

Item Evaluation

Item 7.4 Leadership and Governance Outcomes

Key Factor References

Item	KF Cat.	Key Factor
1	P.1a(5)	5. MVV: Mission - to provide customers with financial services and promote the growth and economic wellbeing of all the communities we serve. Vision - to be recognized as the number one community bank in legendary services. Values 1) Integrity: keeping our word and dealing honestly and transparently with all stakeholders to build trust; 2) Customer-Driven Focus: providing Legendary Service; 3) Management for Results: relying on data and holding people accountable; 4) Operational Excellence: performing every process effectively and efficiently; and 5) Innovation: constantly striving to improve and implement the best ideas from anywhere. [HS]
2	P.1a(8)	8. Workforce Profile: The applicant has 1,080 associates and a highly educated leadership team with 78% of management having college degrees. All branch staff associates have an associates degree. Many loan officers (65%) and managers (75%) hold baccalaureate degrees. The workforce is highly diverse and representative of the hiring community and customer base. The applicant does not have organized bargaining units. [HS]
3	P.1a(12)	12. Regulatory Requirements: US financial institutions are highly regulated and subject to capital requirements administered by federal and state banking agencies. The applicant is a nationally chartered community bank regulated by the Office of the Comptroller of the Currency. Deposits are insured by the Federal Deposit Insurance Corporation. Examiners from the OCC are on site somewhere in the applicant's facilities approximately 15% of every year. Regulatory agencies are concerned with capitalization, predatory lending, and unfair and deceptive practices. [HS]
4	P.1b(1)	14. Org Structure: Applicant is governed by a Board of Directors (banking regulation). BOD is responsible for the selection of the CEO, the effective governance of the bank's affairs, and adoption and adherence of sound policies and practices. CEO reports to the Board of Directors, the President reports to the CEO, and other Executive Management Committee members report to the President. [HS]
5	P.2b(3)	25. Strategic Challenges: 1) Addressing the many changes in the banking regulations and more regulations coming in the future, 2) Meeting earnings targets while serving increasing numbers of customers using low-margin services which also impacts organizational sustainability, 3) Addressing the loss of public confidence in the financial industry in general and the impact this has had on customer confidence and expectations, particularly important in local community-focused banks, and 4) Integrating the mortgage acquisition process, which needs to be streamlined and workforce which needs to be right-sized into the org's structure and culture. [HS]
6	P.2b(2)	24. Industry Situation 1) Customer loyalty and satisfaction are now essential, 2) Customers are willing to trade off higher interest rates for security and confidence, 3) Applicant has increased market share from customers leaving larger non-local banks, 4) Applicant is large enough to capitalize on economies of scale, but local enough to be trustworthy. [HS]

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Evaluation Factors

Item	Item Ref.	Result	Relevant KF	Levels	Trends	Comparisons	Linkages	~Key Theme
1	7.4a(1)	results for senior leaders communication and engagement with workforce 7.3-1 Associate Satisfaction 7.4-3 Management Integrity 7.4-6 Leadership GPA	P. 1a(5), P. 1a(8), P. 1b(1), P. 2b(3)	+ associate engagement survey measures satisfaction and engagement + management integrity	+ Beneficial trends in satisfaction for management, professional staff and admin staff from 2007-2010 - Satisfaction of CSRs dropped more than 2% in 2010 + management integrity shows improving trends from 2006 to 2010 except for a dip in 2008 (may be tied to economic recession) +/- Leadership GPA shows improving trend overall; beneficial trends for communication and flexibility, ethical behavior and stewardship; negative trends for creativity and decisions	+ performance of all segments is at or better than DemoGraph 75th percentile - no comparisons for Leadership GPA	+/- associate satisfaction results are segmented by position (check for segmentation by branch, dept., etc.)	
2	7.4a(2)	governance and fiscal accountability 7.4-4 External audit compliance 7.4-5 Key regulatory and legal compliance measures	P. 1a(5), P. 1a(12), P. 1b(1), P. 2b(3)	++ applicant appears to be best in class (external audit compliance) with 100% compliance from 2007-2010	+ best in class or improving trends over time + regulatory and legal compliance findings are either 0 or steadily improving from 2008-2010	+ performance better than comparisons	- unclear	

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3	7.4a(4)	ethical behavior and key stakeholder trust 7.4-7 legal and ethical behavior 7.4-8 results of regulatory, legal and ethical processes	P.1a(5), P.1a(12), P.1b(1), P.2b(3)	+ measures of legal and ethical behavior at 0 breaches for 2009 and 2010 + results of regulatory, legal and ethical processes:	+ beneficial trends + generally improving performance from 2006 to 2010 on 8 different dimensions	- no comparison +/- comparison to top 10% of credit unions. not sure if this is relevant	+/- no segmentation but results are 0 so segmentation is meaningless - segmented results are not provided
4	7.4a(5)	fulfillment of societal responsibilities and support of key communities 7.4-9 community hours 7.4-10 charitable contributions 7.4-11 environmental performance 7.4-12 percent of online banking	P.1a(5), P.1a(8), P.2b(3)	+ tracking performance levels	+ trends are generally improving from 2006-2010	+/- some measures show valid comparison and others do not	- no segmentation

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Gaps

Item	Item Ref.	Gap	Significance	~Key Theme
1	7.4a	comparisons are missing for many measures of leadership and governance outcomes. For example, there are not comparisons for leadership GPA measures or for key regulatory and legal compliance measures	without valid comparative data it may be difficult for the applicant to accurately assess its performance and identify and prioritize key areas for improvement.	

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Overall Item Notes

Item	Commet	~Key Theme
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Item 7.4 Scoring

Factor	0-5%	10-25%	30-45%	50-65 %	70-85%	90-100%
Levels	There are no organizational performance results or poor results in areas reported	A few organizational performance results are reported, and early good performance levels are evident in a few areas.	Good organizational performance levels are reported, responsive to the basic requirements of the item.	Good organizational performance levels are reported, responsive to the overall requirements of the item.	Good to excellent organizational performance levels are reported, responsive to the multiple requirements of the item.	Excellent organizational performance levels are reported that are fully responsive to the multiple requirements of the item.
Trends	Trend data either are not reported or show mainly adverse trends.	Some trend data are reported, with some adverse trends evident.	Some trend data are reported, and a majority of the trends presented are beneficial.	Beneficial trends are evident in areas of importance to the accomplishment of the organization's mission.	Beneficial trends have been sustained over time in most areas of importance to the accomplishment of the organization's mission.	Beneficial trends have been sustained over time in all areas of importance to the accomplishment of the organization's mission.
Comparisons	Comparative information is not reported	Little or no comparative information is reported	Early stages of obtaining comparative information are evident	Some current performance levels have been evaluated against relevant comparisons and/or benchmarks and show areas of good relative performance.	Many to most trends and current performance levels have been evaluated against relevant comparisons and/or benchmarks and show areas of leadership and very good relative performance.	Evidence of industry and benchmark leadership is demonstrated in many areas.
Integration	Results are not reported for any areas of importance to the accomplishment of the organization's mission.	Results are reported for a few areas of importance to the accomplishment of the organization's mission.	Results are reported for many areas of importance to the accomplishment of the organization's mission.	Organizational performance results are reported for most key customer, market, and process requirements.	Organizational performance results are reported for most key customer, market, process, and action plan requirements.	Organizational performance results and projections are reported for most key customer, market, process, and action plan requirements.

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Item 7.4 Overall & Final Score

Overall Score

Final Score

50-65%

50
