

# TriView National Bank Feedback Report



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The TriView National Bank Case Study was prepared for use in the 2001 Malcolm Baldrige National Quality Award Examiner Preparation Course. The TriView National Bank Case Study describes a fictitious financial services institution. There is no connection between the TriView National Bank Case Study and any financial services institution, either named TriView National Bank or otherwise. Other organizations cited in the case study are also fictitious.

TriView National Bank scored in band 2, showing that the institution is in the beginning stages of a systematic approach responsive to the basic purposes of the Items, but major gaps exist in approach and deployment in some Categories. In addition, the institution is in the early stages of obtaining results stemming from approaches. If this were an actual Baldrige application with this scoring profile instead of a case study, the TriView National Bank probably would have been evaluated by a group of Examiners, each working independently during the Stage 1—Independent Review. For the 2001 Examiner Preparation Course, the TriView National Bank Case Study was evaluated using the Stage 2—Consensus Review Process, and Site Visit Issues were developed and included as part of the Scorebook.



## **INTRODUCTION**

Your application for the Malcolm Baldrige National Quality Award has been evaluated by the Board of Examiners. Strict confidentiality is observed at all times and in every aspect of the application review and feedback.

This feedback report contains the Examiners' findings, including a summary of key themes of the application evaluation, a detailed listing of strengths and opportunities for improvement, and scoring information. Background information on the examination process is also provided.

## **APPLICATION REVIEW**

### **Stage 1, Independent Review**

The application evaluation process (shown in Figure 1) begins with Stage 1, the independent review, in which members of the Board of Examiners are assigned to each of the applications.<sup>1</sup> Assignments are made according to the Examiners' areas of expertise and to avoid potential conflicts of interest. Each application is evaluated independently by Examiners who write comments relating to the applicant's strengths and opportunities for improvement and use a scoring system developed for the Award Program. All applicants in all categories (manufacturing, service, small business, education, and health care) go through the Stage 1 evaluation process.

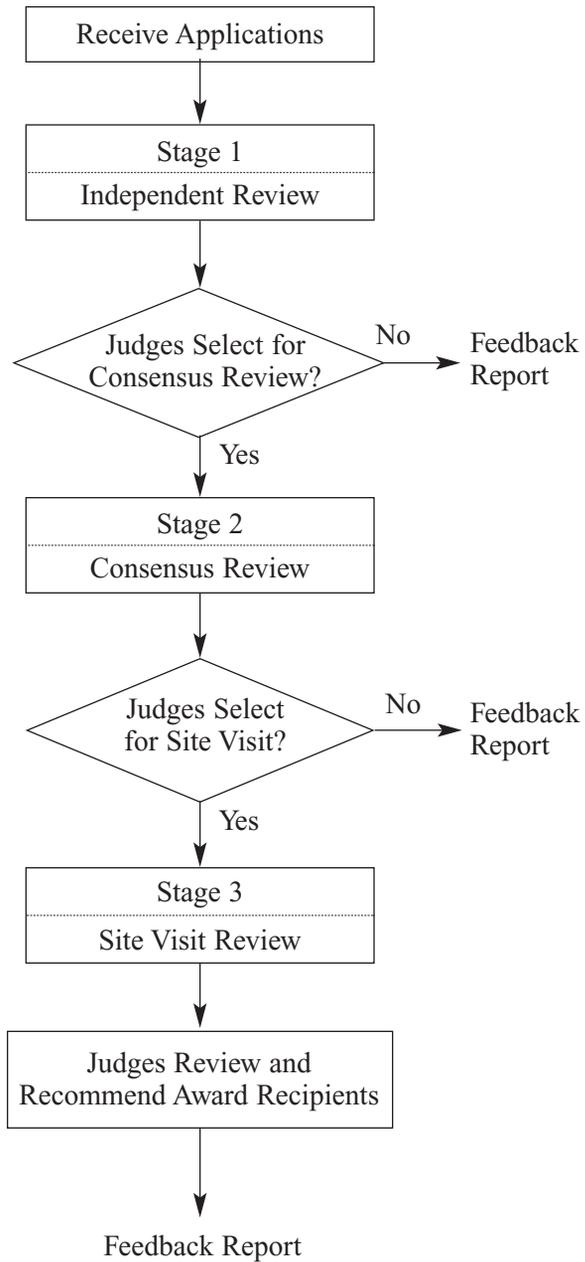
### **Stage 2, Consensus Review**

Based on Stage 1 scoring profiles, the Panel of Judges selects applicants to go on to Stage 2, the consensus review. For those applicants that do progress to Stage 2, a team of Examiners, led by a Senior Examiner, conducts a series of conference calls to reach consensus on comments that capture the team's collective view of the applicant's strengths and opportunities for improvement. Additionally, the team decides on a score for each Item and identifies issues to clarify and verify if the applicant is selected for a site visit. The team documents its comments, scores, and site visit issues in a consensus scorebook. The consensus process is shown in Figure 2.

If an applicant is not selected for consensus review, one Examiner reviews the comments written by the other Examiners at Stage 1 and uses those evaluations to prepare a feedback report.

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<sup>1</sup> There were 37 applications received in 2001; all 37 went through Stage 1 of the evaluation process.



**Figure 1 — Application Evaluation Process**

Step 1	Step 2	Step 3
<p><b>Consensus Planning:</b></p> <ul style="list-style-type: none"> <li>• Prioritize Items for Discussion</li> <li>• Assign Category/Item Discussion Leaders</li> <li>• Review Findings From the Independent Evaluations</li> </ul>	<p><b>Consensus Calls:</b></p> <ul style="list-style-type: none"> <li>• Discuss Key Business/Organization Factors</li> <li>• Discuss Items, Categories, and Key Themes</li> <li>• Achieve Consensus on Comments, Scores, and Site Visit Issues</li> <li>• Document Findings</li> </ul>	<p><b>Post-Consensus Call Activities:</b></p> <ul style="list-style-type: none"> <li>• Prepare Final Consensus Report</li> <li>• Prepare Feedback Report</li> </ul>

**Figure 2 — Consensus Review Process**

### Stage 3, Site Visit Review

After the consensus review process, the Panel of Judges verifies that the evaluation process was followed properly. Following their review, the Judges select applicants to receive a site visit based upon the scoring profiles of all consensus review applicants. If an applicant is not selected for site visit review, one of the Examiners on the Consensus Team edits the final consensus report that becomes the feedback report.

Site visits are conducted for the highest scoring applicants to clarify any uncertainty or confusion the Examiners had regarding the written application and to verify that the information in the application is correct. After the site visit is completed, the team of Examiners prepares a final site visit scorebook. The site visit examination process is shown in Figure 3.

Step 1	Step 2	Step 3
<p><b>Team Preparation:</b></p> <ul style="list-style-type: none"> <li>• Review Consensus Findings</li> <li>• Review Site Visit Issues</li> <li>• Plan Site Visit</li> </ul>	<p><b>Site Visit:</b></p> <ul style="list-style-type: none"> <li>• Make/Receive Presentations</li> <li>• Conduct Interviews</li> <li>• Record Observations</li> <li>• Review Records</li> </ul>	<p><b>Site Visit Scorebook:</b></p> <ul style="list-style-type: none"> <li>• Resolve Issues</li> <li>• Summarize Findings</li> <li>• Finalize Comments</li> <li>• Prepare Final Site Visit Scorebook</li> <li>• Prepare Feedback Report</li> </ul>

**Figure 3 — Site Visit Review Process**

Application reports, consensus scorebooks, and site visit scorebooks for all applicants receiving a site visit are forwarded to the Panel of Judges, which makes final recommendations on which applicants should receive an Award. The Judges discuss applications in each of the five Award categories separately, and then they vote to keep or eliminate each applicant. The Judges then rank order the applicants and eliminate those that rank lowest. This process is repeated until the top three applicants remain. Next, the Judges decide whether each of the top applicants should be recommended as an Award recipient based on an “absolute” standard: the overall excellence and the appropriateness of the applicant as a national role model. The process is repeated for each Award category. The Judges’ evaluation process is shown in Figure 4.

Step 1	Step 2	Step 3
<p><b>Panel of Judges’ Review:</b></p> <ul style="list-style-type: none"> <li>• Application Reports</li> <li>• Consensus Scorebooks</li> <li>• Site Visit Scorebooks</li> <li>• Feedback Reports</li> </ul>	<p><b>Evaluation by Category:</b></p> <ul style="list-style-type: none"> <li>• Manufacturing</li> <li>• Service</li> <li>• Small Business</li> <li>• Education</li> <li>• Health Care</li> </ul>	<p><b>Assessment of Top Organizations:</b></p> <ul style="list-style-type: none"> <li>• Overall Strengths/ Opportunities for Improvement</li> <li>• Appropriateness as National Model of Performance Excellence</li> </ul>

**Figure 4 — Judges’ Review Process**

Judges do not have access to applicant information. They do not participate in discussions or vote on applications in which they have a competing or conflicting interest or in which they have a private or special interest such as an employment or a client relationship, a financial interest, or a personal or family relationship. All conflicts are reviewed and discussed so that Judges are aware of their own and others’ limitations on access to information and participation in discussions and voting. Following the Judges’ review and recommendations of Award recipients, one of the Examiners on the Site Visit Team edits the final site visit scorebook that becomes the feedback report.

## **SCORING**

The scoring system used to score each Item is designed to differentiate the applicants in the Stage 1 and Stage 2 reviews and to facilitate feedback. The Scoring Guidelines for Business, Education, or Health Care (shown in Figure 5) are based on (1) evidence that a performance excellence system is in place, (2) the depth and breadth of its deployment, and (3) the results it is achieving.

In the feedback report, the applicant receives a percentage range for each Criteria Category (e.g., Leadership, Strategic Planning). The percentage range is based on the Scoring Guidelines which describe the characteristics typically associated with specific percentage ranges.

An applicant's total scores fall into one of eight scoring bands. Each band corresponds to a descriptor associated with that scoring range. Figure 6 provides scoring information on the percentage of applicants scoring in each band at Stage 1. Scoring adjustments resulting from the consensus review and site visit stages are not reflected in the distribution. Site visit teams find that some applicants are stronger in some or all of the Categories than was indicated by their original score, while others are weaker. Consequently, some applicants may have moved up in range if they had been scored again at site visit, while others may have moved down.

## SCORING GUIDELINES—BUSINESS CRITERIA

SCORE	APPROACH-DEPLOYMENT	SCORE	RESULTS
0%	<ul style="list-style-type: none"> <li>No systematic approach is evident; information is anecdotal.</li> </ul>	0%	<ul style="list-style-type: none"> <li>There are no results or poor results in areas reported.</li> </ul>
10% to 20%	<ul style="list-style-type: none"> <li>The beginning of a systematic approach to the basic purposes of the Item is evident.</li> <li>Major gaps exist in deployment that would inhibit progress in achieving the basic purposes of the Item.</li> <li>Early stages of a transition from reacting to problems to a general improvement orientation are evident.</li> </ul>	10% to 20%	<ul style="list-style-type: none"> <li>There are some improvements <i>and/or</i> early good performance levels in a few areas.</li> <li>Results are not reported for many to most areas of importance to your organization's key business requirements.</li> </ul>
30% to 40%	<ul style="list-style-type: none"> <li>An effective, systematic approach, responsive to the basic purposes of the Item, is evident.</li> <li>The approach is deployed, although some areas or work units are in early stages of deployment.</li> <li>The beginning of a systematic approach to evaluation and improvement of basic Item processes is evident.</li> </ul>	30% to 40%	<ul style="list-style-type: none"> <li>Improvements <i>and/or</i> good performance levels are reported in many areas of importance to your organization's key business requirements.</li> <li>Early stages of developing trends and obtaining comparative information are evident.</li> <li>Results are reported for many to most areas of importance to your organization's key business requirements.</li> </ul>
50% to 60%	<ul style="list-style-type: none"> <li>An effective, systematic approach, responsive to the overall purposes of the Item and your key business requirements, is evident.</li> <li>The approach is well deployed, although deployment may vary in some areas or work units.</li> <li>A fact-based, systematic evaluation and improvement process is in place for improving the efficiency and effectiveness of key processes.</li> <li>The approach is aligned with your basic organizational needs identified in the other Criteria Categories.</li> </ul>	50% to 60%	<ul style="list-style-type: none"> <li>Improvement trends <i>and/or</i> good performance levels are reported for most areas of importance to your organization's key business requirements.</li> <li>No pattern of adverse trends and no poor performance levels are evident in areas of importance to your organization's key business requirements.</li> <li>Some trends <i>and/or</i> current performance levels—evaluated against relevant comparisons <i>and/or</i> benchmarks—show areas of strength <i>and/or</i> good to very good relative performance levels.</li> <li>Business results address most key customer, market, and process requirements.</li> </ul>
70% to 80%	<ul style="list-style-type: none"> <li>An effective, systematic approach, responsive to the multiple requirements of the Item and your current and changing business needs, is evident.</li> <li>The approach is well deployed, with no significant gaps.</li> <li>A fact-based, systematic evaluation and improvement process and organizational learning/sharing are key management tools; there is clear evidence of refinement and improved integration as a result of organizational-level analysis and sharing.</li> <li>The approach is well integrated with your organizational needs identified in the other Criteria Categories.</li> </ul>	70% to 80%	<ul style="list-style-type: none"> <li>Current performance is good to excellent in areas of importance to your organization's key business requirements.</li> <li>Most improvement trends <i>and/or</i> current performance levels are sustained.</li> <li>Many to most trends <i>and/or</i> current performance levels—evaluated against relevant comparisons <i>and/or</i> benchmarks—show areas of leadership and very good relative performance levels.</li> <li>Business results address most key customer, market, process, and action plan requirements.</li> </ul>
90% to 100%	<ul style="list-style-type: none"> <li>An effective, systematic approach, fully responsive to all the requirements of the Item and all your current and changing business needs, is evident.</li> <li>The approach is fully deployed without significant weaknesses or gaps in any areas or work units.</li> <li>A very strong, fact-based, systematic evaluation and improvement process and extensive organizational learning/sharing are key management tools; strong refinement and integration, backed by excellent organizational-level analysis and sharing, are evident.</li> <li>The approach is fully integrated with your organizational needs identified in the other Criteria Categories.</li> </ul>	90% to 100%	<ul style="list-style-type: none"> <li>Current performance is excellent in most areas of importance to your organization's key business requirements.</li> <li>Excellent improvement trends <i>and/or</i> sustained excellent performance levels are reported in most areas.</li> <li>Evidence of industry and benchmark leadership is demonstrated in many areas.</li> <li>Business results fully address key customer, market, process, and action plan requirements.</li> </ul>

## 2001 SCORING BAND DESCRIPTORS

Band	Band Number	% Applicants in Band <sup>2</sup>	Descriptors
0-250	1	**	Early stages of developing and implementing approaches to Category requirements. Important gaps exist in most Categories.
251-350	2	**	Beginning of a systematic approach responsive to the basic purposes of the Items, but major gaps exist in approach and deployment in some Categories. Early stages of obtaining results stemming from approaches, with some improvements and good performance observed.
351-450	3	**	An effective, systematic approach responsive to the basic purposes of most Items, but deployment in some key Areas to Address is still too early to demonstrate results. Early improvement trends and comparative data in areas of importance to key organizational requirements.
451-550	4	**	Effective, systematic approaches to many Areas to Address, but deployment may vary in some areas or work units. Fact-based evaluation and improvement occur responsive to the basic purposes of the Items. Results address key customer/stakeholder and process requirements, and demonstrate some areas of strength and/or good performance.
551-650	5	**	An effective, systematic approach responsive to many of the Areas to Address and to key organizational needs, with a fact-based evaluation and improvement process in place in key Areas. No major gaps in deployment, and a commitment exists to organizational learning and sharing. Improvement trends and/or good performance reported for most areas of importance. Results address most key customer/stakeholder and process requirements and demonstrate areas of strength.
651-750	6	**	Refined approaches, including key measures, good deployment, and very good results in most Areas. Organizational alignment, learning, and sharing are key management tools. Some outstanding activities and results that address customer/stakeholder, process, and action plan requirements. Industry <sup>3</sup> leader in some Areas.
751-875	7	**	Refined approaches, excellent deployment, and good to excellent performance improvement and levels demonstrated in most Areas. Good to excellent integration and alignment, with organizational analysis, learning, and sharing of best practices as key management strategies. Industry leadership and some benchmark leadership demonstrated in results that address most key customer/stakeholder, process, and action plan requirements.
876-1000	8	**	Outstanding approaches, full deployment, excellent and sustained performance results. Excellent integration and alignment, with organizational analysis, learning, and sharing of best practices pervasive. National and world leadership in results that fully address key customer/stakeholder, process, and action plan requirements.

**Figure 6**

<sup>2</sup> Percentages are based on scores from the Stage 1 review.

<sup>3</sup> Industry refers to other organizations performing substantially the same functions, thereby facilitating direct comparisons.

## KEY THEMES

TriView National Bank (TNB) scored in band 2 in the first stage review of written applications for the Malcolm Baldrige National Quality Award. For an explanation of the scoring bands, please refer to Figure 6, “2001 Scoring Band Descriptors.”

TNB demonstrates the beginning of a systematic approach responsive to the basic purposes of the Items, but major gaps exist in approach and deployment in some Categories. The organization is in the early stages of obtaining results stemming from approaches, with some improvements and good performance observed.

**a. The most important strengths or outstanding practices (of potential value to other organizations) are as follows:**

- TNB has expanded its leadership approach to include the formation of an Executive Management Committee (EMC). Through expectations set by the Trust Model and Values, this group has organized the customer-focused culture around the Vision of providing legendary service and designs its leadership system, strategic directions, and human resource efforts based on achieving this Vision. The EMC has also led the conversion to a sales culture, and early stages of implementation are yielding improved outcomes for the organization, its associates, and its customers.
- A focus on the future is illustrated by TNB’s Strategic Planning Process (Figure 2.1-1). The EMC leads the three-month process that includes an environmental scan and results in annual strategic and operating plans, business action plans, and Individual Performance Plans (IPPs). This helps to align the organization along its four key success factors of financial, customer, associate, and operations (Figure 2.1-4).
- TNB demonstrates a customer-driven focus through listening and learning approaches such as the recently implemented Voice Of the Customer (VOC) Process, Customer Outreach Program, and use of the Customer Service Standards. The recently developed Continuous Improvement Process (CIP) focuses on customer-defined expectations and helps ensure that TNB’s product and service design and work processes stay current with changing business needs and directions. While TNB’s use of management by fact is in early stages of deployment, information gained from these approaches is systematically input into the Strategic Planning Process and the Dashboard of key performance measures.
- TNB demonstrates the valuing of employees through its focus on attracting, hiring, and retaining associates; the empowering of Trust Teams; using the Performance Management and Development Process (PMDP) and ensuing IPPs; encouraging flextime and community volunteerism; and recognizing and training associates. Mature approaches such as the Hiring the Best Program and Job Competency Determination

Process, combined with aligning TNB's mission, vision, and values to the PMDP and IPPs, demonstrate TNB's belief that if it takes care of its associates, the associates will take care of customers.

**b. The most significant opportunities, concerns, or vulnerabilities are as follows:**

- TNB operates in a highly competitive environment, yet appears to lack systematic approaches for many of its processes. For example, it is not clear how TNB translates review findings into priorities, how it addresses the needs of all stakeholders through strategic objectives, how new technology is incorporated into product and service design and delivery, or how business area processes enable the organization to achieve its strategies. Without systematic approaches, it may be difficult for TNB to adjust effectively and swiftly to the changing competitive landscape.
- TNB operates 35 branches across 14 communities that need to deliver consistent products and service to three customer groups. However, many processes for delivery are not well defined or deployed across all branches. For example, the lack of systematic approaches includes how TNB determines areas of involvement and support for its key communities, how it tracks and uses customer complaint information, and how it evaluates education and training effectiveness against organizational performance. The lack of systematic approaches across the organization indicates opportunities for further organizational learning and the implementation of innovative management practices.
- There is little evidence of a systematic approach for the measurement and analysis of organizational performance. There is no systematic approach for obtaining comparative and competitive information, and segmentation of customer and employee data leading to actionable information also appears to be lacking. Additionally, measures and targets important to TNB's business are not identified (e.g., regulatory issues). The development of such approaches would enable TNB to enhance its management by fact through understanding of issues surrounding strategic planning, customer and market focus, human resource focus, process management, and public responsibility.
- It is not clear how TNB aligns its key approaches and processes to achieve a systems perspective. Beginning deployment of approaches involving the use of Dashboard measures, SMART I, the Continuous Improvement Process (CIP), and the Baldrige Criteria for Performance Excellence is occurring to identify opportunities for improvement, and foundational pieces such as the Strategic Planning Process, VOC Process, PMDP, and Service Level Agreement Process are in place. Yet it is not clear how TNB is integrating these approaches so that they build on one another in support of successful organizational performance.

- While TNB relies heavily on outsourcing many of its key processes through vendors, suppliers, and partners, there does not appear to be a systematic approach to building relationships with these groups. Although these groups have recently been included in the Strategic Planning Process, communication with them regarding organizational performance, product and service design, daily management of the key processes, and process improvement issues seems to be limited. Without clear and open systems of communication, the ability of these groups to proactively engage in the organization and help it achieve its vision of legendary service may be hindered.
  - While the CIP is newly developed and deployed to some areas of the organization, little evidence is provided to indicate systematic cycles of improvement are used across the organization. For example, opportunities exist for refined improvement cycles in processes associated with leadership, customer and market focus, information and analysis, human resource focus, and process management. Further, both the process for communicating improvements and the ways in which the organization uses assessments involving the Baldrige Criteria for Performance Excellence are unclear.
- c. Considering TNB's key business factors, the most significant strengths, opportunities, vulnerabilities, and/or gaps (related to data, comparisons, linkages) found in its response to Results Items are as follows:**
- TNB demonstrates improvements in financial results compared to peers (Efficiency Ratio, Figure 7.2-2; Nonperforming Asset Ratio, Figure 7.2-3; and net interest margin). Further, in experiencing Branch Growth (Figure 7.2-5) from two to 35 since 1995, TNB has grown its Dashboard measure of Average Assets (Figure 7.2-4) from \$84 million in 1995 to \$1.1 billion year-to-date. These results indicate that TNB is on track to achieve its strategic objective of \$3 billion in assets by 2004.
  - During a period of significant growth, Associate Satisfaction (Figure 7.3-1) has improved from 32 percent in 1997 to 52 percent in 1999. Additionally, several human resource results compare favorably to The Pilgrim Group ratings (Customer Focus, Figure 7.3-2; Have Enough Information to Do Job Well, Figure 7.3-5; Level of Teamwork, Figure 7.3-7; the Dashboard measure of Percentage of Associate Turnover, Figure 7.3-9; and Absenteeism Rate of Associates, Figure 7.3-10). These results indicate TNB's focus on valuing employees.
  - While TNB is transitioning to a culture of management by fact, an overall focus on customer trends appears to be in early stages of development. This is best evidenced by analyzing customer-focused results, a key area of focus given TNB's competitive environment, mission, vision, brand strategy, challenges, and key competitive advantages. Although the number of retail products per household has increased and is now at a level of larger banks, customer-focused results are either flat or indicate

early stages of improvement (including the key Dashboard measure of Customer Satisfaction, Figure 7.1-1). This indicates an opportunity for the organization to realize fully the potential of the changed culture and approaches to building the brand.

- Important results are not reported for many Items. These include Item 7.1 (customer satisfaction with convenience, accuracy, timeliness, and knowledgeable associates; Dashboard results for customer complaint calls, customer complaint visits, and customer turnover), Item 7.2 (the strategic objective related to revenue, business area financial results, and marketplace performance), Item 7.3 (the strategic objectives related to work system performance as assessed through the Baldrige Criteria, as well as bench strength, diversity goals, and financial incentives tied to customer satisfaction), and Item 7.4 (product and service performance; key business and support processes; supplier, partner, and vendor results; the strategic objective related to operational excellence as assessed through the Baldrige Criteria; the Dashboard results for fraud attempts; regulations, risk management, and compliance; and citizenship). Since many of these missing results are linked to strategic objectives and to Dashboard measures, the lack of results suggests that TNB is in the early stages of management by fact and of focusing on results to create value for all stakeholders.
- There are no comparative measures for customer-focused results and organizational effectiveness results such as key processes and services. While some comparisons of financial and market as well as human resource results are provided, these are to peer organizations or industry averages rather than to best-in-class performers. Given the wide array of competitors and the opportunity to gather comparative data outside the industry, this lack of competitive/comparative information may limit TNB's understanding of its strategic advantages and vulnerabilities.
- There is little evidence of segmentation of key results by customer group, delivery option, branch location, or market segment. Further, there are no segmented results provided for associates by group. This makes it difficult for TNB to understand key trends across a variety of categories and to use information that is actionable to achieve strategic goals.

## **DETAILS OF STRENGTHS AND OPPORTUNITIES FOR IMPROVEMENT**

### **Category 1 Leadership**

Your score in this Criteria Category is in the 30–40 percentage range. (Please refer to Figure 5, “Scoring Guidelines.”)

#### **1.1 Organizational Leadership**

##### **STRENGTHS**

- TNB has formed an Executive Management Committee (EMC) to extend the leadership system and decision-making authority beyond the founding partners to include the leaders of key functional areas throughout the organization. These areas include Retail Banking, Commercial Banking, Information Technology Management (ITM) and Operations, Human Resources, and Marketing and Communications. The EMC also extends to key business process managers, including the Business Excellence Manager, Risk Management Manager, and Acquisitions Manager.
- Through creation of the Vision (to provide legendary service, Figure P.1-1) and Trust Model and Values (Figure 1.1-1), the EMC communicates the behaviors required of associates in establishing relationships with customers.
- The EMC sets the organization’s directions through an annual Strategic Planning Process and by allocating capital and human resources, reviewing progress against goals, and making midcourse adjustments to the plan.
- The EMC communicates values, directions, and expectations through the Performance Management and Development Process (PMDP), the weekly Trust Tribune newsletter, the T-Net intranet, face-to-face meetings, branch visits by EMC members, the Annual Associate Meeting, and new associate orientation.
- Cross-branch Trust Teams create an environment for empowerment, innovation, and organizational learning among the 35 branches. Each member of the bankwide Trust Team serves as a leader of other Trust Teams and receives direction for achieving the Vision of legendary service from EMC sponsors.

- Performance is reviewed at multiple levels in the organization. The EMC conducts weekly reviews and reviews performance results against Dashboard measures once a month. Business managers meet weekly with their respective teams and with the EMC monthly. Performance results are communicated to all associates via the T-Net and the Annual Associate Meeting.

## OPPORTUNITIES FOR IMPROVEMENT

- There is no evidence that the EMC or other business managers consider comparative or competitive performance in their Dashboard review which would allow senior leaders to determine if they are fulfilling the vision of providing legendary service.
- It is unclear how the EMC deploys performance review findings to key suppliers and partners. Since suppliers/partners are responsible for providing key processes, such as item processing, cash management, and lockbox services, this may not allow the EMC to ensure alignment of key suppliers and partners with the organization's improvement priorities.
- TNB presents no recent performance review findings, and there is no evidence of a systematic, repeatable process by which performance review findings are translated into priorities for improvement. Further, it is not clear how corrective actions in response to performance are deployed throughout the organization, thus ensuring organizational alignment.
- Although a Baldrige-type feedback report was used in 2000, there is no evidence that a review is conducted to improve both individual leadership effectiveness and the leadership system. This is especially pertinent given that the organization is privately held and one of its strategic challenges is creating a succession plan.

## 1.2 Public Responsibility and Citizenship

### STRENGTHS

- The EMC addresses impacts on society during the annual Strategic Planning Process through an Environmental Scan. This includes a review of regulations and laws that may impact bank services and products. A specific EMC member is responsible for ensuring compliance with regulatory and legal requirements.
- A systematic approach toward ethical behavior starts with a “No Excuses” policy for interactions with all stakeholders that is outlined in a Code of Conduct manual. Ethics training begins in the new associate orientation and is reinforced both one month after the course with a test and annually by having all associates sign a statement that they have read the Code of Conduct. The subject of ethics is also addressed during performance reviews.
- The EMC evaluates key community activities and projects during the annual Strategic Planning Process. Senior leaders encourage associates to take an active role in community activities by personally participating in community activities, matching dollar-for-dollar contributions, and providing two days off per year with full pay to participate in community activities. In addition, TNB helps educate disadvantaged youths in communities that it serves by supporting the Investment in Youth Program.

### OPPORTUNITIES FOR IMPROVEMENT

- TNB does not provide measures or targets for legal and regulatory compliance. Given the highly regulated environment in which it operates, this may make it difficult for TNB to track current performance and identify and prioritize opportunities for improvement.
- It is not clear how TNB uses information gained from federal and state agency periodic audits, as well as its annual audit by an independent accountant, to consider proactively public concerns.
- Although the organization communicates and reinforces its Code of Conduct, it is not clear how it accomplishes ethical business practices in all stakeholder transactions and interactions.
- Although it is evident that associates and senior leaders are engaged in community activities, it is not clear how TNB identifies key communities and determines areas of emphasis for organizational involvement and support within these communities.

## **Category 2 Strategic Planning**

Your score in this Criteria Category is in the 30–40 percentage range. (Please refer to Figure 5, “Scoring Guidelines.”)

### **2.1 Strategy Development**

#### **STRENGTHS**

- TNB uses its Strategic Planning Process (Figure 2.1-1) as the approach for developing its strategic objectives and to ensure alignment of the supporting action plans and Individual Performance Plans (IPPs).
- To form the basis for the development of strategic objectives, various business areas conduct annual environmental scans to gather data such as customer needs, demographics, regulatory conditions, and human resource capability (Figure 2.1-3). These data are presented at the annual off-site strategic planning meeting to assist in identifying key strategies that will keep the organization competitive and accelerate progress toward the Vision of legendary service.
- Strategic objectives, related goals, and strategies (Figure 2.1-4) address financial, customer, associate, and operations issues. The strategies guide action plan development across the business areas and are used in the development of IPPs. Strategies such as “deepen customer relationships” and “improve cross-sell ratios,” along with their corresponding action plans, support goal achievement of keeping the dominant share of the wallet.

#### **OPPORTUNITIES FOR IMPROVEMENT**

- While TNB’s Strategic Planning Process includes gathering inputs on key factors (Figure 2.1-3), it is not clear how these inputs are analyzed. Without analysis, the organization’s ability to address its key challenges and to formulate effective strategies is limited.
- Although one of TNB’s key strategic challenges is the high level of competition, it is not clear what information is covered in the competitive scan and whether TNB addresses its capabilities relative to its competitors, including the levels of performance required for competitive leadership.

- Although TNB identifies technology as a key factor for future growth and new and expensive technology as a key strategic challenge, a systematic process for obtaining relevant data regarding changing technology or for assessing its effect on products/services and/or how TNB operates is not evident.
- As identified in the Organizational Profile, suppliers, outside vendors, and partners provide infrastructure support to meet the key customer requirements of convenience, responsiveness, accuracy, and timeliness. However, it is not evident how TNB analyzes knowledge gained through key supplier/partner relationships (Figure 2.1-3) to provide data on supplier/partner strengths and weaknesses.
- It is not clear who TNB's key stakeholders are or how it ensures that its strategic objectives balance key stakeholder needs. For example, although the organization identifies support of its key communities as a means to build customer loyalty, it presents no strategic objectives for support of these key communities.

## 2.2 Strategy Deployment

### STRENGTHS

- Through a three-month cascade of activities following the annual off-site planning meeting, TNB converts its strategic objectives into business area action plans and IPPs for all associates at all levels of the organization.
- TNB allocates financial and human resources based on priorities established during the Strategic Planning Process to support key strategies adequately.
- TNB has both short- and longer-term human resource strategies and action plans (Figures 2.1-4 and 2.2-1). These address the key strategic challenges of attracting and retaining associates and creating a succession plan, and align with business strategies designed to create a sales-oriented culture.

### OPPORTUNITIES FOR IMPROVEMENT

- Although TNB provides a sample of action plans in Figure 2.2-1, it is not clear that TNB addresses all key success areas identified in Figure 2.1-4. It is not evident, for example, that TNB has longer-term action plans to support key product/market changes in areas such as Internet banking services or the new opportunities and challenges presented by the E-Signature Law.
- TNB's critical performance measures (Figure 2.2-1) used for tracking progress relative to action plans are unclear and do not appear to link to strategic objectives. This may make it difficult for TNB to ensure achievement of overall strategic directions.
- TNB does not provide evidence of short- and longer-term performance projections or comparisons of performance projections to support its key planning measures.

### **Category 3 Customer and Market Focus**

Your score in this Criteria Category is in the 30–40 percentage range. (Please refer to Figure 5, “Scoring Guidelines.”)

#### **3.1 Customer and Market Knowledge**

##### **STRENGTHS**

- TNB has defined criteria for categorizing customers into Consumer, Small Business, or Commercial accounts. Defined asset-based and liability-based products (Figure 3.1-1) are associated with each customer segment.
- TNB uses several sources of information, including industry forums, a Customer Outreach Program, surveys, and industry periodicals, in order to listen and learn from customers, building an understanding of the factors that contribute to customer loyalty. For example, the listening and learning done through the Voice Of the Customer (VOC) Process (Figure 6.1-2) provide information used to determine customer requirements in the design of new product/service features while attendance at financial service forums enables TNB to capture emerging issues in the marketplace.

##### **OPPORTUNITIES FOR IMPROVEMENT**

- Over the next five years, the Wealth, Upscale Retired, and Upper Affluent segments will increase 46, 14, and 36 percent, respectively. However, other than the segmentation by account type (Consumer, Small Business, and Commercial), there appears to be no systematic approach to customer segmentation.
- There is little evidence of how TNB’s listening and learning approaches (e.g., attendance at industry forums and conducting surveys) provide methods for systematically gathering and using information about its former and potential customers/markets (e.g., customers of competitors). For example, although the bank has 60 percent of new households moving into the Research Triangle area as customers, there does not appear to be a method to consider the needs of those customers who do not select TNB for business.

- TNB does not appear to gather and use systematically customer retention data, won/lost analyses, and complaint information to determine key customer/market requirements and their relative importance/value to customers' purchasing decisions. Without an understanding of the drivers of its customers' purchasing decisions, TNB may not have the knowledge to ensure that its products/services are positioned to meet its key strategic challenges.
- While TNB reviews industry periodicals and uses the Baldrige Criteria for Performance Excellence to identify opportunities for improvement, it is not evident how these methods are used to ensure that TNB has an effective, systematic approach for keeping its listening and learning methods current with business needs and directions.

## 3.2 Customer Relationships and Satisfaction

### STRENGTHS

- TNB uses its promise of legendary service (the concepts of which are identified in its mission, vision, values, and brand [Figure P.1-1]), along with programs such as the Customer Outreach Program, to build relationships with customers, acquire new business, and achieve customer loyalty. In alignment with TNB's belief that customer loyalty improves as customers use multiple financial products, TNB builds customer loyalty by marketing multiple products to the same customer.
- A Trust Team correlated industry research with TNB-specific data relative to customer requirements to establish a set of Customer Service Standards (Figure 3.2-1). The Customer Service Standards differentiate between TNB's two access methods (in person and over-the-phone interactions) and help ensure a focus on achieving the customer contact requirements of responsiveness, accuracy, timeliness, professionalism, and friendliness of service.
- The Customer Service Standards (Figure 3.2-1) are deployed and reinforced with all associates through new hire orientation as well as during the annual Performance Management and Development Process (PMDP) at which time associates develop Individual Performance Plans (IPPs). This approach ensures that associates' efforts are aligned with TNB's strategic business goals as well as with customer requirements.
- Since customer satisfaction and loyalty are key to TNB's success, TNB uses approaches such as New Account Opening Questionnaires, New Loan Questionnaires, internal shopper research, and the Customer Outreach Program to determine customer satisfaction and to follow up on recent transaction experiences.

### OPPORTUNITIES FOR IMPROVEMENT

- TNB identifies in-branch and over-the-phone access mechanisms for customers to seek information, conduct business, and make complaints. However, it is not evident how these access methods consider the contact requirements for all customer segments. For example, while the bank has an in-state, 800 toll-free telephone number staffed by DirectServe associates, it is not evident how out-of-state customers (e.g., credit card holders) have access to seek information.

- TNB does not appear to have a systematic process to capture, aggregate, analyze, and use customer complaint information for improvement throughout the organization and by its partners, such as DirectServe. For example, while TNB has deployed a systematic sampling plan for use in its branches, it is not clear how the sampling plan data are aggregated and analyzed for organization-wide improvement.
- Although one of TNB’s strategic objectives is to improve customer satisfaction to “top box” performance levels, the methods it is using to capture systematically actionable satisfaction/dissatisfaction data to achieve this objective are not evident. For example, the periodic Customer Outreach Program captures customer satisfaction/dissatisfaction data from recent transactions in a performance rating that is reviewed by management. However, it is not clear that the survey provides actionable data useful for predicting future business, obtaining positive referrals, understanding current issues of different customer groups, or prioritizing issues for improvement.
- Although TNB conducts a competitive rate analysis on other banks operating in the Research Triangle area to ensure that its rates are favorable, it is not apparent how TNB systematically obtains and uses customer satisfaction data relative to customers’ satisfaction with competitors and/or benchmarks. For example, while TNB tracks its customer retention rate, it does not compare this rate to other banks in order to determine whether its own retention rate is adequate to maintain or gain market share.
- TNB’s key strategy for growth is differentiating itself through legendary customer service. However, it is not evident that TNB has deployed fact-based, systematic approaches for evaluating and improving how customer relationships are built, how customer access is provided, and how customer satisfaction/dissatisfaction is determined to ensure that its customer service remains a competitive advantage and keeps current with business needs and directions.

## **Category 4 Information and Analysis**

Your score in this Criteria Category is in the 30–40 percentage range. (Please refer to Figure 5, “Scoring Guidelines.”)

### **4.1 Measurement and Analysis of Organizational Performance**

#### **STRENGTHS**

- The EMC monitors the overall health of the organization through a monthly review of the Dashboard measures. These organization-wide measures determined during the Strategic Planning Process (Figure 2.1-1) represent a balanced view of the bank’s operations from a customer, financial, associate, and operational perspective.
- Annually, the organization uses the Strategic Planning Process, individual branch area evaluation, and a Trust Team to evaluate the effectiveness of its performance measurement system to keep it current with changing business needs and directions.
- In support of the EMC’s organizational performance review, business areas analyze performance data from a functional and process perspective, identifying correlations between different performance improvement initiatives and performance compared to forecasts. For example, TNB examines correlations between team member learning and revenue per associate, and customer satisfaction and revenue.
- While maintaining needed security for proprietary information, TNB regularly communicates with leadership and bank associates by posting information on a monthly basis for all associates to access on the T-Net (TNB’s intranet and e-mail system), thus facilitating support for decision making.

#### **OPPORTUNITIES FOR IMPROVEMENT**

- TNB does not appear to have a systematic process for gathering, integrating, and aligning data and information from all sources to support daily operations and organizational decision making. For example, it is not clear how branch-specific measures are selected and used to support decision making and strategic alignment.

- As discussed in the Organizational Profile, key services are outsourced to suppliers/partners. However, it is not clear if a process exists for selecting and aligning performance measures of these key services with key customer requirements and/or market segments.
- TNB is in the early stages of developing a systematic approach for selecting and utilizing comparative/competitive data and information. This may limit TNB's ability to evaluate its performance and competitive position.
- TNB does not appear to align branch-level measurement and analysis with organizational-level measurement and analysis. This may make it difficult for TNB to ensure that operational focus and improvements are supportive of strategic objectives.
- Although each branch identifies key quality, timeliness, efficiency, and cycle time measures as part of its Continuous Improvement Process (CIP), TNB does not appear to use these results to make projections of continuous and breakthrough improvements in performance.

## 4.2 Information Management

### STRENGTHS

- TNB utilizes a system of access codes, passwords, and firewalls to ensure that information is available to appropriate leaders and associates, thus balancing security and access with federal and consumer concern for privacy.
- A Trust Team is developing a system that monitors, analyzes, and reports on TNB's performance to support strategic decisions. The new system, Smart I, will contain a data warehouse that will allow the bank to model customer relationships and keep the data and information current with business needs and directions.
- TNB ensures hardware reliability by establishing long-term contracts with hardware vendors for on-site maintenance. Vendor expectations exist for both system performance and system availability, and a disaster recovery "hot site" with redundant systems is used to ensure business continuity.

### OPPORTUNITIES FOR IMPROVEMENT

- TNB uses suppliers/partners to support key infrastructure processes (e.g., Pine Transaction Services). However, TNB does not appear to have a systematic process for ensuring that appropriate data and information are available to key suppliers/partners.
- TNB does not appear to have a systematic process to ensure that available data are reliable, accurate, and timely. As discussed in the Organizational Profile, these data attributes are key customer and regulatory requirements, and the absence of a systematic process may make it difficult for TNB to ensure these key requirements are being met.
- There appears to be no systematic approach for keeping data and information availability mechanisms for employees, suppliers/partners, and customers current with business needs and directions.
- TNB plans to use e-commerce and electronic banking to provide improved access for customers. However, TNB does not appear to have a systematic approach for ensuring hardware and software systems are user friendly.
- While information technology management is a primary element of the Strategic Planning Process and the responsibility of the head of Information Technology Management (ITM) and Operations, TNB does not appear to have a systematic approach for keeping software and hardware systems current with business needs and directions.

## **Category 5 Human Resource Focus**

Your score in this Criteria Category is in the 30–40 percentage range. (Please refer to Figure 5, “Scoring Guidelines.”)

### **5.1 Work Systems**

#### **STRENGTHS**

- TNB promotes communication, cooperation, initiative, and innovation through the use of cross-functional Trust Teams, the TriView Excellent Associate Recognition (TEAR) Program, and the Trust in Your Ideas Program. Trust Teams are accountable for improving products, services, and processes and for helping TNB to keep current with business needs.
- The Performance Management and Development Process (PMDP) leads to an Individual Performance Plan (IPP) that is mutually agreed upon by the associate and the manager. The IPP supports and facilitates career advancement and combines associate performance management based on customer-driven goals with associate development needs required to accomplish the goals.
- TNB encourages and supports employee development through the implementation of broadly defined job families and the use of job rotation within those families. This allows associates to build their skills and competencies within their current job families.
- The use of skill-based and performance-based pay linked to the PMDP supports high performance. Further, Trust Team members have identical PMDP goals related to team performance, which fosters cross-functional high performance. Also, IPPs directly link to TNB’s business strategies, target goals, and action plans, reinforcing a customer and business focus.
- The Hiring the Best Program uses data collected through associate interviews to identify the characteristics and skills needed by potential associates for every bank position. For each job family and function, these attributes are weighted to reflect the relative importance of these skills.

## OPPORTUNITIES FOR IMPROVEMENT

- Other than Trust Teams that an unidentified number of associates serve on, it is not clear how TNB organizes and manages work and jobs in department and functional areas to promote cooperation, initiative, and innovation.
- TNB has recently adopted a strategic objective to develop bench strength because many senior, business, and operational area managers are the same age and will retire at about the same time. However, TNB's Succession Planning Process (Figure 5.1-4) does not appear to address what work experience, development, and mentoring are needed to prepare a successor for a given position. The process appears to address the succession of senior leaders only.
- It is not clear how TNB addresses diversity in recruiting in order to capitalize on the diversity of the communities in which it serves. While TNB states that diversity goals exist, they are not explicitly identified, and current workforce diversity is not described in the Organizational Profile.

## 5.2 Employee Education, Training, and Development

### STRENGTHS

- As part of the PMDP, associates annually develop Individual Performance Plans (IPPs). IPPs address both job-related organizational needs as well as associates' personal development and career progression objectives.
- Sixty-five percent of new associate orientation is technical training related to the organization's products and the processes for delivering them. New associates also receive information on the organization's history, mission, vision, and the Trust Model and Values. This training also addresses Trust Teams, the Trust in Your Ideas Program, the PMDP, benefits, compensation, customer relationship skills, and safety.
- TNB provides tuition reimbursement to support associates in college degree programs. Nondegree programs and other education in the form of conferences, seminars, and workshops are also supported.
- TNB offers a range of training delivery methods to associates. For example, TNB University offers computer-based training on a variety of business and banking subjects. Training for associates is also offered through multimedia workstations at every branch.

### OPPORTUNITIES FOR IMPROVEMENT

- It is not clear how education and training consider short- and longer-term organizational objectives and employee needs. Whereas associates develop their IPPs from the PMDP in mid-October, it appears as if associates first learn of the Strategic Plan during the Annual Associate Meeting held in December.
- Although associates provide input in developing their own IPPs, a systematic process is not evident to seek and use input from associates and managers concerning overall education and training needs and delivery options.
- It is not clear how TNB addresses diversity training, performance improvement training, and safety training (other than behavior during robbery attempts). Further, although new associate orientation addresses TNB's current technology, it is not clear how associates are trained to apply changing technologies.

- Although feedback is collected on associates' satisfaction with training, it is not evident how TNB systematically evaluates training effectiveness as it relates to the achievement of key individual and organizational performance objectives.
- It is not clear how TNB systematically reinforces the use of knowledge and skills acquired through training on the job.

### 5.3 Employee Well-Being and Satisfaction

#### STRENGTHS

- TNB has taken steps to reduce risks associated with robberies and other crimes. For example, teller workstations are protected by acrylic compound windows, security guards are provided during extended hours, and controlled access units are used to secure branches that are open extended hours. Associates also receive training in the use of alarms and related equipment.
- A Trust Team, with associates representing branches and business areas from across the organization, provides input to the Facilities Management Group concerning opportunities for work environment improvement.
- In response to the key challenge of acquiring and retaining employee talent, TNB provides associates with a benefits package considered to be competitive in the local job market. Along with medical, dental, disability, and life insurance benefits, associates have access to a 50 percent match 401(k) program and are offered the organization's own products and services on a "bank-cost" basis.
- TNB uses a third-party firm to conduct an associate survey. The survey determines associate satisfaction and provides a basis for comparison of associate responses to other banks and best-in-class organizations throughout the country.

#### OPPORTUNITIES FOR IMPROVEMENT

- It is not evident that TNB has deployed a systematic approach to identify and track performance measures and targets for key workplace health, safety, and ergonomic factors.
- It is not clear how TNB systematically determines the key factors that affect associate motivation and how these factors differ among the associate job families.
- It is not clear how TNB uses other indicators such as associate retention and turnover, absenteeism, grievances/complaints, safety results, or measures of associate productivity to assess and improve associate well-being, satisfaction, and motivation. For example, low associate turnover is a key organizational strategy, yet it is not evident that TNB has a fact-based understanding of the root causes for associate turnover or that it identifies and prioritizes opportunities for improvement.
- Although managers have associate satisfaction goals in their PMDPs, it is not clear how TNB relates assessment findings or other associate data to key business results to identify priorities for improving the work environment and the associate support climate.

## **Category 6 Process Management**

Your score in this Criteria Category is in the 30–40 percentage range. (Please refer to Figure 5, “Scoring Guidelines.”)

### **6.1 Product and Service Processes**

#### **STRENGTHS**

- TNB has improved its product and service design processes through benchmarking Baldrige Award recipients and currently uses a four-step process for designing new products and services. Further, a seven-step Continuous Improvement Process Management Model (CIP, Figure 6.1-1) is being piloted to provide more data-driven information and efficiency in developing new products and services. With the recent introduction of this model, TNB is in the beginning stages of a systematic approach to evaluating and improving its product and service delivery systems and processes.
- TNB incorporates changing customer/market requirements into the design of products and services through the recently developed Voice Of the Customer (VOC) Process (Figure 6.1-2) and through information gained from the Customer Outreach Program. Together, these approaches enable TNB to gather customer information; develop requirements; develop metrics; validate, prioritize, and select requirements; and generate a product definition.
- As part of the design and delivery of products and services, TNB establishes Critical Performance Measures (CPMs) to monitor process quality, timeliness, cost, and cycle time. These measures help to ensure that TNB’s designs meet all key operational requirements.
- Through daily monitoring by product managers, TNB ensures that it meets key performance requirements of key production and delivery processes (Figure 6.1-3) in day-to-day operations. In support of the operational efficiency strategic objective, CPMs and the results of Service Level Agreements (SLAs) are reviewed monthly by the business area and quarterly by the EMC.

## OPPORTUNITIES FOR IMPROVEMENT

- It is not clear how supplier/partner requirements, such as those of Pine Transaction Services, are considered during the design of new products and services, specifically for key services of item processing, cash management, and bill payment.
- There is little evidence of a systematic process to incorporate new technology into products and services and related delivery mechanisms. Given TNB's increasingly sophisticated consumer base in using technology and the key customer requirements of convenience, accuracy, and timeliness, this represents a key alignment issue between customer requirements and design/delivery processes.
- It is not clear how the decentralization of product and service design and product management leads to the consistent delivery of products to customers from the three customer segments who might do face-to-face banking at any of TNB's 35 branches. In addition, it is unclear if the four-step process (6.1a[1]) of product or service introduction has a testing component to ensure that the product or service meets all requirements to facilitate a trouble-free launch.
- TNB does not identify all key production and delivery processes or their key performance requirements. Examples include DirectServe, item processing, Automated Teller Machine (ATM) availability, and Web-based product and service offerings.
- It is unclear how TNB shares improvements with other organizational units and with suppliers and partners to promote organizational learning.

## 6.2 Business Processes

### STRENGTHS

- TNB defines marketing and sales, outsourcing, service partnering, and the acquisition process as key business processes that will help achieve growth goals.
- TNB's cross-functional Acquisition Team follows a defined process to ensure that key requirements of an efficient and effective transition for customers, associates, business, and operations areas are met. This refined process has resulted in cycle time improvements for combining product, human resource, technology, and operational systems during an acquisition.
- As part of the design and delivery of key business processes, TNB uses Critical Performance Measures (CPMs) to monitor process quality, timeliness, cost, and cycle time of selected key processes (Figure 6.2-1). These measures align with key customer requirements. Each functional area is responsible for managing and improving business processes.

### OPPORTUNITIES FOR IMPROVEMENT

- TNB does not appear to have a systematic process for determining key business process requirements or for communicating the process requirements to outsourced vendors providing the services, as evidenced by the lack of key requirements defined for marketing and sales, outsourcing, and service partnering processes.
- While each business, operational, and technology area is responsible for managing each business process, it is not clear how these areas ensure that the design and performance of key business processes meet all key requirements. This may limit TNB's ability to ensure that these processes are meeting customer and supplier/partner requirements.
- It is not clear whether TNB has a process in place to ensure the quality and reliability of critical outsourcing and partner processes and functions, or for determining supplier, partner, and outsourcing performance requirements in key areas of importance to TNB's continued success and growth. Therefore, TNB's ability to control and improve these business processes may be limited.

- TNB does not appear to have a systematic process to reduce costs related to inspection, testing, and process/performance audits other than to leave the responsibility to the vendor. Without such a process, TNB's ability to ensure that individual vendors support the organization's need to remain competitive in an increasingly competitive environment may be hampered.
- It is not clear how TNB systematically ensures improvement of key business processes to achieve better performance and to keep them current with business needs and directions, other than by requiring that functional areas and outsourcers be responsible for improving their business processes.

## 6.3 Support Processes

### STRENGTHS

- TNB identifies its key support processes as Human Resources, Information Technology, Risk Management and Compliance, Finance, Marketing Communications, and Facilities Management. Requirements, key measures, and owners are identified for all but Facilities Management (Figure 6.3-1).
- Service Level Agreements (SLAs) are in place for the Information Technology Management (ITM) support processes. ITM uses the SLA Process to review performance against target goals and to identify and resolve the root cause when specific daily goals are not met.

### OPPORTUNITIES FOR IMPROVEMENT

- It does not appear that a systematic approach is in place for designing key support processes and ensuring these processes meet all key requirements. For example, while individual managers design their own support processes, it is not clear how input from internal customers of key support processes is used to determine key requirements.
- Although TNB is in the early stages of using CIP to manage support processes, it is not clear how TNB manages, controls, or improves the day-to-day operations of key support processes to ensure meeting key performance requirements. For instance, while the increasing cost of the branch system is a key TNB concern, there does not appear to be an approach to minimize costs associated with inspections, tests, and process/performance audits related to key support processes.
- There is little evidence of a systematic approach to using key performance measures for the control and improvement of key support processes. For example, the SLA Process is partially deployed in only one area, and measures for Facilities Management are not evident.

## **Category 7 Business Results**

Your score in this Criteria Category is in the 10–20 percentage range. (Please refer to Figure 5, “Scoring Guidelines.”)

### **7.1 Customer-Focused Results**

#### STRENGTHS

- Customer loyalty, as measured by the average number of retail products per household (which increased from 1.2 in 1995 to 4.2 in 2001) and the Likelihood to Purchase Other Products (Figure 7.1-5), is showing sustained improvement. These improvements are indicators that TNB is successful in its cross-selling strategies to deepen customer relationships.
- TNB identifies timeliness in delivering products and/or services as a key customer requirement. Evidence of success in this key customer requirement is shown by goal levels being exceeded for Average Teller Wait Time (Figure 7.1-8) and the Time to Answer a Call (Figure 7.1-9) for 8 and 11 of the last 13 months, respectively.

#### OPPORTUNITIES FOR IMPROVEMENT

- Customer satisfaction levels (Figures 7.1-1 through 7.1-4, 7.1-6, and 7.1-7) have remained generally flat over the last two to three years. Further, current levels range from 2.7 to 3.65 on a scale of 1 to 5 with 5 being high, indicating TNB’s efforts to achieve its Vision of legendary service and to achieve “top box” satisfaction levels are not yielding the intended effect.
- TNB does not report customer satisfaction levels and trends by customer groups or market segments. Without this information, it may be difficult for TNB to understand its performance with these groups/segments in areas such as Customer Satisfaction Ratings (Figure 7.1-1), the Likelihood to Refer (Figure 7.1-2), New Account Opening and New Loan Questionnaire results, and the Likelihood to Purchase Other Products (Figure 7.1-5).
- TNB does not include its customer satisfaction and dissatisfaction results in comparison to its competitors’ levels of customer satisfaction.

- TNB does not provide its current levels and trends in the Dashboard performance measures associated with customer-focused results (e.g., customer complaint calls, customer complaint visits, and customer turnover).
- TNB does not provide current levels and trends for service results related to some key customer requirements (e.g., accuracy, low interest rates and rapid loan approval, and responsiveness).

## 7.2 Financial and Market Results

### STRENGTHS

- Operational efficiency is a key strategic objective and a Dashboard measure, and TNB's Efficiency Ratio (Figure 7.2-2) shows a slightly favorable trend from 53.72 percent in 1995 to 50.17 percent in 2001. TNB's performance has been better than the peer average, which has ranged from 80 percent to 60 percent over this same time period.
- TNB's Nonperforming Asset Ratio (Figure 7.2-3) has improved since 1995 and was 0.28 percent for 2000 compared to approximately 0.35 percent for the peer average.
- Average Assets (Figure 7.2-4) have grown more than ten times since 1995, indicating TNB's strategy of Branch Growth (Figure 7.2-5) is putting it on track to achieve its strategic objective of \$3 billion in assets by 2004.

### OPPORTUNITIES FOR IMPROVEMENT

- While the *ABA Banking Journal* rates TNB as twenty-fifth for nonsubchapter S community banks with total assets of more than \$1 billion, Return on Equity trends (Figure 7.2-1) are relatively flat over the last six years. Further, the current level of 29.62 percent is significantly lower than that of the highest rated community bank (49.52 percent) and closer to the level of the fiftieth rated bank (25.03 percent).
- TNB does not provide results for many of the financial objectives and strategies identified in Figure 2.1-4. For example, although one of TNB's strategic objectives is an annual increase in revenue of 15 percent, it does not include current levels and trends related to this objective.
- While TNB is the largest community bank in North Carolina, it does not report current levels and trends for marketplace performance, including segmented market share and new markets entered. This may make it difficult for TNB to understand its performance in the Research Triangle area and other growth communities, the growing affluent market, and the national credit card and CD markets.

- TNB does not segment its financial results by customer segments, products and services, or business areas. From the results provided, TNB may not be able to determine how well it is progressing in its key strategy of increasing Internet-based business and may not be able to understand the profitability and relative growth of its Consumer business segment compared to its Commercial business segment.
- Although TNB provides comparative information related to its peer competitive set, comparative information related to best-in-class companies is lacking. Without both types of information, it may be difficult for TNB to assess fully its competitive standing and take appropriate action.

## 7.3 Human Resource Results

### STRENGTHS

- Overall Associate Satisfaction (Figure 7.3-1), a strategic objective measure, shows a favorable trend from 32 percent in 1997 to 52 percent in 1999. Supporting the overall results are several individual results that show favorable trends and/or better than industry averages, including TNB's Customer Focus (Figure 7.3-2), Communicating to Associates (Figure 7.3-5), and Level of Teamwork (Figure 7.3-7).
- While the Dashboard measure for Associate Turnover (Figure 7.3-9) has fluctuated from 19 percent in 1997 to 37 percent in 1998, and back down to 32 percent in 2000, it is better than the industry average of 38 percent.
- The absenteeism rate (Figure 7.3-10), a measure of associates' attitude toward their jobs, shows favorable results. This has remained at a consistent level (currently 7.5 days per year) and is significantly better than the industry average of 18.2 days.
- An increase from 17 to 51 in the Number of Associates' Ideas Implemented (Figure 7.3-8) has occurred from 1997 to 1999. The average cost savings from each suggestion is approximately \$2,000.

### OPPORTUNITIES FOR IMPROVEMENT

- Although Overall Associate Satisfaction (Figure 7.3-1) has improved to 52 percent, it still lags behind the industry benchmark of 56 percent. Associate Confidence in the Leadership (47 percent, Figure 7.3-6) also lags behind the industry's best performer (59 percent).
- Associates' Satisfaction With Education and Training (Figure 7.3-4) has decreased over the last three years from 65 percent to 50 percent and lags behind the industry rating of 57 percent. This represents a potential weakening of TNB's ability to depend on its workforce to continually provide better service than its competitors.
- While there are six categories of employee types listed in Figure 5.1-2, no segmentation of associate satisfaction data is presented. This may make it difficult for TNB to act upon differences in satisfaction ratings by employee type.

- Strategic objectives related to human resources as found in Figure 2.1-4 call for the bank to achieve role model practices by demonstrating a Baldrige score of 70 percent for Category 5 and to develop bench strength. However, there are no human resource measures reported that support these objectives.
- TNB does not provide results for key measures of work system performance and effectiveness. For example, although TNB addresses diversity goals and financial incentives tied to customer satisfaction in Category 5, it reports no results in these areas. This may limit TNB's ability to track performance in key areas of interest, such as job rotation and progression, implementation of succession planning, use of flexible work schedules, and other actions related to the workforce to cut costs, increase productivity, and increase revenue.

## 7.4 Organizational Effectiveness Results

### STRENGTHS

- Key production and delivery processes have results in one or more of the four types of process measures (quality, timeliness, cycle time, and cost) indicated in Figure 6.1-3. Several key production and delivery processes show improvement trends for the past three years across the measures of quality, timeliness, and cycle time (Figures 7.4-1 through 7.4-4).
- With the exception of encoding errors, TNB's supplier results for Item Processing (Figure 7.4-6) and Check Ordering (Figure 7.4-7) show improvement in the quality, timeliness, cycle time, and cost dimensions.
- Information System Availability (Figure 7.4-8) is consistently high at approximately 98 percent, ATM Availability (Figure 7.4-10) improved from 82 percent in 1998 to 91 percent in 2000, and both show cycle time improvements.

### OPPORTUNITIES FOR IMPROVEMENT

- TNB does not report results for several key processes, such as product design processes, some outsourced processes (cash management and lockbox), business processes (marketing and sales, service partnering, and acquisition), and support processes (human resource, risk management, and facilities management).
- TNB does not provide comparisons for operational results. This may make it difficult for TNB to assess the impact of its approach and deployment strategies on organizational change.
- TNB does not present key measures it identifies as targets for strategic objectives (Figure 2.1-4), thus inhibiting its ability to manage by fact. For example, TNB presents no results for the Key Success Factor of achieving operational excellence with Baldrige scores of 70 percent in Category 6.
- While TNB's mission calls for promoting the growth and economic well-being of all the communities served, no results are reported for public responsibility and citizenship.
- Although TNB meets all federal and state government regulations, no performance results are presented. This may make it difficult for TNB to monitor compliance proactively.

## Baldrige National Quality Program

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**Technology Administration**  
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