

TriView National Bank Scorebook



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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.



RECOMMENDED SCORING RANGES FOR THE TRIVIEW NATIONAL BANK CASE STUDY

Item	Scoring Range (%)
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1.1	35–45
1.2	30–40

2.1	35–45
2.2	25–35

3.1	20–30
3.2	25–35

4.1	25–35
4.2	25–35

5.1	40–50
5.2	35–45
5.3	35–45

6.1	30–40
6.2	20–30
6.3	25–35

7.1	15–25
7.2	25–35
7.3	20–30
7.4	15–25

Scoring Range (points): 245–345

KEY FACTORS WORKSHEET

P.1a Organizational Environment

- Privately held super-community bank founded in 1973
- Main products and services are delivered in person, by phone, and on-line and include
 - Consumer products and services: Personal finance products, securities, financial planning, insurance services, investment choices, loans, and credit products
 - Small business products and services: Finance products, loans, and transaction services
 - Commercial products and services: Lending products and transaction services
- Other products and services include
 - Credit cards: TNCard and IZOR for selected national markets and three co-branded cards
 - CDs: Selected national markets
 - On-line banking: Bill payment and transfer of funds for consumers and small businesses
- Total assets of \$1.6 billion, with 30 percent growth in each of the last three years
- Serves 14 communities, with primary emphasis in the growing Research Triangle area of Raleigh, Durham, and Chapel Hill
- Organizational context/culture includes
 - Mission: To provide financial services and promote the growth and economic well-being of the communities served
 - Vision: To provide legendary service
 - Values: Trust, action, and commitment
 - Brand Strategy: To create a bank family/sense of community
- The applicant is building the brand through its associates, and the key strategy is to have the organization's workforce care more about customers than the competition cares about its customers
- A total of 625 associates; all management and branch team members have college degrees, most loan officers and customer relationship managers have 2- or 4-year college degrees, and all branch associates have at least high school degrees
- Facilities, technologies, and equipment include
 - Thirty-five branches in 14 communities
 - Administrative and management services in Raleigh
 - Network of 1,000 Automated Teller Machines (ATMs) across the service area with customers having access to 500,000 ATMs worldwide through the Cumulus ATM Network System
 - DirectServe provides 7x24x365 call center support for consumer and small business customers
 - Data center in Green Forest Operations Center
- Highly regulated environment subject to numerous federal and state regulations and requirements

- Consequences of noncompliance include reprimands, fines, and legal liabilities
- Key compliance issues include privacy, predatory lending, and unfair and deceptive practices

P.1b Organizational Relationships

- Serves three customer segments via products and services:
 - consumers (80,000 households)
 - small businesses (over 900)
 - commercial (14 accounts greater than \$1 million)
- Consumer customer requirements include the key requirement of convenience, as well as responsiveness, accuracy, timeliness of service, and knowledgeable customer contact associates
- Small business customer requirements include responsiveness, accuracy, and timeliness of service
- Commercial customer requirements include low interest rates and rapid loan approval, as well as responsiveness, accuracy, and timeliness of service
- Further segmentation by distribution channel (in-person, by phone) and geographic location (14 communities as well as national credit card and CD markets)
- Ten key suppliers, outside vendors, and partners support sales, marketing and advertising, technology, office supplies and equipment, and back-office item processing; key partnerships include TNCard, IZOR, Cumulus ATM Network, and Hickory Investment Services
- Item processing, cash management, and lockbox services are outsourced to Pine Transaction Services

P.2a Competitive Environment

- Largest community bank in North Carolina
- Competitors include top-tier banks (North Mountain Regional Bank), megabanks (CSNC), regional bank holding companies, corporate credit unions, and other credit unions and savings and loan companies
- Widespread consolidation in the banking industry over the last 20 years
- Organization seeks to remain a super-community bank
- Affluent market (Wealth, Upscale Retired, and Upper Affluent) in North Carolina is growing rapidly
- Convenience, a key competitive advantage, is evidenced through Monday through Saturday hours, 7 a.m. to 7 p.m., and flexible work schedules
- Other competitive advantages include
 - relatively small size
 - locations in high growth areas
 - ability to be agile and efficient
- Funding mix is 75 percent core deposits, 25 percent CDs

- Success factors include
 - Associates who treat customers better than competitors do
 - Customer satisfaction and customer loyalty as 32 percent of the core deposits are interest-free accounts
- Specialty is short-term lending; portfolio also includes local small business loans and large commercial building loans
- Customer recruitment/retention strategies include advertising and paying higher premiums than local banks for deposits

P.2b Strategic Challenges

- General banking challenges include economic uncertainty, new directions via financial service reform, increased sophistication of customers, and infusion of e-commerce opportunities to offset profitability declines in core deposit and lending businesses
- Key challenges include an increasingly competitive environment; technology changes and costs; increasing costs of attracting, acquiring, and retaining employee talent; need for a succession plan; and the increasing costs of the branch system
- A key strategy includes increasing funding assets by securing deposits via the Web
- Increase efficiency by keeping costs down and increasing noninterest income
- Long-term strategic objective is to increase branches to over 50 and assets to \$3 billion by 2004 (35 branches and \$1.6 billion in assets currently)

P.2c Performance Improvement System

- Late 1990's focus on continuous improvement and shift to management by fact
- Business Excellence Manager helps identify opportunities for improvement and sets direction via Baldrige Criteria

KEY THEMES WORKSHEET

a. What are the most important strengths or outstanding practices (of potential value to other organizations) identified?

- The applicant 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 the applicant'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).
- The applicant 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 the applicant's product and service design and work processes stay current with changing business needs and directions. While the applicant'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.
- The applicant 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 the applicant's mission, vision, and values to the PMDP and IPPs, demonstrate its belief that if it takes care of its associates, the associates will take care of customers.

b. What are the most significant opportunities, concerns, or vulnerabilities identified?

- The applicant operates in a highly competitive environment, yet appears to lack systematic approaches for many of its processes. For example, it is not clear how the applicant 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 the applicant to adjust effectively and swiftly to the changing competitive landscape.
- The applicant 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 the applicant 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 the applicant's business are not identified (e.g., regulatory issues). The development of such approaches would enable the applicant 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 the applicant 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 the applicant is integrating these approaches so that they build on one another in support of successful organizational performance.
- While the applicant 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 the applicant's key business/organization factors, what are the most significant strengths, opportunities, vulnerabilities, and/or gaps (related to data, comparisons, linkages) found in its response to Results Items?

- The applicant 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, the applicant 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 the applicant 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 the applicant's focus on valuing employees.
- While the applicant 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 the applicant'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 the applicant 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 the applicant'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 the applicant to understand key trends across a variety of categories and to use information that is actionable to achieve strategic goals.

ITEM WORKSHEETS

Item 1.1 Organizational Leadership (80 points)

- Privately held super-community bank founded in 1973
- Serves 14 communities, with primary emphasis in the growing Research Triangle area of Raleigh, Durham, and Chapel Hill
- Organizational context/culture includes
 - Mission: To provide financial services and promote the growth and economic well-being of the communities served
 - Vision: To provide legendary service
 - Values: Trust, action, and commitment
 - Brand Strategy: To create a bank family/sense of community
- The applicant is building the brand through its associates, and the key strategy is to have the organization's workforce care more about customers than the competition cares about its customers
- Serves three customer segments via products and services
 - consumers (80,000 households)
 - small businesses (over 900)
 - commercial (14 accounts greater than \$1 million)
- Ten key suppliers, outside vendors, and partners support sales, marketing and advertising, technology, office supplies and equipment, and back-office item processing; key partnerships include TNCARD, IZOR, Cumulus ATM Network, and Hickory Investment Services

Area to Address		(+) STRENGTHS
+ / + +		
+	a	The applicant 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.
+	a	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.
+	a	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.
+	a	The EMC communicates values, directions, and expectations through the Performance Management and Development Process (PMDP), the weekly <i>Trust Tribune</i> newsletter, the T-Net intranet, face-to-face meetings, branch visits by EMC members, the Annual Associate Meeting, and new associate orientation.
+	a	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.

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| + | b | 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. |
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– / – –	Area to Address	(–) OPPORTUNITIES FOR IMPROVEMENT
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|---|---|--|
| – | b | 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. |
| – | b | 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. |
| – | b | The applicant 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. |
| – | b | 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. |

SITE VISIT ISSUES (For Stage 2, Consensus Review, Only):

- Verify the weekly and monthly review processes conducted by the EMC and business managers. Clarify how the reviews take into account all stakeholders including suppliers/partners, address comparative/competitive performance, and translate findings into actionable items.
- Verify that an environment of innovation and organizational learning is enhanced through the cross-branch Trust Teams.
- Clarify the process by which individual leaders and the leadership system are evaluated and improved.

Item 1.2 Public Responsibility and Citizenship (40 points)

- Serves 14 communities, with primary emphasis in the growing Research Triangle area of Raleigh, Durham, and Chapel Hill
- Organizational context/culture includes
 - Mission: To provide financial services and promote the growth and economic well-being of the communities served
 - Vision: To provide legendary service
 - Values: Trust, action, and commitment
 - Brand Strategy: To create a bank family/sense of community
- The applicant is building the brand through its associates, and the key strategy is to have the organization's workforce care more about customers than the competition cares about its customers
- Highly regulated environment subject to numerous federal and state regulations and requirements
- Consequences of noncompliance include reprimands, fines, and legal liabilities
- Key compliance issues include privacy, predatory lending, and unfair and deceptive practices

+ / ++	Area to Address	(+) STRENGTHS
+	a	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	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.
+	b	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, the applicant helps educate disadvantaged youths in communities that it serves by supporting the Investment in Youth Program.
- / --	Area to Address	(-) OPPORTUNITIES FOR IMPROVEMENT
-	a	The applicant 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 the applicant to track current performance and identify and prioritize opportunities for improvement.

- a It is not clear how the applicant 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.
- a 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.
- b Although it is evident that associates and senior leaders are engaged in community activities, it is not clear how the applicant identifies key communities and determines areas of emphasis for organizational involvement and support within these communities.

SITE VISIT ISSUES (For Stage 2, Consensus Review, Only):

- Verify what information is used to consider regulatory and legal issues within the Strategic Planning Process and the Environmental Scan. Clarify how public concerns are anticipated in a proactive manner.
- Clarify if targets and measures for regulatory, legal, and public concerns are used.
- Clarify how key communities are identified and how community activities are selected during the Strategic Planning Process. Verify the process by which all associates are encouraged to participate in community activities.

Item 2.1 Strategy Development (40 points)

- Organizational context/culture includes
 - Mission: To provide financial services and promote the growth and economic well-being of the communities served
 - Vision: To provide legendary service
 - Values: Trust, action, and commitment
 - Brand Strategy: To create a bank family/sense of community
- Ten key suppliers, outside vendors, and partners support sales, marketing and advertising, technology, office supplies and equipment, and back-office item processing; key partnerships include TNCARD, IZOR, Cumulus ATM Network, and Hickory Investment Services
- Item processing, cash management, and lockbox services are outsourced to Pine Transaction Services
- Competitors include top-tier banks (North Mountain Regional Bank), megabanks (CSNC), regional bank holding companies, corporate credit unions, and other credit unions and savings and loan companies
- General banking challenges include economic uncertainty, new directions via financial service reform, increased sophistication of customers, and infusion of e-commerce opportunities to offset profitability declines in core deposit and lending businesses
- Key challenges include an increasingly competitive environment; technology changes and costs; increasing costs of attracting, acquiring, and retaining employee talent; need for a succession plan; and the increasing costs of the branch system

Area to Address		
+ / + + (+) STRENGTHS		
++	a	The applicant 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).
+	a	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.
+	b	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.

– / – –	Area to Address	(–) OPPORTUNITIES FOR IMPROVEMENT
–	a	While the applicant’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.
–	a	Although one of the applicant’s key strategic challenges is the high level of competition, it is not clear what information is covered in the competitive scan and whether the applicant addresses its capabilities relative to its competitors, including the levels of performance required for competitive leadership.
–	a	Although the applicant 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 the applicant operates is not evident.
–	a	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 the applicant analyzes knowledge gained through key supplier/partner relationships (Figure 2.1-3) to provide data on supplier/partner strengths and weaknesses.
–	b	It is not clear who the applicant’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.

SITE VISIT ISSUES (For Stage 2, Consensus Review, Only):

- Verify the inputs the applicant uses in the Environmental Scan step of the Strategic Planning Process (Figures 2.1-1 and 2.1-3), and clarify how the applicant analyzes and uses inputs to formulate strategies.
- Clarify the source and use of competitive, technology, and supplier/partner information in the Strategic Planning Process.
- Clarify who the applicant’s key stakeholders are and how it ensures that strategic objectives balance stakeholder needs.

Item 2.2 Strategy Deployment (45 points)

- Organizational context/culture includes
 - Mission: To provide financial services and promote the growth and economic well-being of the communities served
 - Vision: To provide legendary service
 - Values: Trust, action, and commitment
 - Brand Strategy: To create a bank family/sense of community
- General banking challenges include economic uncertainty, new directions via financial service reform, increased sophistication of customers, and infusion of e-commerce opportunities to offset profitability declines in core deposit and lending businesses
- Key challenges include an increasingly competitive environment; technology changes and costs; increasing costs of attracting, acquiring, and retaining employee talent; need for a succession plan; and the increasing costs of the branch system
- A total of 625 associates; all management and branch team members have college degrees, most loan officers and customer relationship managers have 2- or 4-year college degrees, and all branch associates have at least high school degrees
- Facilities, technologies, and equipment include
 - Thirty-five branches in 14 communities
 - Administrative and management services in Raleigh

Area to Address		
+ / + +	(+) STRENGTHS	
++	a	Through a three-month cascade of activities following the annual off-site planning meeting, the applicant converts its strategic objectives into business area action plans and IPPs for all associates at all levels of the organization.
+	a	The applicant allocates financial and human resources based on priorities established during the Strategic Planning Process to support key strategies adequately.
+	a	The applicant 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.

– / – –	Area to Address	(–) OPPORTUNITIES FOR IMPROVEMENT
–	a	Although the applicant provides a sample of action plans in Figure 2.2-1, it is not clear that the applicant addresses all key success areas identified in Figure 2.1-4. It is not evident, for example, that the applicant 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.
–	a	The applicant’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 the applicant to ensure achievement of overall strategic directions.
–	b	The applicant does not provide evidence of short- and longer-term performance projections or comparisons of performance projections to support its key planning measures.

SITE VISIT ISSUES (For Stage 2, Consensus Review, Only):

- Verify how the short- and longer-term human resource strategies and action plans are derived from the short- and longer-term strategic objectives and action plans.
- Verify the resource allocation process. Verify the cascading process of strategic objectives and alignment to all associates through IPPs.
- Review short- and longer-term action plans (sample provided in Figure 2.2-1) to clarify if key product and market changes are included that address the changing business environment. Clarify how the action plans and their key performance measures link to the strategies and objectives (Figure 2.1-4).
- Clarify if there are performance projections for the strategic objectives and associated comparative data for these projections.

Item 3.1 Customer and Market Knowledge (40 points)

- Serves three customer segments via products and services:
 - consumers (80,000 households)
 - small businesses (over 900)
 - commercial (14 accounts greater than \$1 million)
- Vision: To provide legendary service
- Affluent market (Wealth, Upscale Retired, and Upper Affluent) in North Carolina is growing rapidly
- Serves 14 communities, with primary emphasis in the growing Research Triangle area of Raleigh, Durham, and Chapel Hill
- Competitors include top-tier banks (North Mountain Regional Bank), megabanks (CSNC), regional bank holding companies, corporate credit unions, and other credit unions and savings and loan companies
- Products and services include credit cards and CDs for selected national markets

Area to Address (+) STRENGTHS		
+ / + +		
+	a	The applicant 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.
+	a	The applicant 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 the applicant to capture emerging issues in the marketplace.
Area to Address (–) OPPORTUNITIES FOR IMPROVEMENT		
– / – –		
–	a	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.
–	a	There is little evidence of how the applicant’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 the applicant for business.

- a The applicant 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, the applicant may not have the knowledge to ensure that its products/services are positioned to meet its key strategic challenges.
- a While the applicant 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 the applicant has an effective, systematic approach for keeping its listening and learning methods current with business needs and directions.

SITE VISIT ISSUES (For Stage 2, Consensus Review, Only):

- Beyond the customer groups of Consumer, Small Business, and Commercial, clarify if/how the applicant determines/targets customer segments and how the data are used to determine customer/market requirements. Clarify how former and potential customers are considered in gathering information about customer needs.
- Clarify how information from the Customer Outreach Program, surveys, the customer complaint sampling plan, and internal shopper research is systematically collected and used. Clarify how the information is used to determine customer requirements and their relative importance.
- Clarify how information from industry periodicals and the Baldrige self-assessment data are used to make improvements to customer and market knowledge approaches.

Item 3.2 Customer Relationships and Satisfaction (45 points)

- Vision: To provide legendary service
- Mission: To provide financial services and promote the growth and economic well-being of the communities served
- Values: Trust, action, and commitment
- Brand Strategy: To create a bank family/sense of community
- Main products and services are delivered in person, by phone, and on-line and include
 - Consumer products and services: Personal finance products, securities, financial planning, insurance services, investment choices, loans, and credit products
 - Small business products and services: Finance products, loans, and transaction services
 - Commercial products and services: Lending products and transaction services

+ / + +	Area to Address	(+) STRENGTHS
+	a	The applicant 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 the applicant's belief that customer loyalty improves as customers use multiple financial products, the applicant builds customer loyalty by marketing multiple products to the same customer.
+	a	A Trust Team correlated industry research with applicant-specific data relative to customer requirements to establish a set of Customer Service Standards (Figure 3.2-1). The Customer Service Standards differentiate between the applicant'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.
+	a	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 the applicant's strategic business goals as well as with customer requirements.
+	b	Since customer satisfaction and loyalty are key to the applicant's success, the applicant 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.
- / - -	Area to Address	(-) OPPORTUNITIES FOR IMPROVEMENT
-	a	The applicant 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.

- a The applicant 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 the applicant 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.
- b Although one of the applicant’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.
- b Although the applicant 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 the applicant systematically obtains and uses customer satisfaction data relative to customers’ satisfaction with competitors and/or benchmarks. For example, while the applicant 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.
- a/b The applicant’s key strategy for growth is differentiating itself through legendary customer service. However, it is not evident that the applicant 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.

SITE VISIT ISSUES (For Stage 2, Consensus Review, Only):

- Clarify the process for how complaint data from sources such as the sampling plan and the 800 number are captured, aggregated, analyzed, and used.
- Clarify the approach for obtaining and using customer satisfaction data relative to customers’ satisfaction with competitors and/or benchmarks.
- Clarify the approaches used for keeping the following current with business needs and directions: building customer relationships, providing customer access, and determining customer satisfaction and dissatisfaction.

Item 4.1 Measurement and Analysis of Organizational Performance (50 points)

- Serves 14 communities, with primary emphasis in the growing Research Triangle area of Raleigh, Durham, and Chapel Hill
- Total assets of \$1.6 billion, with 30 percent growth in each of the last three years
- Late 1990's focus on continuous improvement and shift to management by fact
 - DirectServe provides 7x24x365 call center support for consumer and small business customers
 - Data center in Green Forest Operations Center
- Organization seeks to remain a super-community bank

Area to Address		
+ / + + (+) STRENGTHS		
+	a	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.
+	a	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.
+	b	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, the applicant examines correlations between team member learning and revenue per associate, and customer satisfaction and revenue.
+	b	While maintaining needed security for proprietary information, the applicant regularly communicates with leadership and bank associates by posting information on a monthly basis for all associates to access on the T-Net (the applicant's intranet and e-mail system), thus facilitating support for decision making.

Area to Address		
- / - - (-) OPPORTUNITIES FOR IMPROVEMENT		
-	a	The applicant 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.
-	a	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.
-	a	The applicant is in the early stages of developing a systematic approach for selecting and utilizing comparative/competitive data and information. This may limit the applicant's ability to evaluate its performance and competitive position.

- b The applicant does not appear to align branch-level measurement and analysis with organizational-level measurement and analysis. This may make it difficult for the applicant to ensure that operational focus and improvements are supportive of strategic objectives.
- b Although each branch identifies key quality, timeliness, efficiency, and cycle time measures as part of its Continuous Improvement Process (CIP), the applicant does not appear to use these results to make projections of continuous and breakthrough improvements in performance.

SITE VISIT ISSUES (For Stage 2, Consensus Review, Only):

- Verify the processes for evaluating the effectiveness of the performance measurement system during the Strategic Planning Process, by individual branch area, and as conducted by the Trust Team. Clarify how these processes are integrated and aligned to ensure that the performance measurement system is kept current with changing business needs and directions.
- Clarify the process of gathering and integrating organizational (EMC Dashboard) and branch-specific measures to support the applicant's strategic goals and individual processes. Clarify how these measures are analyzed to support organizational decision making.
- Clarify the process for determining and utilizing comparative and competitive data. Clarify if comparative and competitive data are utilized in the Dashboard and CIP and how comparative and competitive data are used to make projections and stimulate innovation.

Item 4.2 Information Management (40 points)

- General banking challenges include economic uncertainty, new directions via financial service reform, increased sophistication of customers, and infusion of e-commerce opportunities to offset profitability declines in core deposit and lending businesses
- Key challenges include an increasingly competitive environment; technology changes and costs; increasing costs of attracting, acquiring, and retaining employee talent; need for a succession plan; and the increasing costs of the branch system
- Late 1990's focus on continuous improvement and shift to management by fact
- Facilities, technologies, and equipment include
 - Thirty-five branches in 14 communities
 - Administrative and management services in Raleigh
 - Network of 1,000 Automated Teller Machines (ATMs) across the service area with customers having access to 500,000 ATMs worldwide through the Cumulus ATM Network System
 - DirectServe provides 7x24x365 call center support for consumer and small business customers
 - Data center in Green Forest Operations Center

Area to Address (+) STRENGTHS		
+/++		
+	a	The applicant 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	A Trust Team is developing a system that monitors, analyzes, and reports on the applicant'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.
+	b	The applicant 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.

Area to Address (–) OPPORTUNITIES FOR IMPROVEMENT		
– / – –		
–	a	The applicant uses suppliers/partners to support key infrastructure processes (e.g., Pine Transaction Services). However, the applicant does not appear to have a systematic process for ensuring that appropriate data and information are available to key suppliers/partners.
–	a	The applicant 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 the applicant to ensure these key requirements are being met.

- a 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.
- b The applicant plans to use e-commerce and electronic banking to provide improved access for customers. However, the applicant does not appear to have a systematic approach for ensuring hardware and software systems are user friendly.
- b 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, the applicant does not appear to have a systematic approach for keeping software and hardware systems current with business needs and directions.

SITE VISIT ISSUES (For Stage 2, Consensus Review, Only):

- Verify the processes used to ensure the security and access of the applicant's key information systems.
- Clarify the approach used to ensure security and access for key suppliers/partners, as appropriate.
- Clarify the applicant's processes to ensure data integrity, reliability, accuracy, and timeliness.
- Clarify the applicant's process for keeping data and information systems current with business needs and directions, including availability mechanisms, user-friendliness, and software and hardware systems.

Item 5.1 Work Systems (35 points)

- The applicant is building the brand through its associates, and the key strategy is to have the organization's workforce care more about customers than the competition cares about its customers
- A total of 625 associates; all management and branch team members have college degrees, most loan officers and customer relationship managers have 2- or 4-year college degrees, and all branch associates have at least high school degrees
- Key challenges include an increasingly competitive environment; technology changes and costs; increasing costs of attracting, acquiring, and retaining employee talent; need for a succession plan; and the increasing costs of the branch system
- Convenience, a key competitive advantage, is evidenced through Monday through Saturday hours, 7 a.m. to 7 p.m., and flexible work schedules

+ / + +	Area to Address	(+) STRENGTHS
+	a	The applicant promotes communication, cooperation, initiative, and innovation through the use of cross-functional Trust Teams, TEAR, the applicant's Excellent Associate Recognition Program, and the Trust in Your Ideas Program. Trust Teams are accountable for improving products, services, and processes and for helping the applicant to keep current with business needs.
+	a	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.
+	a	The applicant 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.
+	a	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 the applicant's business strategies, target goals, and action plans, reinforcing a customer and business focus.
+	a	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.

– / – –	Area to Address	(–) OPPORTUNITIES FOR IMPROVEMENT
–	a	Other than Trust Teams that an unidentified number of associates serve on, it is not clear how the applicant organizes and manages work and jobs in department and functional areas to promote cooperation, initiative, and innovation.
–	a	The applicant 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, the applicant’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.
–	a	It is not clear how the applicant addresses diversity in recruiting in order to capitalize on the diversity of the communities in which it serves. While the applicant states that diversity goals exist, they are not explicitly identified, and current workforce diversity is not described in the Organizational Profile.

SITE VISIT ISSUES (For Stage 2, Consensus Review, Only):

- Verify the deployment and use of the PMDP and IPP and how they link to key strategic objectives and high performance, associate participation, and associate feedback. Verify the structure of skill-based and performance-based compensation.
- Clarify how work and jobs are organized and managed for functions and departments not covered by Trust Teams.
- Clarify the scope and deployment of succession planning.
- Verify the use, deployment, and data used in the Hiring the Best Program. Clarify the diversity of the current workforce and how diversity is addressed in the hiring process.

Item 5.2 Employee Education, Training, and Development (25 points)

- Long-term strategic objective is to increase branches to over 50 and assets to \$3 billion by 2004 (35 branches and \$1.6 billion in assets currently)
- The applicant is building the brand through its associates, and the key strategy is to have the organization's workforce care more about customers than the competition cares about its customers
- A total of 625 associates; all management and branch team members have college degrees, most loan officers and customer relationship managers have 2- or 4-year college degrees, and all branch associates have at least high school degrees
- Key challenges include an increasingly competitive environment; technology changes and costs; increasing costs of attracting, acquiring, and retaining employee talent; need for a succession plan; and the increasing costs of the branch system
- Convenience, a key competitive advantage, is evidenced through Monday through Saturday hours, 7 a.m. to 7 p.m., and flexible work schedules

Area to Address		(+) STRENGTHS
+ / + +		
+	a	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.
+	a	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.
+	a	The applicant 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.
+	a	The applicant offers a range of training delivery methods to associates. For example, the applicant's 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.
Area to Address		(-) OPPORTUNITIES FOR IMPROVEMENT
- / - -		
-	a	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.
-	a	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.

- a It is not clear how the applicant addresses diversity training, performance improvement training, and safety training (other than behavior during robbery attempts). Further, although new associate orientation addresses the applicant's current technology, it is not clear how associates are trained to apply changing technologies.
- a Although feedback is collected on associates' satisfaction with training, it is not evident how the applicant systematically evaluates training effectiveness as it relates to the achievement of key individual and organizational performance objectives.
- a It is not clear how the applicant systematically reinforces the use of knowledge and skills acquired through training on the job.

SITE VISIT ISSUES (For Stage 2, Consensus Review, Only):

- Clarify how the applicant uses input from associates and managers and balances short- and longer-term organizational objectives and associate education and training needs in the design and delivery of training.
- Verify the deployment of the IPPs for associate development and training. Clarify how the applicant determines the relative contribution of the education and training program.
- Clarify if the applicant's approach to evaluate training effectiveness relates to the achievement of key individual and organizational performance objectives.
- Clarify how the applicant reinforces the use of knowledge and skills on the job for all associates.

Item 5.3 Employee Well-Being and Satisfaction (25 points)

- The applicant is building the brand through its associates, and the key strategy is to have the organization's workforce care more about customers than the competition cares about its customers
- A total of 625 associates; all management and branch team members have college degrees, most loan officers and customer relationship managers have 2- or 4-year college degrees, and all branch associates have at least high school degrees
- Key challenges include an increasingly competitive environment; technology changes and costs; increasing costs of attracting, acquiring, and retaining employee talent; need for a succession plan; and the increasing costs of the branch system
- Convenience, a key competitive advantage, is evidenced through Monday through Saturday hours, 7 a.m. to 7 p.m., and flexible work schedules

+ / + +	Area to Address	(+) STRENGTHS
+	a	The applicant 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	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.
+	b	In response to the key challenge of acquiring and retaining employee talent, the applicant 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.
+	b	The organization 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.
- / - -	Area to Address	(-) OPPORTUNITIES FOR IMPROVEMENT
-	a	It is not evident that the applicant has deployed a systematic approach to identify and track performance measures and targets for key workplace health, safety, and ergonomic factors.
-	b	It is not clear how the applicant systematically determines the key factors that affect associate motivation and how these factors differ among the associate job families.

- b It is not clear how the applicant 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 the applicant has a fact-based understanding of the root causes for associate turnover or that it identifies and prioritizes opportunities for improvement.
- b Although managers have associate satisfaction goals in their PMDPs, it is not clear how the organization relates assessment findings or other associate data to key business results to identify priorities for improving the work environment and the associate support climate.

SITE VISIT ISSUES (For Stage 2, Consensus Review, Only):

- Clarify if the applicant or its insurance carriers are proactively monitoring workplace health, safety, and ergonomics and are attempting to reduce injuries. Clarify if measures and targets exist and are reviewed by management.
- Clarify if key factors/measures/targets related to the work environment and associate motivation, support, and satisfaction exist and how they are determined. Clarify if measures, targets, and assessment findings are used in the review and improvement of performance.
- Clarify methods of survey deployment to associates and if survey data are segmented by associate type and branch location.
- Clarify how survey data and other related indicators, such as associate retention and turnover, absenteeism, grievances/complaints, safety results, or measures of associate productivity, are used to improve the associate support climate.

Item 6.1 Product and Service Processes (45 points)

- Main products and services are delivered in person, by phone, and on-line and include
 - Consumer products and services: Personal finance products, securities, financial planning, insurance services, investment choices, loans, and credit products; requirements include the key requirement of convenience, as well as responsiveness, accuracy, timeliness of service, and knowledgeable customer contact associates
 - Small business products and services: Finance products, loans, and transaction services; requirements include responsiveness, accuracy, and timeliness of service
 - Commercial products and services: Lending products and transaction services; requirements include low interest rates and rapid loan approval, as well as responsiveness, accuracy, and timeliness of service
- Facilities, technologies, and equipment include
 - Thirty-five branches in 14 communities
 - Administrative and management services in Raleigh
 - Network of 1,000 Automated Teller Machines (ATMs) across the service area with customers having access to 500,000 ATMs worldwide through the Cumulus ATM Network System
 - DirectServe provides 7x24x365 call center support for consumer and small business customers
 - Data center in Green Forest Operations Center
- Ten key suppliers, outside vendors, and partners support sales, marketing and advertising, technology, office supplies and equipment, and back-office item processing; key partnerships include TNCard, IZOR, Cumulus ATM Network, and Hickory Investment Services
- Key challenges include an increasingly competitive environment; technology changes and costs; increasing costs of attracting, acquiring, and retaining employee talent; need for a succession plan; and the increasing costs of the branch system
- Highly regulated environment subject to numerous federal and state regulations and requirements
- Key compliance issues include privacy, predatory lending, and unfair and deceptive practices

Area to Address		(+) STRENGTHS
++	a	The applicant 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, the applicant is in the beginning stages of a systematic approach to evaluating and improving its product and service delivery systems and processes.
+	a	The applicant 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 the applicant to gather customer information; develop requirements; develop metrics; validate, prioritize, and select requirements; and generate a product definition.

- + a As part of the design and delivery of products and services, the applicant establishes Critical Performance Measures (CPMs) to monitor process quality, timeliness, cost, and cycle time. These measures help to ensure that the applicant's designs meet all key operational requirements.
- + b Through daily monitoring by product managers, the applicant 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.

– / – –	Area to Address	(–) OPPORTUNITIES FOR IMPROVEMENT
–	a	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.
–	a	There is little evidence of a systematic process to incorporate new technology into products and services and related delivery mechanisms. Given the applicant'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.
–	a	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 the applicant'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.
–	b	The applicant 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.
–	b	It is unclear how the applicant shares improvements with other organizational units and with suppliers and partners to promote organizational learning.

SITE VISIT ISSUES (For Stage 2, Consensus Review, Only):

- Verify the four-step product and service design process and its deployment, including how information from the CIP Management Model and VOC is incorporated into the design process and deployed. Clarify the process by which technology is considered in the design of new bank products and services.
- Clarify how the supplier/partner requirements are included in the design process and what performance measures are established to ensure customer requirements are met.
- Clarify how the decentralized product and service design ensures consistency in meeting customer requirements. Clarify the applicant's production processes and how the applicant ensures a trouble-free launch of all products and services.

Item 6.2 Business Processes (25 points)

- Main products and services are delivered in person, by phone, and on-line and include
 - Consumer products and services: Personal finance products, securities, financial planning, insurance services, investment choices, loans, and credit products; requirements include the key requirement of convenience, as well as responsiveness, accuracy, timeliness of service, and knowledgeable customer contact associates
 - Small business products and services: Finance products, loans, and transaction services; requirements include responsiveness, accuracy, and timeliness of service
 - Commercial products and services: Lending products and transaction services; requirements include low interest rates and rapid loan approval, as well as responsiveness, accuracy, and timeliness of service
- Facilities, technologies, and equipment include
 - Thirty-five branches in 14 communities
 - Administrative and management services in Raleigh
 - Network of 1,000 Automated Teller Machines (ATMs) across the service area with customers having access to 500,000 ATMs worldwide through the Cumulus ATM Network System
 - DirectServe provides 7x24x365 call center support for consumer and small business customers
 - Data center in Green Forest Operations Center
- Ten key suppliers, outside vendors, and partners support sales, marketing and advertising, technology, office supplies and equipment, and back-office item processing; key partnerships include TNCard, IZOR, Cumulus ATM Network, and Hickory Investment Services
- Key challenges include an increasingly competitive environment; technology changes and costs; increasing costs of attracting, acquiring, and retaining employee talent; need for a succession plan; and the increasing costs of the branch system
- Key compliance issues include privacy, predatory lending, and unfair and deceptive practices
- Consequences of noncompliance include reprimands, fines, and legal liabilities

Area to Address (+) STRENGTHS		
+ / + +		
+	a	The applicant defines marketing and sales, outsourcing, service partnering, and the acquisition process as key business processes that will help achieve growth goals.
+	a	The applicant'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.
+	a	As part of the design and delivery of key business processes, the applicant 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.

-- --	Area to Address	(-) OPPORTUNITIES FOR IMPROVEMENT
—	a	The applicant 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.
—	a	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 the applicant's ability to ensure that these processes are meeting customer and supplier/partner requirements.
—	a	It is not clear whether the applicant 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 the applicant's continued success and growth. Therefore, the applicant's ability to control and improve these business processes may be limited.
—	a	The applicant 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, the organization's ability to ensure that individual vendors support the organization's need to remain competitive in an increasingly competitive environment may be hampered.
—	a	It is not clear how the applicant 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.

SITE VISIT ISSUES (For Stage 2, Consensus Review, Only):

- Clarify how the applicant determines key business process requirements and communicates the requirements to vendors.
- Clarify the applicant's process for managing supplier/partner/outsourcer relationships, including determination of performance requirements.
- Clarify the process the applicant uses to improve business processes—both internal processes and those of its suppliers/partners.

Item 6.3 Support Processes (15 points)

- Main products and services are delivered in person, by phone, and on-line and include
 - Consumer products and services: Personal finance products, securities, financial planning, insurance services, investment choices, loans, and credit products; requirements include the key requirement of convenience, as well as responsiveness, accuracy, timeliness of service, and knowledgeable customer contact associates
 - Small business products and services: Finance products, loans, and transaction services; requirements include responsiveness, accuracy, and timeliness of service
 - Commercial products and services: Lending products and transaction services; requirements include low interest rates and rapid loan approval, as well as responsiveness, accuracy, and timeliness of service
- Facilities, technologies, and equipment include
 - Thirty-five branches in 14 communities
 - Administrative and management services in Raleigh
 - Network of 1,000 Automated Teller Machines (ATMs) across the service area with customers having access to 500,000 ATMs worldwide through the Cumulus ATM Network System
 - DirectServe provides 7x24x365 call center support for consumer and small business customers
 - Data center in Green Forest Operations Center
- Ten key suppliers, outside vendors, and partners support sales, marketing and advertising, technology, office supplies and equipment, and back-office item processing; key partnerships include TNCARD, IZOR, Cumulus ATM Network, and Hickory Investment Services
- Key challenges include an increasingly competitive environment; technology changes and costs; increasing costs of attracting, acquiring, and retaining employee talent; need for a succession plan; and the increasing costs of the branch system
- Highly regulated environment subject to numerous federal and state regulations and requirements

Area to Address		
+ / + + (+) STRENGTHS		
+	a	The applicant 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).
	a	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.

-- --	Area to Address	(-) OPPORTUNITIES FOR IMPROVEMENT
—	a	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.
—	a	Although the applicant is in the early stages of using CIP to manage support processes, it is not clear how the applicant 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 applicant 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.
—	a	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.

SITE VISIT ISSUES (For Stage 2, Consensus Review, Only):

- Verify that key support processes are using the CIP Management Model and Trust Teams for improvement.
- Verify the use of the SLA Process in ITM.
- Clarify how key support process requirements and measures are determined and systematically designed to meet the requirements.
- Clarify how the day-to-day operations of key support processes are managed, controlled, or improved. Verify the deployment of the CIP. Clarify how key performance measures are used for the control and improvement of key support processes and the approach used to minimize costs associated with inspections, tests, and process/performance audits.

Item 7.1 Customer-Focused Results (125 points)

- Main products and services are delivered in person, by phone, and on-line and include
 - Consumer products and services: Personal finance products, securities, financial planning, insurance services, investment choices, loans, and credit products
 - Small business products and services: Finance products, loans, and transaction services
 - Commercial products and services: Lending products and transaction services
- Consumer customer requirements include the key requirements of convenience, as well as responsiveness, accuracy, timeliness of service, and knowledgeable customer contact associates
- Small business customer requirements include responsiveness, accuracy, and timeliness of service
- Commercial customer requirements include low interest rates and rapid loan approval, as well as responsiveness, accuracy, and timeliness of service
- Competitors include top-tier banks (North Mountain Regional Bank), megabanks (CSNC), regional bank holding companies, corporate credit unions, and other credit unions and savings and loan companies

Area to Address		
+ / + +		(+) STRENGTHS
+	a	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 the applicant is successful in its cross-selling strategies to deepen customer relationships.
+	a, b	The applicant 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.
Area to Address		
- / - -		(-) OPPORTUNITIES FOR IMPROVEMENT
-	a	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 the applicant's efforts to achieve its Vision of legendary service and to achieve "top box" satisfaction levels are not yielding the intended effect.
-	a	The applicant does not report customer satisfaction levels and trends by customer groups or market segments. Without this information, it may be difficult for the applicant 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).

- a The applicant does not include its customer satisfaction and dissatisfaction results in comparison to its competitors' levels of customer satisfaction.
- a The applicant 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).
- a, b The applicant 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).

SITE VISIT ISSUES (For Stage 2, Consensus Review, Only):

- Review updated data for all figures in Item 7.1. Clarify how the applicant segments these results by customer segment, products and services, or business area to understand its performance.
- Clarify if customer/market segmented data and satisfaction/dissatisfaction results as compared with competitors' levels of customer satisfaction are available. Review available results.
- Clarify whether results for key customer requirements, such as accuracy, low interest rates and rapid loan approval, and responsiveness, are available. Review available results.

Item 7.2 Financial and Market Results (125 points)

- Competitors include top-tier banks (North Mountain Regional Bank), megabanks (CSNC), regional bank holding companies, corporate credit unions, and other credit unions and savings and loan companies
- General banking challenges include economic uncertainty, new directions via financial service reform, increased sophistication of customers, and infusion of e-commerce opportunities to offset profitability declines in core deposit and lending businesses
- Key challenges include an increasingly competitive environment; technology changes and costs; increasing costs of attracting, acquiring, and retaining employee talent; need for a succession plan; and the increasing costs of the branch system
- A key strategy includes increasing funding assets by securing deposits via the Web
- Increase efficiency by keeping costs down and increasing noninterest income
- Long-term strategic objective is to increase branches to over 50 and assets to \$3 billion by 2004 (35 branches and \$1.6 billion in assets currently)

Area to		
+ / + +	Address	(+) STRENGTHS
+	a	Operational efficiency is a key strategic objective and a Dashboard measure, and the applicant's Efficiency Ratio (Figure 7.2-2) shows a slightly favorable trend from 53.72 percent in 1995 to 50.17 percent in 2001. The applicant's performance has been better than the peer average, which has ranged from 80 percent to 60 percent over this same time period.
+	a	The applicant'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.
++	a	Average Assets (Figure 7.2-4) have grown more than ten times since 1995, indicating the applicant'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.

Area to		
- / - -	Address	(-) OPPORTUNITIES FOR IMPROVEMENT
-	a	While the <i>ABA Banking Journal</i> rates the applicant as twenty-fifth for nonsubchapter S community banks with total assets of more than \$1 billion, Return on Equity (Figure 7.2-1) trends 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).
-	a	The applicant does not provide results for many of the financial objectives and strategies identified in Figure 2.1-4. For example, although one of the applicant's strategic objectives is an annual increase in revenue of 15 percent, it does not include current levels and trends related to this objective.

- a While the applicant 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 the applicant 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.
- a The applicant does not segment its financial results by customer segments, products and services, or business areas. From the results provided, the applicant 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.
- a Although the applicant 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 the applicant to assess fully its competitive standing and take appropriate action.

SITE VISIT ISSUES (For Stage 2, Consensus Review, Only):

- Review updated data for all figures in Item 7.2. Verify trends, sources, and relevancy of comparative data.
- Clarify how the applicant segments these results (by strategy area, customer segment, products and services, and business area) to understand its financial performance.
- Clarify if results are available for financial objectives and strategies identified in Figure 2.1-4 and for marketplace performance.

Item 7.3 Human Resource Results (80 points)

- The applicant is building the brand through its associates, and the key strategy is to have the organization's workforce care more about customers than the competition cares about its customers
- A total of 625 associates; all management and branch team members have college degrees, most loan officers and customer relationship managers have 2- or 4-year college degrees, and all branch associates have at least high school degrees
- Facilities, technologies, and equipment include 35 branches in 14 communities
- Success factors include associates who treat customers better than competitors do

Area to Address		(+) STRENGTHS
+ / + +		
+	a	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 the applicant's Customer Focus (Figure 7.3-2), Communicating to Associates (Figure 7.3-5), and Level of Teamwork (Figure 7.3-7).
+	a	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.
+	a	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.
+	a	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.
Area to Address		(-) OPPORTUNITIES FOR IMPROVEMENT
+ / + +		
—	a	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).
—	a	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 the applicant's ability to depend on its workforce to continually provide better service than its competitors.
—	a	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 the applicant to act upon differences in satisfaction ratings by employee type.

- – a 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.
- – a The applicant does not provide results for key measures of work system performance and effectiveness. For example, although the applicant addresses diversity goals and financial incentives tied to customer satisfaction in Category 5, it reports no results in these areas. This may limit the applicant’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.

SITE VISIT ISSUES (For Stage 2, Consensus Review, Only):

- Review updated data for all figures presented in Item 7.3. Verify trends, comparative information, the source of the comparative data, and the relevancy of the comparisons.
- Clarify how human resource results are segmented (e.g., by business area, branch, job type, and diversity).
- Clarify if measures exist for the human resource strategic objectives, including Baldrige Category 5 scores, bench strength, and work system performance.

Item 7.4 Organizational Effectiveness Results (120 points)

- Consumer customer requirements include the key requirement of convenience, as well as responsiveness, accuracy, timeliness of service, and knowledgeable customer contact associates
- Small business customer requirements include responsiveness, accuracy, and timeliness of service
- Commercial customer requirements include low interest rates and rapid loan approval, as well as responsiveness, accuracy, and timeliness of service
- Further segmentation by distribution channel (in-person, by phone) and geographic location (14 communities as well as national credit card and CD markets)
- Ten key suppliers, outside vendors, and partners support sales, marketing and advertising, technology, office supplies and equipment, and back-office item processing; key partnerships include TNCARD, IZOR, Cumulus ATM Network, and Hickory Investment Services
- Key compliance issues include privacy, predatory lending, and unfair and deceptive practices

Area to Address		(+) STRENGTHS
+ / + +		
+	a	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).
+	a	With the exception of encoding errors, the applicant'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.
+	a	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.
Area to Address		(-) OPPORTUNITIES FOR IMPROVEMENT
- / - -		
-	a	The applicant 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).
-	a	The applicant does not provide comparisons for operational results. This may make it difficult for the applicant to assess the impact of its approach and deployment strategies on organizational change.

- a The applicant 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, the applicant presents no results for the Key Success Factor of achieving operational excellence with Baldrige scores of 70 percent in Category 6.
- b While the applicant’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.
- b Although the applicant meets all federal and state government regulations, no performance results are presented. This may make it difficult for the applicant to monitor compliance proactively.

SITE VISIT ISSUES (For Stage 2, Consensus Review, Only):

- Review updated data for all figures provided in Item 7.4. Clarify if appropriate comparative data are available for operational results.
- Clarify if missing results are available for product design processes, outsourced processes, and support processes; strategic objectives; public responsibility and citizenship; and regulatory compliance. Clarify if appropriate comparative data are available for these results.

Baldrige National Quality Program

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