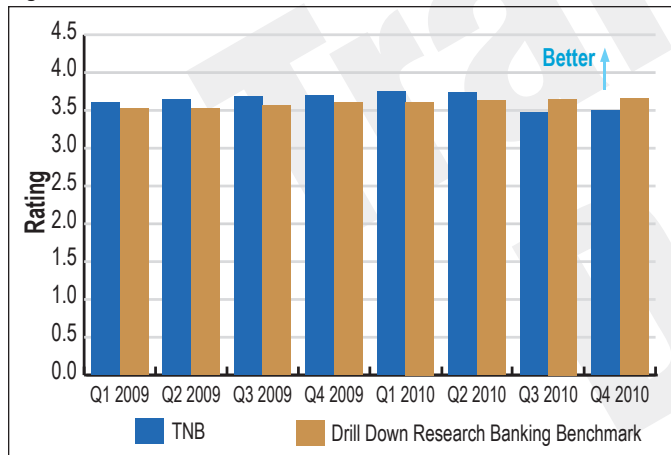
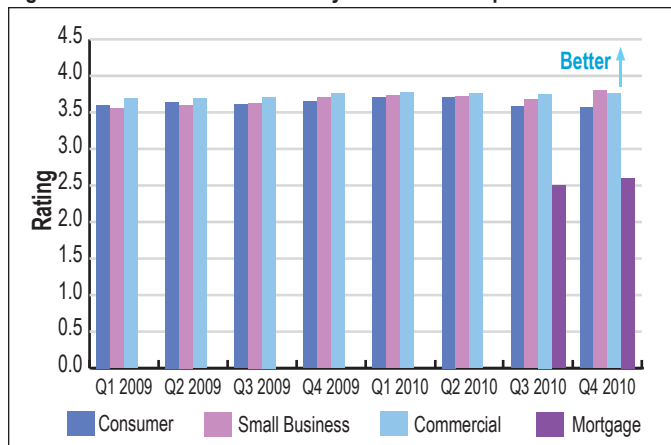


Figure 7.2-2 Overall Satisfaction by Customer Groups/Divisions



## 7.2 Customer-Focused Outcomes

**7.2a(1)** TNB's COP surveys measure both satisfaction and engagement on a 5-point scale (see 3.1b[1]). Figures 7.2-1 through 7.2-9 present the results of those surveys, as well as the results of questionnaires. TNB segments the data a variety of ways, including by customer groups/product offerings and by regions/market segments. Additional segmented results are available on-site. Drill Down Research, which administers the surveys and aggregates the data quarterly, is the vendor

Figure 7.2-3 Overall Satisfaction by Market Segments

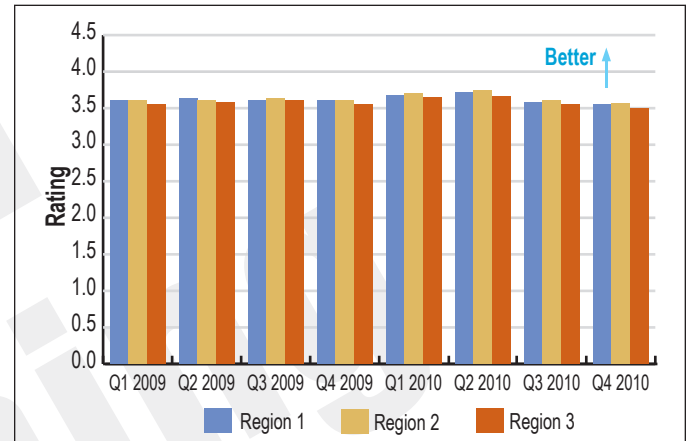


Figure 7.2-4 Overall Satisfaction by Customer Life Cycle

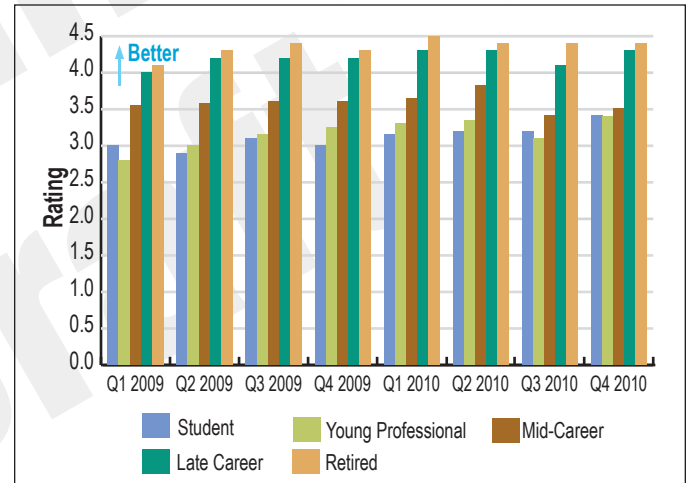
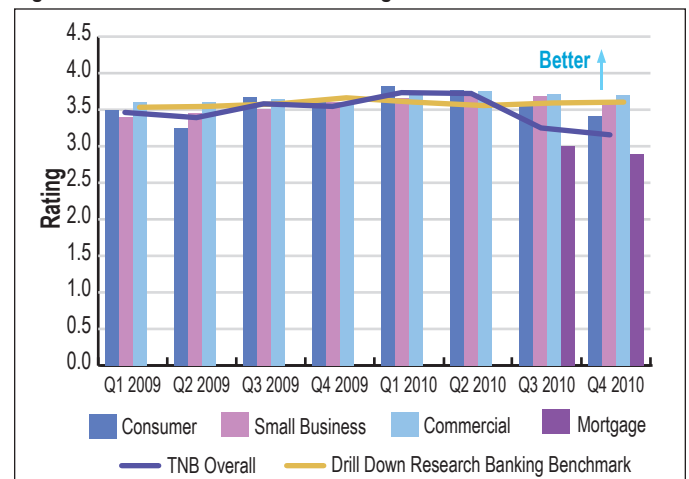


Figure 7.2-5 Satisfaction with Knowledge of CSRs



of choice in the banking industry for surveys of this type. Consequently, Drill Down Research is able to provide TNB with a benchmark against which the bank can compare its performance. Because the Widmark acquisition occurred recently (mid-2010), minimal data are available on mortgage customers.

With the Widmark acquisition, some dips in satisfaction and engagement occurred; this was primarily due to the increased volume of customer calls concerning transition issues in combination with the fact that DirectServe and other non-Widmark associates were not as familiar with the Widmark accounts. In addition, the Widmark acquisition brought with it questions regarding mortgage products not previously serviced by TNB; this resulted in a learning curve for associates. In response to this dip in satisfaction, TNB increased communication to Widmark customers and provided lunch-and-learns to associates so that they could learn more about the Widmark products and customers.

Regions 1–3 presented in Figure 7.2-3 and elsewhere represent TNB’s primary market segments: (1) the Research Triangle area, (2) the Winston-Salem/Greensboro/High Point area, and (3) other major growth communities. In the case of overall satisfaction, DirectServe customers are considered part of Region 3.

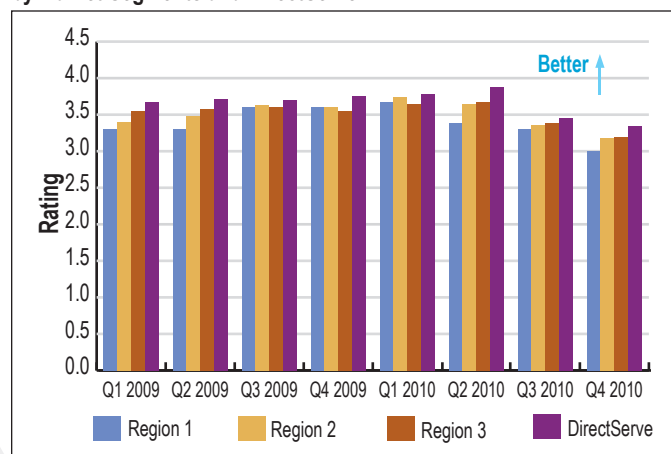
Recent research done by Drill Down Research identified a strong correlation between satisfaction with problem resolution (Figures 7.2-7 through 7.2-9) and overall satisfaction with the bank. Consequently, TNB has increased its focus on this leading indicator.

Results of complaint analyses and the Customer Problem Resolution Process (Figure 3.2-7) are presented in Figures 7.2-10 through 7.2-12. Wide variation exists in the way banks classify and track executive complaints (Figures 7.2-11 and 7.2-12). This challenge, in addition to the sensitive and confidential nature of regulatory complaints, makes it difficult to identify relevant comparisons.

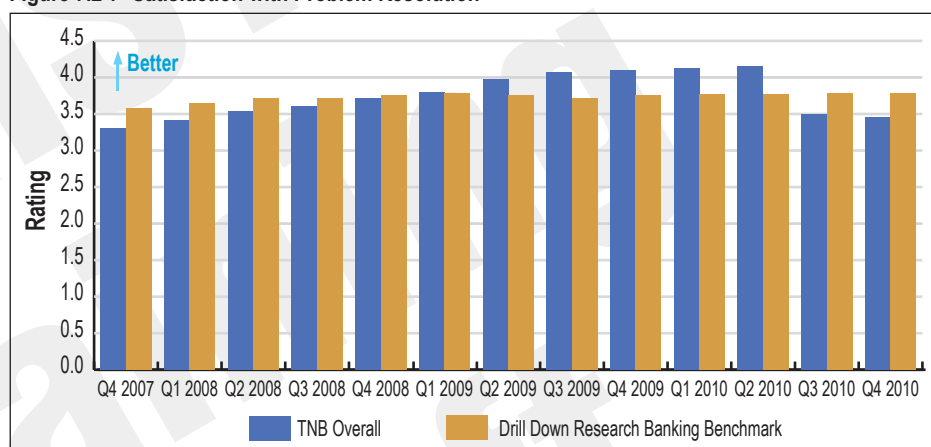
In addition to satisfaction data captured by COP surveys, focus groups, and questionnaires, TNB measures performance against its internal service standards (Figure 3.2-3). Performance data in Figure 7.2-13 are based on branch sampling and contact data captured in Service Advantage.

**7.2a(2)** Products per household is a key reflection of engagement, including TNB’s success in building customer relationships. Research shows that the more products per household, the less likely members of the household are to defect to another bank. TNB currently has 4.5 products per household

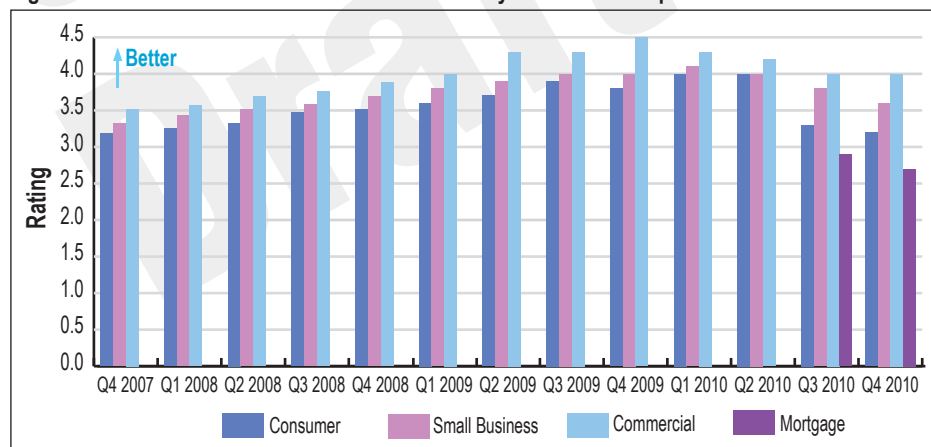
**Figure 7.2-6 Satisfaction with Knowledge of CSRs by Market Segments and DirectServe**



**Figure 7.2-7 Satisfaction with Problem Resolution**



**Figure 7.2-8 Satisfaction with Problem Resolution by Customer Groups/Divisions**



(up more than 25% since 1995), with a projected increase to 4.6 in 2011 and 4.7 by 2013. TNB also uses COP surveys, focus groups, and questionnaire data to measure relationship strength and engagement. Drill Down Research provides the benchmark. Data are weighted and aggregated each quarter to provide a “percentage-engaged” score. In addition, Drill Down Research also provides data on engagement-related behaviors such as likelihood to purchase other products and ease of doing business for TNB overall, as well as for its customer groups/divisions (Figure 7.2-14). For all of 2009 and the first

Figure 7.2-9 Satisfaction with Problem Resolution by Market Segment and DirectServe

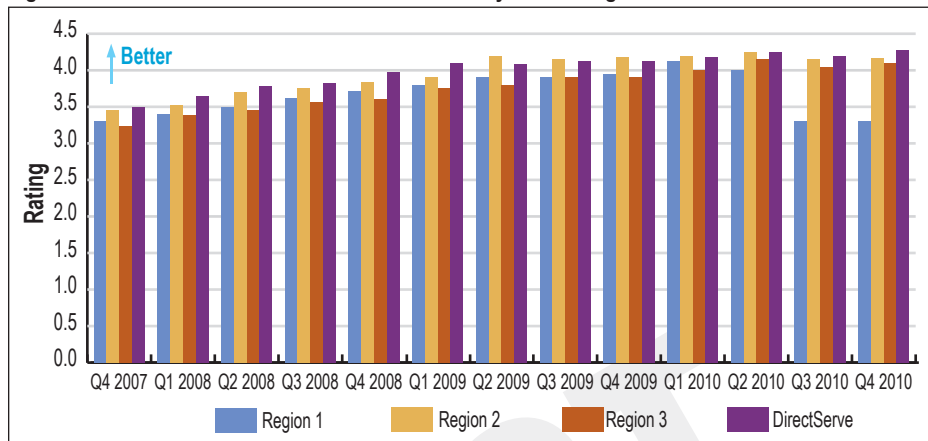
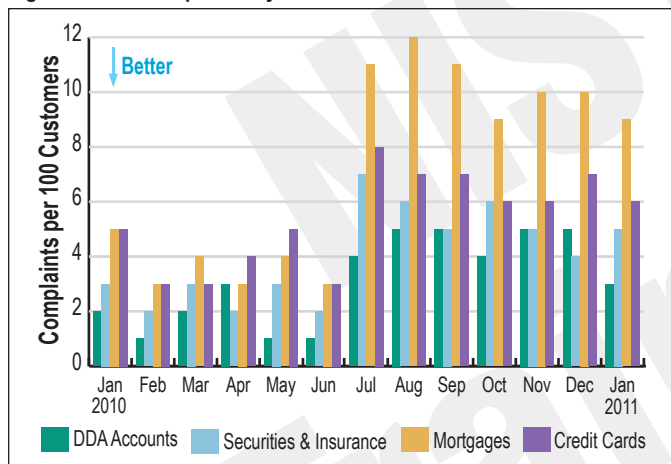


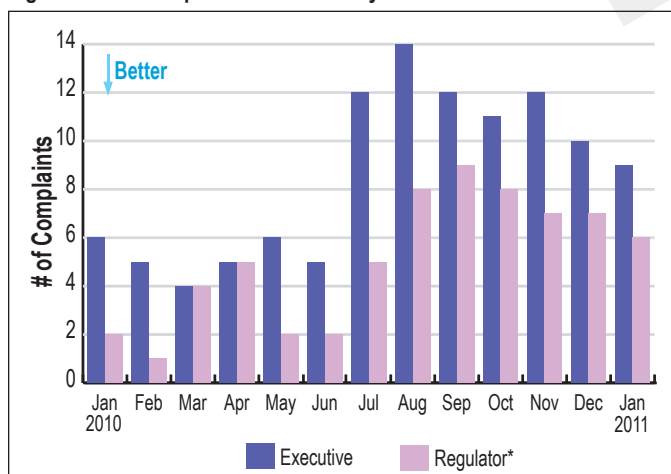
Figure 7.2-10 Complaints by Product



two quarters of 2010, TNB set the benchmark for overall engagement.

Figure 7.2-15 presents the percentage of customers considered to be in the last three stages of the customer engagement cycle (Figure 3.2-5). Despite the less positive outlook of many banking customers during the economic downturn, TNB has maintained a high level of both customer satisfaction and customer engagement.

Figure 7.2-11 Complaints addressed by the ECC



\*Includes customer correspondence to regulators that is forwarded for resolution

### 7.3 Workforce-Focused Outcomes

7.3a(1) Figure 7.3-1 shows the percentage of associates assigning a 4 or 5 rating for the statement “Overall, I am satisfied with TNB” on the associate engagement survey. Survey ratings range from 1 to 5, with 5 being the highest rating. Unless otherwise noted, comparisons in these and other survey results are to the DemoGraph Surveys 75th percentile for the banking industry.

TNB’s results for associate engagement (Figure 7.3-2) show the percentage of respondents who gave a 4 or 5 rating

for (1) their likelihood to refer a friend to work at TNB and (2) their engagement level. A slight dip in these ratings in 2010 reflects an increase in the workload of some workforce members related to a somewhat reduced staff (see 7.3a[3]) and to integrating the Widmark staff and processes with TNB’s. These items are linked to the engagement factors listed in Figure P.1-2b. TNB also uses the *Financial Pulse Magazine*’s “Best Places to Work” award to track progress of its workforce engagement against competitors. The recently released 2011 *Financial Pulse Magazine* results show TNB at its highest ranking to date—23rd of the top 100 organizations in the banking sector. Additional information is available on-site. Results for associate turnover, as discussed in 5.1, have been very low for two years; specific results are available on-site.

7.3a(2) Associate education and training are key to the success of TNB and support the organizational value of operational excellence: performing every process effectively and efficiently. Figure 7.3-3 shows the percentage of TNB associates overall and, for 2010, of former Widmark employees rating their overall satisfaction with the training provided as 4 or 5. It also shows the percentage of associates who gave those ratings to the survey item on receiving the training necessary to do their jobs.

Figure 7.2-12 Time to Address ECC Complaints

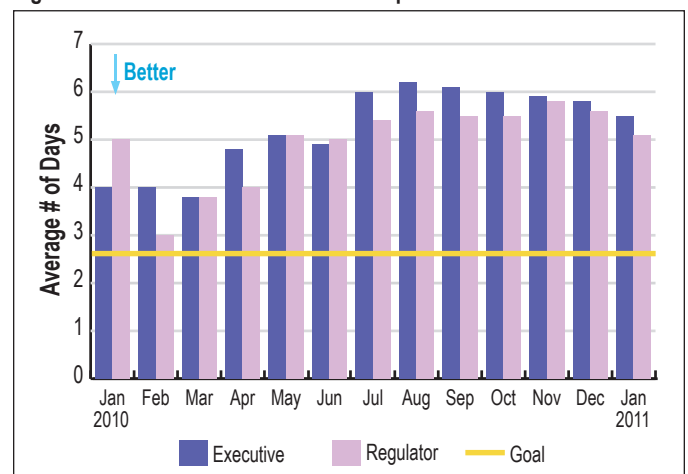


Figure 7.2-13 Service Standard Performance

	Respect every customer, every time.			Don't leave 'em guessing!						Take responsibility.		
	Call monitoring (5-pt. scale)	E-mail monitoring (5-pt. scale)	Rating on "Mystery Shopper" survey (5-pt. scale)	Statement time-liness	Avg. teller wait time—peak (minutes)	Avg. teller wait time—nonpeak (minutes)	Avg. time to answer phone—branch (seconds)	Avg. time to answer phone—DirectServe (seconds)	Time to respond (e-mail)	Complaints resolved on 1st contact	Transaction error rate	Web site up-time
Goal	5	5	5	100% mailed out on time	< 4	< 2	20	10	100% within 24 hours	95%	Zero errors	99.70%
Jan. 2010	4.9	5	5	100	3.1	1.7	13	4	100	96	1	100.0
February	5	5	5	100	3.3	1.9	14	5	100	95	0	100.0
March	5	5	5	100	2.9	1.6	12	4	100	95	0	99.0
April	4.9	5	4.9	100	3.3	1.8	14	6	100	95	2	100.0
May	5	4.9	4.8	100	3.1	1.8	10	5	100	95	1	100.0
June	3.6	3	5	100	3.3	2	24	10	95	90	4	98.0
July	3.7	3.5	4.9	100	4.3	2.5	24	10	94	89	5	97.0
August	3.7	3.2	4.8	100	4	2.3	26	9	94	91	3	97.0
September	3.9	3.5	4.9	100	3.8	2	21	8	96	91	3	99.8
October	3.8	3.8	4.8	100	3.8	2	19	8	94	92	2	99.7
November	4	4	5	100	3.7	1.9	18	7	95	93	0	99.8
December	4.1	4.1	4.9	100	3.6	1.9	17	7	96	93	2	100.0
Jan. 2011	4.3	4.3	4.8	100	3.7	1.9	17	8	97	94	1	100.0

TNB has deployed many improvements to its training approaches to improve efficiency and cost, and to reduce the amount of time associates spend away from their jobs. Figure 7.3-4 shows the reduction in cost of training, segmented by associates and leaders. These results show the effectiveness of TNB's online training and train-the-trainer approaches. It is important to note that these efficiencies have not been made at the expense of quality, as results in Figures 7.3-3 and 7.3-5 demonstrate.

**7.3a(3)** TNB is successful in its approach to make training more efficient and to maintain quality, but it also focuses on associates receiving the necessary training to provide Legendary Service. Figure 7.3-5 shows that the number of training hours, including on-the-job training, for each associate exceeded the goal in three out of the past four years. Slightly fewer hours were spent in 2009 due to the need for associates to cover additional jobs and work when associates leave, since positions are not being backfilled unless absolutely necessary. Although no formal benchmarks exist for this metric, the HR Team believes that this level of training per associate far exceeds what are known to be banking industry benchmarks.

TNB's ACCPP has ensured sufficient associate capacity to meet organizational and customer needs currently and going forward. Figure 7.3-6 shows the vacancy rate over the last four years and also includes projections through 2012, as it is critical that the organization is capable of handling the need for talent in the market when it comes. The 2010 vacancy rate was 0%, and for the near future, the goal is to keep the rate under 1%, a level that an analysis during the SPP indicated will enable the most efficient use of TNB's human resources.

Currently, a Trust Team is being formed to develop and deploy improvements to meet this goal, because 2011 and 2012 projections reveal that the vacancy rate will exceed the goal when the market improves unless there is a successful intervention.

**7.3a(4)** TNB considers associate absenteeism a measure that is related to both workforce satisfaction/dissatisfaction and a healthy and safe work environment. Figure 7.3-7 shows that the average number of days absent per associate over the last five years has been held at a level that is less than half that of the industry average.

TNB's results for the OSHA Total Recordable Rate (TRR; Figure 7.3-8) have consistently outperformed the OSHA 80th percentile for total recordable cases (TRC) for financial activities, and the number of workers' compensation claims (Figure 7.3-9) has been considerably below that of its benchmark, a Baldrige Award recipient. Both results demonstrate that the organization is a role-model workplace with respect to providing a safe environment.

As discussed, approaches for managing security in the organization are fully deployed and are routinely reviewed for improvements. Figure 7.3-10 shows the associate engagement survey feedback to the question "I am fully satisfied with the workplace security at TNB." Comparisons with the DemoGraph Surveys 90th percentile are included. Figure 7.3-11 shows an increase in security incidents or attempted security incidents (TNB counts attempted and actual events as the same level of criticality), which industry experts attribute to the poor economy. Figures 7.3-12 and 7.3-13 show the TNB response to this increase, which includes an improved security-



Figure 7.2-14 Customer Engagement

		Source: COP Surveys (scale 1-5)							
		Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010
Drill Down Research Benchmark	Likelihood to Refer	4.3	4.4	4.3	4.2	4.3	4.5	4.3	4.4
	Level of Caring	4.3	4.3	4.2	4.0	4.1	4.1	4.2	4.2
	Likelihood to Purchase Other Products	4.3	4.3	4.0	4.3	4.3	4.3	4.4	4.3
	Ease of Doing Business	4.1	4.0	4.0	3.9	4.0	4.1	4.1	4.2
	% Engaged	91	92	91	90	89	90	90	91
TNB Overall	Likelihood to Refer	4.1	4.2	4.2	4.2	4.3	4.5	3.8	3.7
	Level of Caring	4.0	3.9	4.1	4.0	4.1	4.1	3.5	3.4
	Likelihood to Purchase Other Products	4.0	4.1	4.2	4.3	4.3	4.3	3.9	3.6
	Ease of Doing Business	3.8	3.8	3.9	3.9	4.0	4.1	3.6	3.5
	% Engaged	94	93	93	93	94	93	90	88
Consumer	Likelihood to Refer	4.2	4.3	4.3	4.3	4.3	4.5	3.9	3.5
	Level of Caring	4.1	4	4.1	4.3	4.2	4.2	3.6	3.4
	Likelihood to Purchase Other Products	4	4.1	4.3	4.4	4.4	4.4	3.9	3.6
	Ease of Doing Business	3.7	3.8	3.8	3.9	3.9	3.9	3.6	3.5
	% Engaged	92	92	93	92	93	92	88	89
Small Business	Likelihood to Refer	4	4.1	4.1	4.2	4.4	4.5	4.1	4.1
	Level of Caring	3.9	3.9	4	3.6	3.8	4.1	3.9	4
	Likelihood to Purchase Other Products	4	4.2	4.1	4.3	4.4	4.4	3.9	3.6
	Ease of Doing Business	3.9	3.8	4	4.1	4.2	4.3	3.8	3.6
	% Engaged	94	93	94	94	95	95	92	90
Commercial	Likelihood to Refer	4.2	4.2	4.1	4.2	4.3	4.6	4	4
	Level of Caring	4	3.9	4.1	4.1	4.2	4.1	3.45	3.3
	Likelihood to Purchase Other Products	4	4	4.1	4.3	4.2	4	4.1	4
	Ease of Doing Business	3.9	3.9	4	3.6	3.8	4.1	3.8	3.6
	% Engaged	94	93	94	94	95	95	93	90
Mortgage	Likelihood to Refer	Data not available as acquisition was not completed until mid-2010.						3.3	3.1
	Level of Caring	Data not available as acquisition was not completed until mid-2010.						3.1	3
	Likelihood to Purchase Other Products	Data not available as acquisition was not completed until mid-2010.						3.5	3.2
	Ease of Doing Business	Data not available as acquisition was not completed until mid-2010.						3.2	3.1
	% Engaged	Data not available as acquisition was not completed until mid-2010.						86	84

Figure 7.2-15 Customer Engagement Cycle (as % of Existing Customer Base)

	Neutral	Satisfied	Advocate
2008	16%	37%	47%
2009	10%	35%	55%
2010	18%	38%	44%

camera coverage, CAB provides the benchmark for the ratio of security personnel, and TNB compares favorably. The last measure of a secure workplace is an item on the associate engagement survey that asks associates to rate their agreement with the statement “I feel safe and secure at work.” In 2010 about 98% of associates gave a 4 or 5 rating to this item.

guard-to-associate ratio and an increased number of high-definition cameras per branch. Although comparative data do not exist for security

Figure 7.3-1 Associate Satisfaction

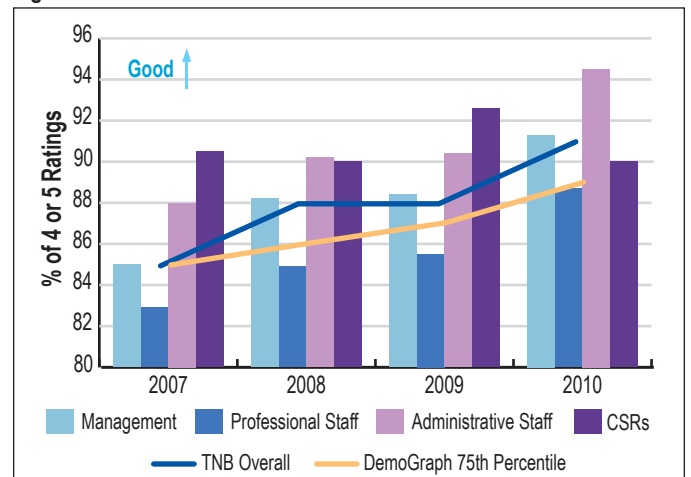


Figure 7.3-2 Associate Engagement

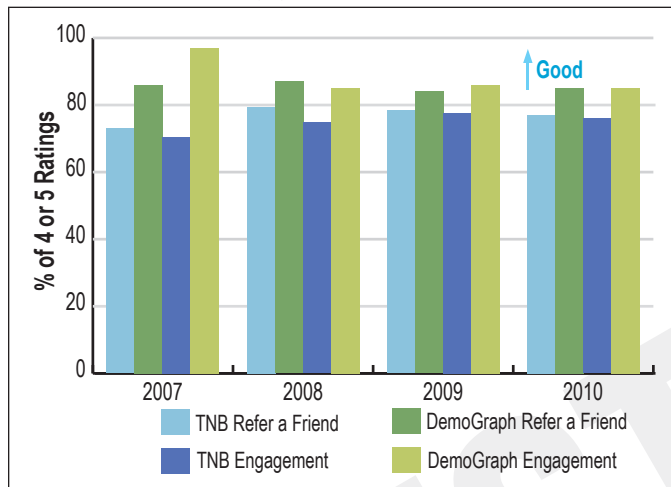


Figure 7.3-5 Training Hours per Associate per Year

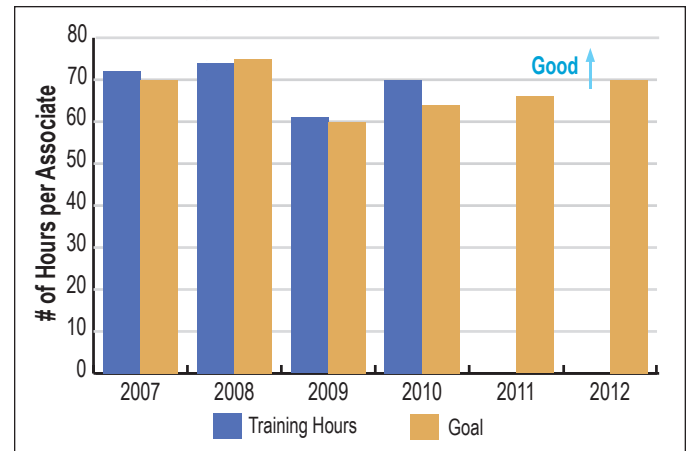


Figure 7.3-3 Satisfaction with Training

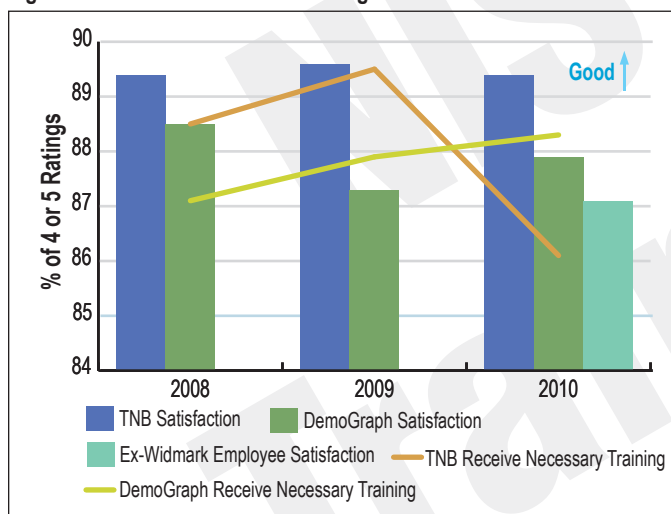


Figure 7.3-6 Vacancy Rate

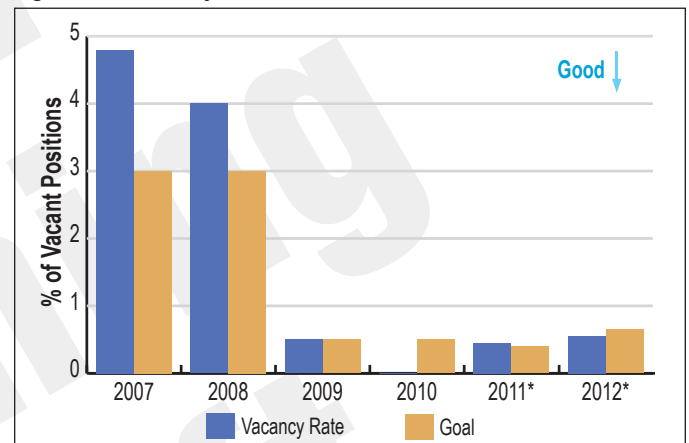


Figure 7.3-4 Amount Spent on Training

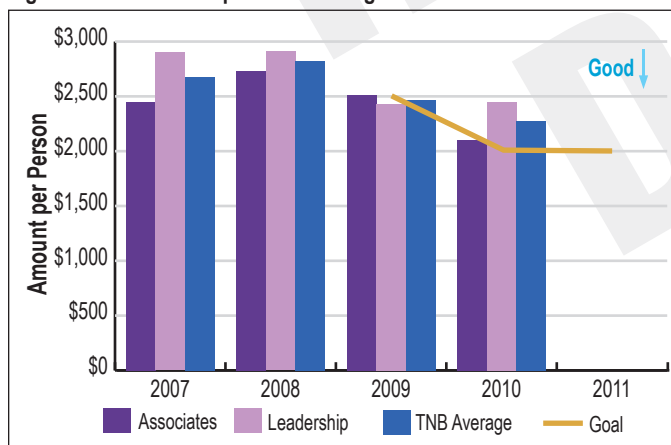
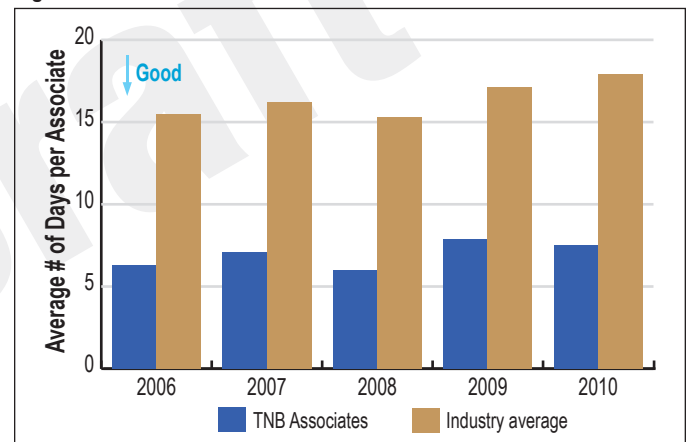


Figure 7.3-7 Absenteeism Rate



## 7.4 Leadership and Governance Outcomes

7.4a(1) The EMC measures its communication and engagement with the workforce, and one way that it deploys its vision and values is through the associate engagement survey (Figures 7.3-1 and 7.3-2), which is systematically refined to assess the vision's continued value and meaning (see 1.1a[1]). TNB measures associates' compliance with the Code of

Conduct and associates' perception (see Figures 7.4-3 and 7.4-8) as an indicator of leadership's communication and engagement of the value of integrity. Despite the difficulties of being innovative in a heavily regulated industry, TNB strives to achieve its innovation value "to improve and implement the best ideas from anywhere." Results of management's engagement of the workforce to deploy this value and seek associate ideas, no matter how small, are presented in Figure 7.4-1. The IDEATION process and the various awards shown in Figure 7.4-1 are used to create a focus on action by continually seeking associates' ideas on how to improve operations.

Figure 7.3-8 OSHA TRR

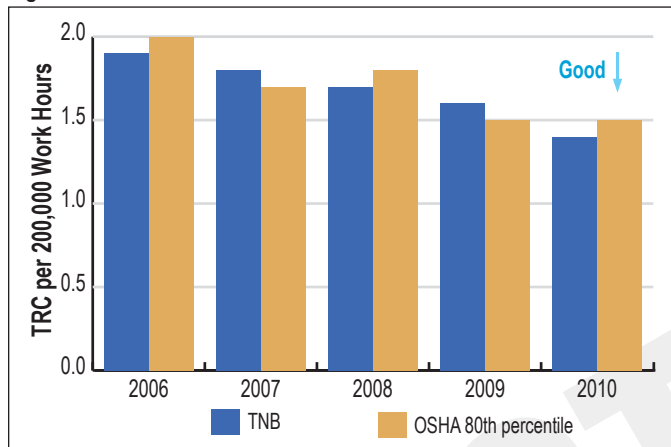


Figure 7.3-11 Recorded Security Incidents and Near Misses

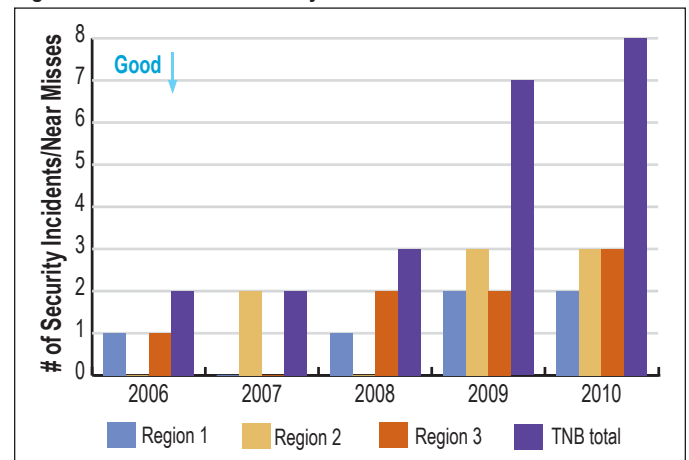


Figure 7.3-9 Number of Workers' Compensation Claims

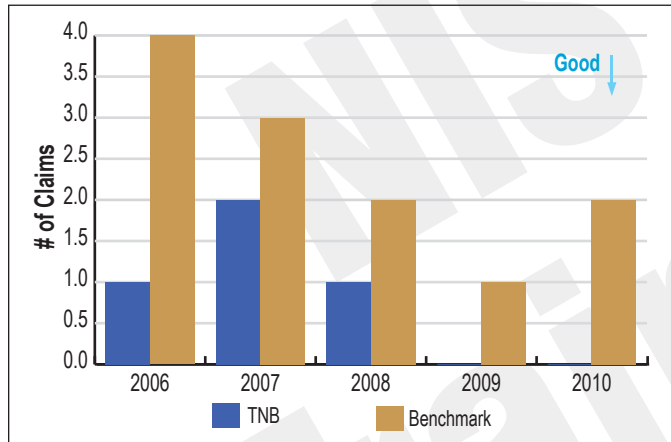


Figure 7.3-12 Security-Guard-to-Associate Ratio

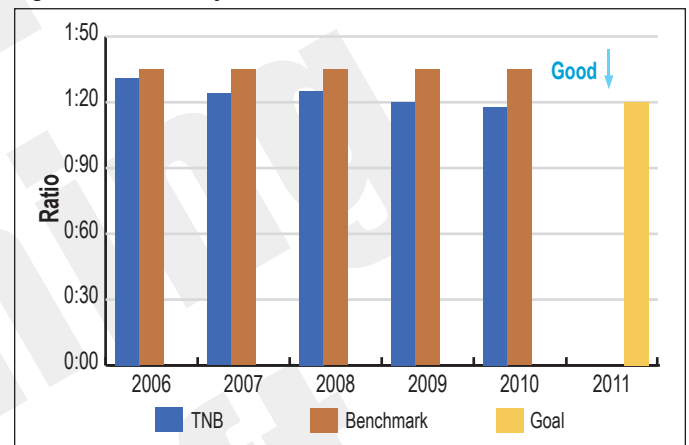


Figure 7.3-10 Associate Satisfaction with Security

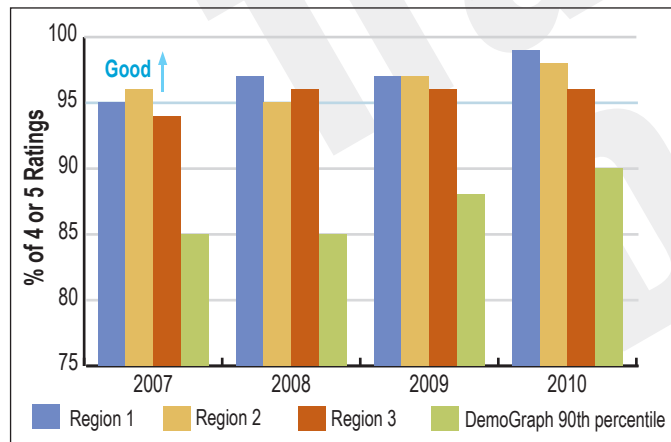
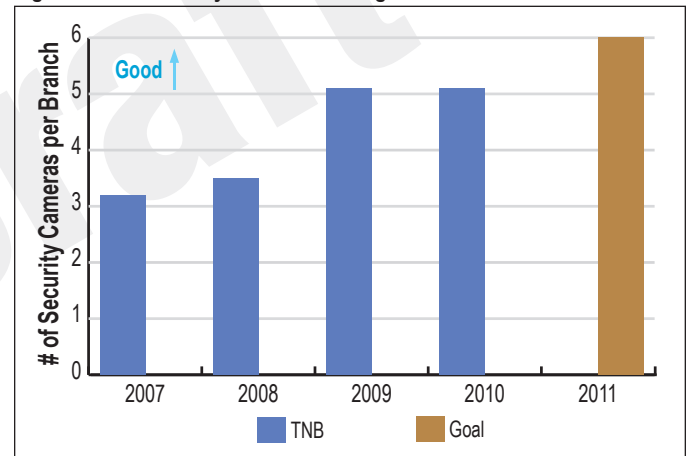


Figure 7.3-13 Security Camera Coverage



To encourage two-way communication, the 13 members of the EMC conduct monthly branch visits, shadowing, and rounding of the 47 branches, with each EMC member visiting about three branches per year and each branch being visited at least once. The outcome of these visits has been an increased understanding by the EMC of the challenges faced by frontline associates and the associates' opinions on various issues in the banking industry; an indicator of the success of these visits has been associate satisfaction above the DemoGraph Surveys 75th percentile since 2008 (see Figure 7.3-1). At annual associate meetings and quarterly lunches, associates' input on strategic

areas and short- and long-term objectives is always requested, and associates are encouraged to bring up other concerns for discussion. In addition, EMC members track feedback on their internal blogs that cover ethical standards and legal regulations, and on their "What Is Important" messages that cover key decisions, specific performance findings, and key bank policies. These results are available on-site. Figure 7.4-2 shows additional results of the EMC's communication methods (Figure 1.1-4).

**Figure 7.4-1 Management’s Engagement in Innovation**

Approach	2008	2009	2010
Associates’ ideas implemented by EMC through IDEATION	193 ideas submitted; 28% implemented	201 ideas submitted; 25% implemented	414 ideas submitted; 35% implemented
Associates’ participation/attendance at annual Innovation Exhibition sponsored by the EMC	85%	95%	95%
“The Game Changer” and “The Most Radical” awards, validated by EMC	6 awards	3 awards	6 awards
“Innovator key” awards, validated by EMC	1 award	1 award	4 awards
BILLS program awards (selected semiannually), validated by EMC	14 awards	22 awards	30 awards
TEAR program awards, validated by EMC	100 awards	75 awards	220 awards

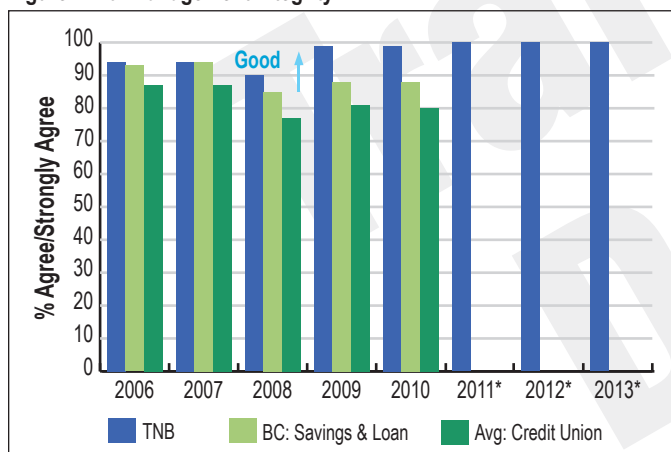
**Figure 7.4-2 Encouragement of Two-Way Communication**

Approach	2008	2009	2010
Attendance at annual associate meetings	95%	98%	99%
Attendance at quarterly lunches	45%	48%	48%

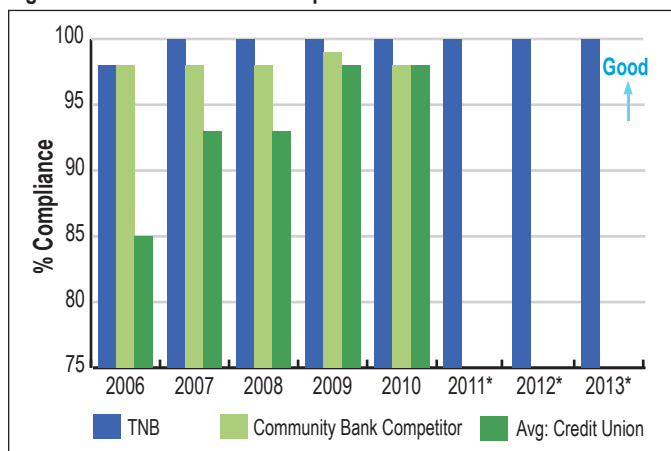
**7.4a(2)** In Figures 7.4-3 through 7.4-6, TNB demonstrates improving levels over time in areas of importance related to governance, fiscal accountability, management stewardship, and leadership GPAs, which indicate the effectiveness of the TLS in key areas of leadership performance.

Figure 7.4-3 shows associates’ perceptions of TNB and its competitors; on a scale of 1–5 (strongly disagree to strongly

**Figure 7.4-3 Management Integrity**



**Figure 7.4-4 External Audit Compliance**



agree), associates rated their agreement with the statement that management consistently demonstrates integrity. Results at 99% agree and strongly agree compare favorably to the best comparison (BC), a savings and loan considered best in class, and the average performance for credit unions. (These comparisons are the only ones available from other financial institutions using the same DemoGraph associate

engagement survey.) Results segmented by TNB’s sites are available on-site.

External financial audit opinions have been unqualified throughout the history of the organization, and TNB has never had to respond to an external audit finding or restate financial statements.

**7.4a(3)** The OCC conducts operational, credit, and compliance audits of banks and issues audit ratings. The FDIC conducts an annual risk assessment audit in compliance with the FDIA to insure deposits in qualified banks and guarantees up to \$250,000 to protect stakeholders. Audits are conducted by state charter bank regulators.

Figure 7.4-4 shows that since 2007, TNB has had zero findings (100% compliant) and has performed above its closest community bank competitor, making TNB the best in class for this comparison as reported by the North Carolina department that conducts the audit and compiles and reports results. Audit findings include regulatory breaches and financial discrepancies.

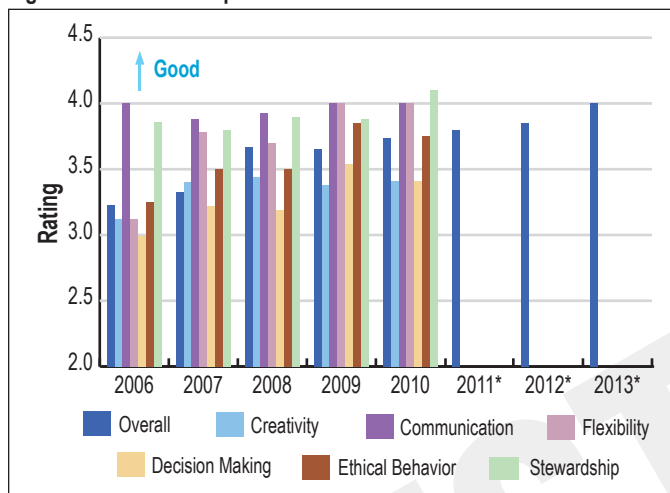
Figure 7.4-5 shows results for key measures of regulatory and legal compliance. The internal development measures do not lend themselves to comparisons. For the external results (i.e., OCC, FDIC, and reserve requirements), comparisons are not provided by the regulating agency.

**7.4a(4)** In Figure 7.4-6, TNB demonstrates improving results over five dimensions of leadership system effectiveness. (Note that this is a composite of the results for the EMC. Individual results are confidential to the leader.) Annually, all leaders anonymously evaluate EMC members using a 4-point scale,

**Figure 7.4-5 Key Regulatory and Legal Compliance Measures**

	2008	2009	2010
Internal Audit Compliance Reviews:			
Level 1 findings	1	0	0
Levels 2 and 3 findings	6	5	3
OCC audit findings	0	0	0
Risk assessment score	17	11	8
FDIC risk assessment audit findings	0	0	0
Planned community investment (+/- 100%)	102%	88%	101%
Reserve requirement maintained	100%	100%	100%

**Figure 7.4-6 Leadership GPA**



**Figure 7.4-7 Measures of Legal and Ethical Behavior**

	2006	2007	2008	2009	2010	2011*	2012*	2013*
Major Breaches	2	1	1	0	0	0	0	0
Minor Breaches	5	2	4	0	0	0	0	0
Dismissals	1	0	1	0	0	0	0	0

**Figure 7.4-8 Results of Regulatory, Legal, and Ethical Processes**

	2006	2007	2008	2009	2010	2011*	2012*	2013*
Code of Conduct Compliance	100%	100%	100%	100%	100%	100%	100%	100%
Ethical Competency Scores	94%	98%	100%	97%	100%	100%	100%	100%
# of Ethical/Legal Findings	8	3	0	6	1	0	0	0
Comparison Top 10%	11	7	4	4	3			
Associate Trust	98%	94%	92%	90%	98%	100%	100%	100%
Comparison Top 10%	97%	91%	91%	95%	95%			
Stakeholder Trust	90%	87%	82%	91%	94%	96%	97%	99%
Comparison Top 10%	89%	84%	83%	88%	89%			

translating into an equivalent GPA similar to education scores. Results become one of the inputs into TLS improvement. This is an internal assessment, and no comparisons exist. TNB considers improving leadership GPA another indicator of associates’ trust in senior leaders and governance.

Results from the annual anonymous survey show that board performance improved from 88% in 2005 to 96% in 2010, with a 1% increase projected each year thereafter and outperformed the national average reported by the Center for Corporate Governance by at least 8% each year.

Figure 7.4-7 demonstrates an overall reduction in three areas related to the legal and ethical behavior of individual associates. TNB projects zero incidences of major or minor breaches within the next three years. A minor breach is considered an unintentional error, such as careless management of customer data within the bank. A major breach is usually intentional, such as theft or another action that has a negative impact on the customer or the bank. When investigated and confirmed, these usually result in dismissal of the associate. Segmented results by location and workforce group are available on-site.

This information is typically not reported, so no comparisons are available.

TNB demonstrates consistent improvement over time on a variety of legal, ethical, and regulatory measures (Figure 7.4-8), and it is outperforming credit unions, the only competitor group that makes data available for several of these measures. The comparison top 10% is an imperfect comparison calculated from different survey instruments, but it still provides information about TNB’s relative performance. Ethical competency scores represent associates’ post-education session test scores after ethical training; this training has resulted in a downward trend in ethical and legal findings by an internal auditor. Findings are different than breaches in that they reflect a process issue that provides the opportunity for unethical behavior, as opposed to the specific behavior of individual associates recorded in Figure 7.4-7. Trust results are derived from associates and stakeholders rating TNB “good” or “excellent” on whether the organization acts in a legal and ethical manner. These results come from an anonymous and random survey completed quarterly by a portion of associates and some stakeholders (see 1.2a[1]).

7.4a(5) Figures 7.4-9 and 7.4-10 show results of TNB’s fulfillment of its societal responsibilities and community support. TNB continues to improve over time, with levels of performance that outperform the national top 10% and regional average derived from industry publications for like-size institutions. Branch, nonbranch, and further workforce segmentation is available on-site. Charitable contributions represent the total dollar output across all of TNB

for community-related programs. Relevant comparisons do not exist.

TNB’s commitment to the environment has led to noticeable improvement in key indicators of environmental performance (Figure 7.4-11). TNB measures how much paper it currently

**Figure 7.4-9 Community Hours Donated**

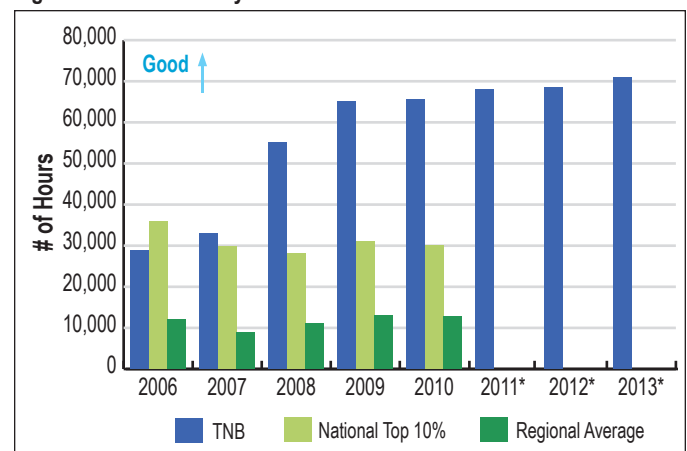


Figure 7.4-10 Charitable Contributions

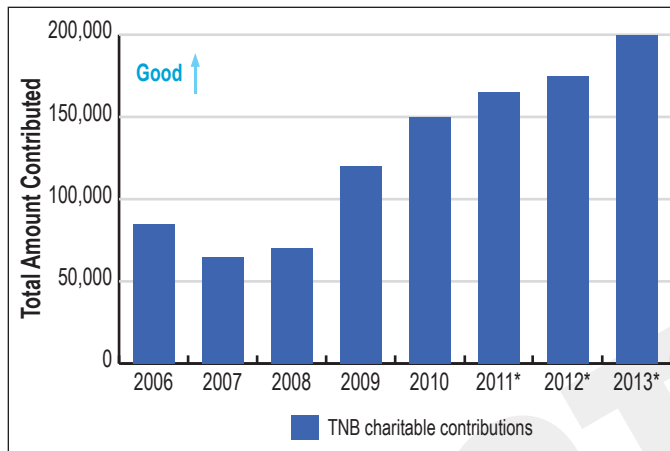
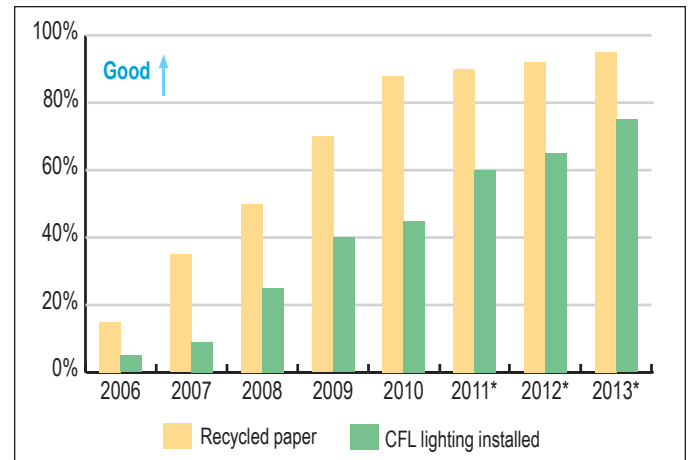


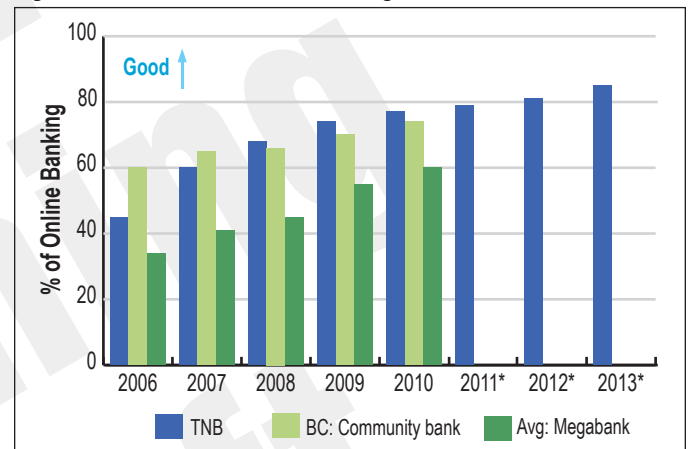
Figure 7.4-11 Key Indicators of Environmental Performance



recycles, and it has made strides toward eliminating paper all together. Slightly over 75% of data capture was paperless prior to the acquisition of Widmark, compared to an industry high of 65%. While that percentage fell slightly, it is again on track to exceed the industry benchmark upon full integration of TNB and Widmark data systems and technology.

Online banking has become a big part of TNB's community and environmental efforts (Figure 7.4-12). TNB's results continue to improve as it offers more features and addresses barriers to customer comfort.

Figure 7.4-12 Percent of Online Banking for All Transactions



## 7.5 Financial and Market Outcomes

**7.5a(1) ROE**, a key measure of financial performance in the banking industry, has improved over time due to implementation of the TOE approach, whereby all key processes have been systematically improved every year. These improvements, combined with fact-based credit guidelines, have led to good loan performance, resulting in a favorable ROE (Figure 7.5-1). While the financial crisis of 2008 and 2009, in combination with the Widmark acquisition in 2010, has had an unfavorable impact, TNB's current results on this measure are better than the regional top-quartile and approaching the best comparison.

As with all financial institutions, TNB's Liquidity Ratio (Figure 7.5-3) has declined due to tightening of credit and delinquencies in loan repayments. Because of the Widmark acquisition, TNB saw an accelerated decline in consolidated financial results, but it has initiated a Trust Team to implement a 2011 action plan for working with Widmark customers to create affordable payment plans.

Figure 7.5-1 ROE

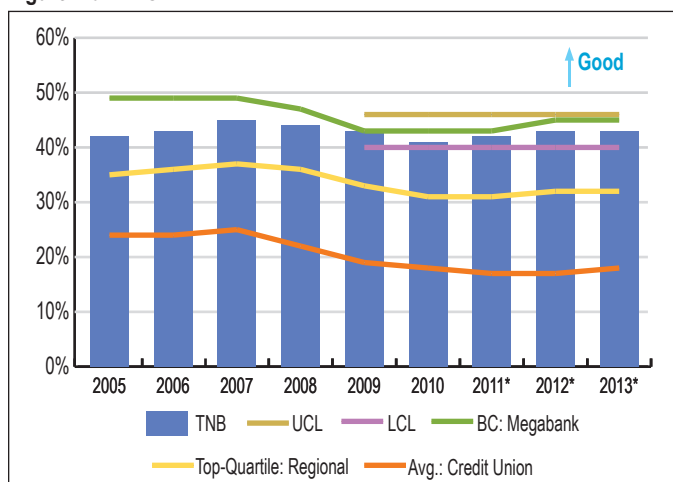
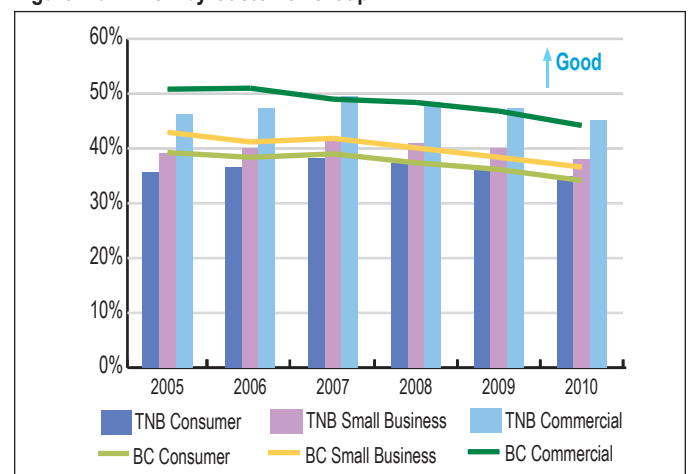
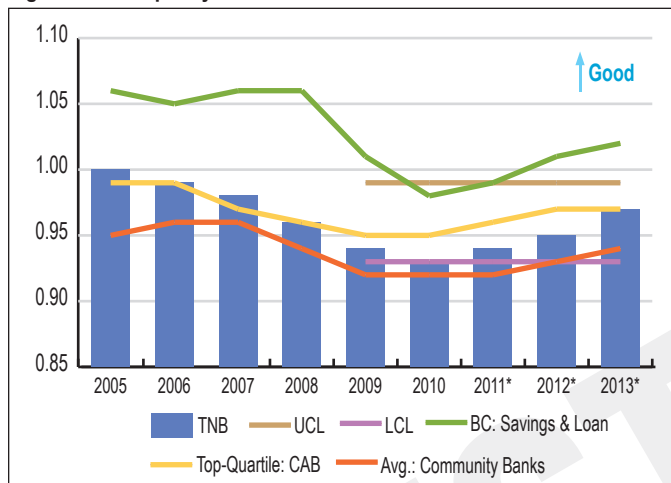


Figure 7.5-2 ROE by Customer Group



**Figure 7.5-3 Liquidity Ratio**

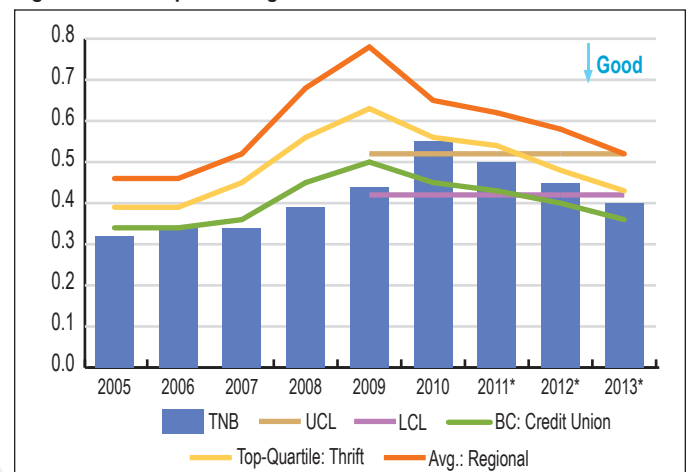


Likewise, the Nonperforming Asset Ratio (Figure 7.5-4) showed an unfavorable trend in 2008 and 2009 due to the financial crisis during those years. In 2010, the Widmark acquisition brought with it a nonperforming asset ratio close to 0.70, resulting in a consolidated spike for all of TNB from 0.44 in 2009 to 0.59 in 2010. Short-term strategic action plans are in place to work with delinquent mortgage holders to bring this ratio down to the more reasonable levels prior to the acquisition.

TNB's tier 1 capital ratio, a standard measure of capital adequacy, was 17.5% in 2010, an improvement from its 2008 ratio of 11.2% and its 2009 ratio of 13.5%. Performance on this measure was helped by the strength of the economy in the Research Triangle area and the bank's receipt of Federal Reserve TARP funds. Additional tier 1 information is available on-site. Also, TNB strives for the top ranking for capital adequacy (tier 1 and the leverage ratio) in the Bank Performance Directory rankings published annually. It currently ranks 8th among the top 150 community banks.

Total and demand deposits grew steadily during the last ten years, the last six of which are depicted in Figure 7.5-5. These deposits facilitated interest earning opportunities in the

**Figure 7.5-4 Nonperforming Asset Ratio**

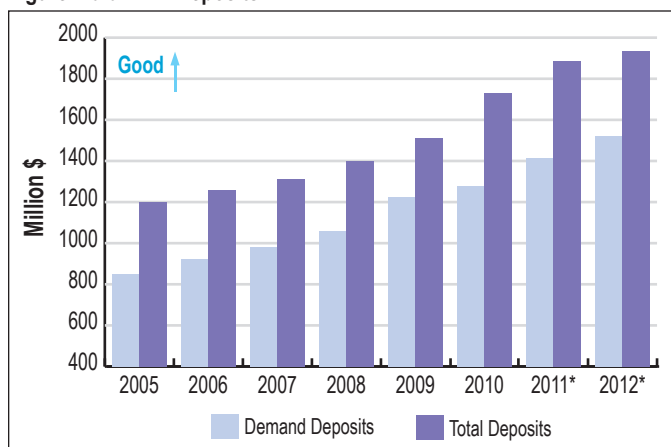


consumer, small business, and commercial markets. The rate of increase in demand deposits doubled between 2008 and 2009 as a result of new customers who had to change banks due to bank closures in TNB's markets.

Net interest income (Figure 7.5-6) is the difference between the interest payments the bank receives on loans outstanding and the interest payments it makes to customers on their deposits. Net interest income has now surpassed its previous high prior to the economic crisis experienced in 2008 and 2009. TNB's ranking among 100 peer community banks on an interest income formula designed by the CAB has steadily improved from 45th in 2005 to 27th in 2010 and is projected to be in the top 25 by 2013. TNB's net interest margin (Figure 7.5-6), which is the difference between interest income and interest expenses, grew during the past year to 3.72%, an improvement over the previous two years. This performance level is above the national community bank average and close to benchmark status in the top quartile of the CAB rankings.

**7.5a(2)** TNB's market share for assets (Figure 7.5-7) has had a favorable trend, especially with the recent acquisition of Widmark, which now positions TNB as one of the largest banks in the area.

**Figure 7.5-5 TNB Deposits**



**Figure 7.5-6 Net Interest Income and Margin**

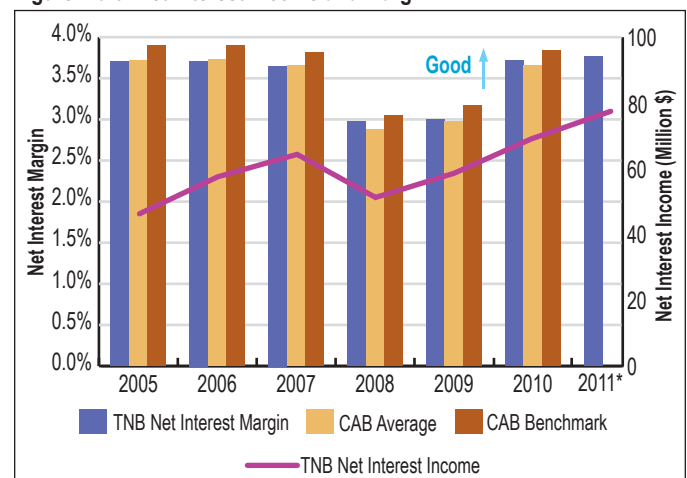


Figure 7.5-7 Market Share—Assets

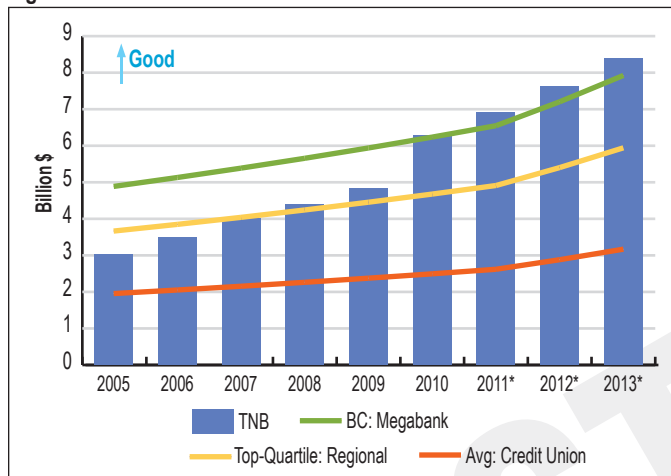


Figure 7.5-8 Market Share—Loans

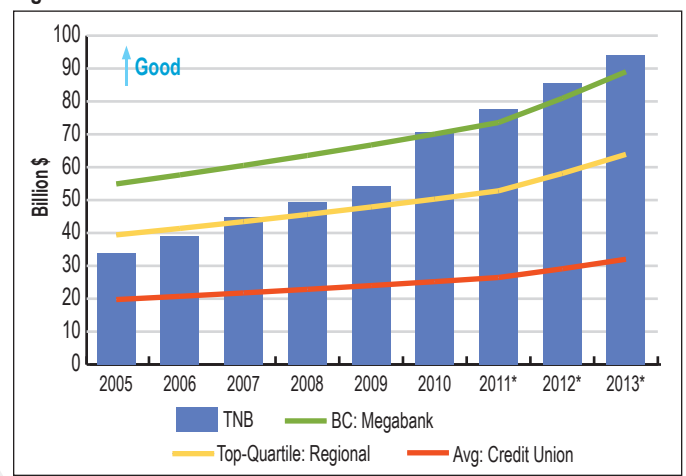
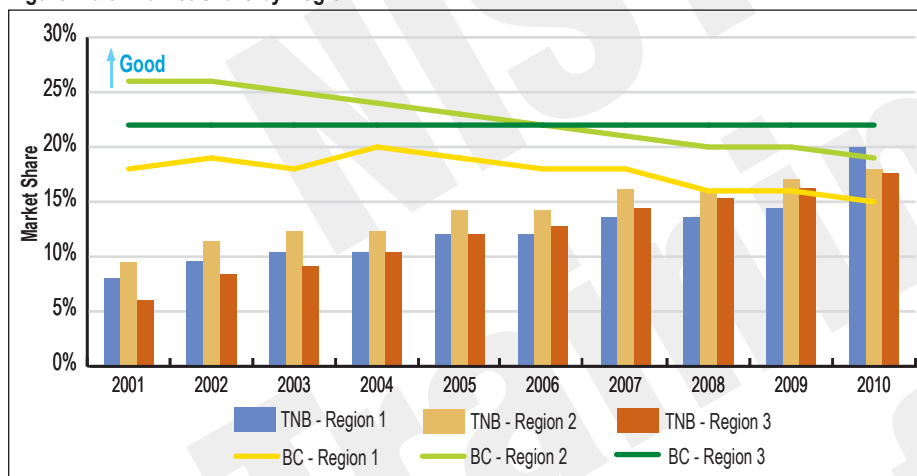


Figure 7.5-9 Market Share by Region



The Widmark acquisition also has had a favorable impact on TNB's market share for loans (Figure 7.5-8), equaling the performance of the best megabank comparison.

As seen in Figure 7.5-9, TNB has steadily increased its market share in all three of its market segments: the Research Triangle area (Region 1), the Winston-Salem/Greensboro/High Point area (Region 2), and other major growth communities (Region 3).

In addition, the number of TNB branches (Figure 7.5-10) steadily increased between 2002 and 2007. Due to feedback from the VOC process during the 2008 SPP, TNB learned that additional branches were not required by customers. Instead, customers wanted more convenient hours that better fit their busy work and home schedules. Therefore, TNB provided extended evening and weekend hours (see Figure 7.1-2) and expanded the number of online services.

Figure 7.5-10 Number of Branches

