EMPLOYEE ENGAGEMENT AND COMPANY CULTURE

CITIZENS BANK

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TABLE OF CONTENTS

EXECUTIVE SUMMARY

Citizens Bank is a privately owned, community bank in Batesville, Arkansas that had spent almost half a century being the only community-based bank in the Batesville market. In the late 1990s through the mid-2000s, two other groups of local bankers formed de novo banks and brought challenges to Citizens Bank to be the "Banking Leader" in the Batesville area. This brought challenges that Citizens Bank had never faced. It was a huge hit to the image of Citizens Bank who, subsequently, began to struggle with leadership, growth and asset quality. There needed to be a way to reinvent, reinvest, and regrow the Citizens Bank back into the "Community Leader" of the market area. Citizens Bank needed a change.

In 2010, the Board started making strategic moves and changes in leadership, in values, and in goals. Citizens Bank was ready to move forward in growing the bank. The Board began making changes to accomplish this goal starting with the leadership. John Dews was hired as CEO/President and was tasked and successful with cleaning up the bank and setting the stage for growth. John focused on asset quality and efficiency; until these areas were stabilized, no focus could be placed on growth. By late 2013, the asset quality had improved and the bank was ready to grow. Unfortunately, cleaning up the bank had John make some tough and unpopular decisions and negated his ability to lead effectively. With that in mind, the Board decided that it would be a good time to make another change in leadership and Phil Baldwin was hired to move the bank forward. Since 2013, with Phil's leadership and through de novo branches and acquisitions, Citizens Bank has expanded across the state. Citizens Bank currently operates in five regions across the state. Asset quality is strong and Citizens Bank has become a leader in

community development. Citizens Bank currently has 21 branches throughout Arkansas with over $900MM in total assets.

With expansion into new markets the need to add people and resources continued to grow. A decision was made to add these resources with the anticipation of earnings coming later. 2010 through 2013 were years of clean up and rebuilding for Citizens Bank and there was a minimal increase in assets. 2014 through mid-2019 have been strong growth years for Citizens Bank. Loans have increased by 144% and deposits by 73% over that time period. The Bank has also added a full Treasury Management staff in 2019.

With all the movement and growth over the past several years Citizens Bank needs a formal program that can be monitored to keep the Citizens Bank vision and culture at the forefront. Although the bank is moving in a positive direction, growth can come with growing pains. Currently the Bank does not have a formal process for onboarding new employees or aligning current employees with the Bank's vision. There will be a push to encourage employees to offer better customer service by empowering them to handle customers without fear of punishment from supervisors. Formalizing procedures for onboarding new employees, aligning existing employees and rewarding performance of employees that align with the Bank's vision would definitely strengthen the organization and improve employee morale.

Implementing the program is as easy as defining our culture through the following: stated values, enacted values, and observable items. To clearly define our culture, there must be a Vision Statement that will act as a road map to help visualize the direction of the goals. Once the Vision Statement is in place, communication is key. Communication to new and prospective employees shall be delivered through an onboarding process which would involve teaming new

employees with a mentor. This mentor will be involved with check-ins and meetings to ensure that the new employee is fully engaged and understands the vision of the bank. Personality assessments are a tool that can be used to determine placement of new employees as well as finding a fit in the workplace for an employee who might be struggling in an area that isn't right for their talents. There should be a monthly communication call to allow Management to engage every employee on a regular basis.

Managing and monitoring the program are essential to ensure the success of this culture program. Management tools include having an internal communication plan, having quarterly employee reviews, and having an employee reward program.

While implementing the program is seemingly easy, it is imperative to align all employees with the desired vision addressing clear priorities and expected behaviors. Incentive plans, job shadowing, and an employee review process are key in aligning this vision. Incentivizing employees includes a service component, both internally and externally, to meet personal and departmental goals. Inter-departmental job shadowing is an easy and efficient way to break barriers and help employees understand their roles in the bank. This will allow employees to step out of their proverbial boxes and get a glimpse of how others fit in with the vision of the bank. Another crucial part of aligning engaged employees with the vision is the 360 degree feedback – an employee review process that includes feedback not only from supervisors but also from peers, subordinates, and other individuals. This allows employees to understand their effectiveness as an employee. This will also result in other benefits such as improved feedback from multiple sources and team development.

Engaged employees work to make the organization more successful and actively look for ways to move the company forward. Engaged employees are empowered and feel a sense of ownership of the company. A strong, positive culture can enhance employee engagement which will improve performance, increase income, attract talent, and reduce turnover.

The proposed program does not call for the hiring of any new full time employees as most of the programs implementation will be absorbed by existing staff. There are, however, investments that will need to be made to ensure the success of the program. The purpose of the program is to elevate the Bank's performance through employee engagement and satisfaction. The cost of the program is relatively inexpensive due to the fact that no additional full time employees will be needed, the employee incentive plan is already being accrued and most of the additional labor costs are being absorbed by salaried employees.

Teaching employees about the Bank's culture is imperative to implementing the Culture Program. We must reinvent the mindset of "that's how it's always been" and "that's how I've always done it" into the culture of "I want to learn the best way" and "I'm willing to try something new". The best strategy for Citizens Bank to increase morale, empower employees, and improve customer service is to implement and execute this program to keep the Citizens Bank vision and culture at the forefront.

INTRODUCTION TO THE BANK

Citizens Bank is a community bank headquartered in Batesville, Arkansas. Citizens Bank currently operates 21 branches across the state with over $900MM in total assets. Citizens Bank was established in 1953 by a group of local business and civic leaders to serve the financial

needs of the working people and families of Batesville and Independence County. The bank continues to be privately held by the same family that started the bank more than 60 years ago.

For many years Citizens Bank was the only community bank in the Batesville market. There were other banks in the area but they were not locally owned. Over time Citizens Bank grew and was viewed as the community leader. Citizens Bank grew to around $400MM in assets by the late 1990's but then stalled. Expansion outside the core market area had never been considered and the area was not growing.

Around this same time a group of local bankers started a de novo bank in Batesville. For the first time Citizens Bank was being challenged as the "Community Bank" in Batesville. When this new bank began operations they did a very good job of convincing local business owners to invest in their bank. This instilled a sense of ownership in those investors. With this they had a growing number of people in the community promoting their brand.

In the mid 2000's Citizens Bank had a group of its top executives, including the CEO/President, leave to start another de novo bank in Batesville. This was a huge hit to the bank and its image. Now Citizens Bank had two newly formed banks in its market with local ties to the community. Citizens Bank was left with the task of finding a new leadership team and trying to right the ship.

For the next several years Citizens Bank struggled to find the right leader. In a span of five years three different Presidents were named. Growth was stagnant and asset quality began to suffer. It was proving to be a huge task to get Citizens Bank back to the "Community Leader" it had enjoyed for so many years.

TURNING THE SHIP

Around 2010 a shift began to happen at the Board level. Jeff Teague began serving on the Board and later became Board Chair. Mr. Teague came from a business background and had aspirations of growing the bank. With a new vision in place the Board started making some strategic moves. The first decision was to once again make a change in leadership. He brought in John Dews as President/CEO. John came in with the task of cleaning up the bank and setting the stage for growth. With declining loan growth, deteriorating asset quality and falling profits this was going to be a big challenge. The deposit base was still strong due to some legacy accounts but the asset side of the bank was in trouble. John had some very hard decisions to make. Citizens Bank had a lot of long time employees that were not willing and even resistant to make changes. John focused his efforts on asset quality and efficiency. Until these areas were stabilized no focus could be put on growth. John was successful in his role to clean up the bank. By late 2013 the asset quality issues had improved and the bank was poised for expansion. John had done exactly what the Board had asked him to do but in doing so was forced to make some tough and unpopular decisions. It was going to be hard for him to move the bank forward.

With expansion in mind the Board made another move in leadership. In 2013 Phil Baldwin was brought in to lead this effort. Phil came in with a strong background in expansion, acquisitions and community development. Phil hit the ground running and immediately started moving the needle. Since 2013 Citizens Bank has expanded across the state. This has been done through both de novo branches and acquisition. Asset quality continues to be a strong point of the bank. Past due loans and classified assets are well below peer banks. Community engagement is also a focal point. Citizens Bank has become the leader in community development in the Batesville market through partnerships with the local Chamber of Commerce, Main Street Batesville and

the area schools. Efforts are also being made in the new markets to partner with local organizations and schools when possible.

LOCATIONS

Citizens Bank currently operates in 5 Regions across the state of Arkansas. They are the North Central Region (NCA), North West Region (NWA), South Central Region (SCA), Southeast Region (SEA) and Central Region (CA). The NCA region is the traditional Batesville market and the surrounding areas. 8 branches are operated in the NCA covering Batesville, Mountain View, Cave City, Imboden and Pleasant Plains. The NWA region was built with both de novo branches and through acquisition. Citizens Bank put two de novo branches in Fayetteville and later acquired an additional location in Rogers through acquisition. SEA region was acquired through the same acquisition that brought the Rogers location. Four branches were purchased in SEA. Locations are Monticello (2), Crossett and Portland. SCA region was created through de novo branching. The SCA consist of 4 branches located in Hot Springs (3) and Arkadelphia (1). The most recent move was to create the CA region located in Little Rock. Currently this region is operating in a leased location but plans are underway to construct a permanent facility starting first quarter of 2020.

Citizens Bank Current Footprint
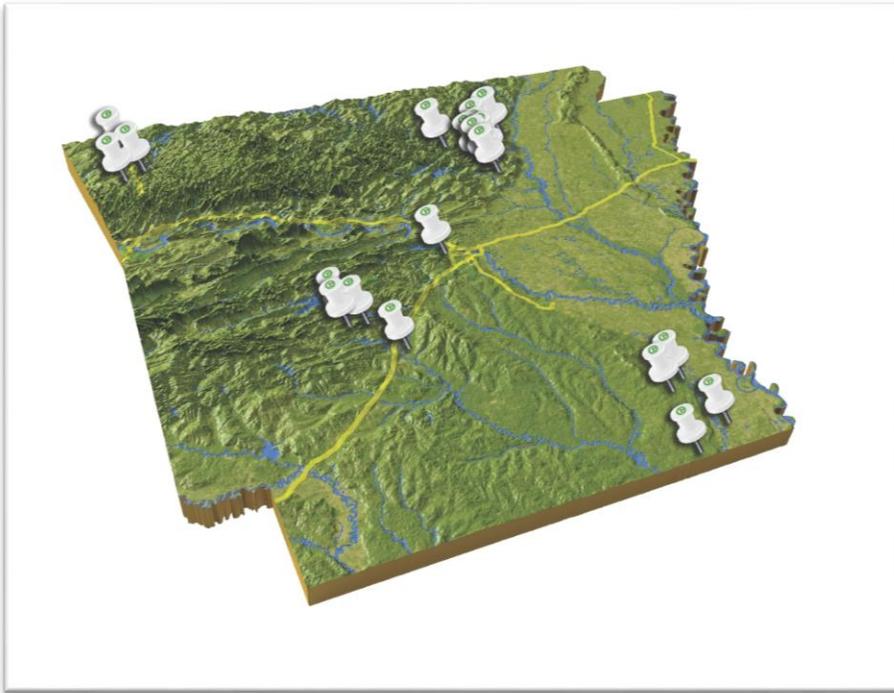
FINANCIAL SUMMARY

The Bank's financial condition has shown growth in asset size and improvement in asset quality over the past 10 years. Earnings and ROA have lagged behind peers due to the growth and expansion. With expansion into new markets the need to add people and resources continued to grow. A decision was made to add these resources with the anticipation of earnings coming later. The following chart summarizes some of the key indicators of the Bank's performance over the past 10 years.[1]

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[1] Uniform Bank Performance Report: June 2019

Metric	2Q 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2013	FYE 2010
Total Assets	$895,000	$815,000	$774,000	$751,000	$722,000	$538,000	$535,000
Net Income	$6,506	$7,387	$7,202	$6,302	$4,361	$4,520	$752
ROA	0.75	0.91	0.95	0.84	0.73	0.84	0.14
Nonperforming Lns/Total Lns	0.48	0.38	0.43	0.32	0.51	2.73	3.34

Years 2010 through 2013 were years of clean up and rebuilding for Citizens Bank. Charged off and past due loans were high. A new focus was placed on asset quality. By the end of 2013 most of the issues had been cleaned up and the Bank looked toward rebuilding its balance sheet. 2014 through current year have been strong growth years for Citizens Bank. Loans have increased by 144% and deposits by 73% over that time period.[2] 2Q2019 Net Income and Return on Assets have dipped due to the expense associated with adding the team in the CA Region. This is projected to increase over the second half of 2019 due to the increase in loans being booked. The Bank has also added a full Treasury Management staff in 2019. This increase in income will not be fully recognized until sometime in 2020.

BUSINESS MODEL AND STRATEGY

Citizens Banks strategy is to continue to increase its presence in the markets it has recently branched into and to strengthen its footprint in the legacy markets. This will be done by focusing on small business customers and filling the void left by the bigger banks. Personal service will be at the forefront of what the bank does, backed by the technology and products. In 2019 Citizens

[2] Deposit Market Share Report, Summary of Deposits, FDIC

Bank hired a team of Treasury Management Officers from a larger regional bank. This product line should be fully implemented by end of 1Q2020. This will allow Citizens Bank to offer products historically only offered by much larger banks. The Treasury Management Team along with the current Lending Officers will be able to go into a business and offer that customer tools to improve efficiencies, reduce expenses and increase profits.

A push is also being made to empower employees to take care of the customer. Historically employees have been handcuffed, making it difficult for them to truly serve the customer. With this empowerment the hope is that the employees will be more engaged and meet the customer's requests with a "Yes, I can do that" attitude.

PROJECT STRATEGY / IMPLEMENTATION

PROPOSED PROJECT

As you can see from the history of the bank, there have been a lot of changes over the past several years. Although the bank is moving in a positive direction, change is always hard and brings anxiety among the employees. Aligning current and future employees with the Bank's vision is crucial. Currently the Bank does not have a formal process for onboarding new employees or aligning current employees with the Bank's vision. Having said that, the Bank's vision is not regularly communicated through all levels of the organization. New employees are trained by the Manager or another employee in the department in which they are going to work and there is very little focus on culture or vision. Formalizing procedures for onboarding new employees, aligning existing employees and rewarding performance of employees that align with the Bank's vision would definitely strengthen the organization and improve employee morale.

Everything around the industry is changing: Employees, Industry, products, etc. Culture is interwoven in everything. It must be managed just like any other business initiative.

REASON FOR THE PROGRAM

Citizens Bank's Executive Management Team has discussed culture, employee morale and employee engagement over the last four years at its annual planning retreat. Company culture has always been important but as the workplace evolves it is becoming even more important. Management acknowledges the importance of culture but the focus somehow seems to get lost in the day to day operations. Banks track and manage asset quality, asset growth, deposit growth and financial performance; why would Banks not do the same for culture and service? Something beyond simply talking about it and the occasional employee picnic must be done if there is hope for a sustainable culture change. This project would be to establish a formal Culture Program. An Executive Management team will be formed to focus on the issue of culture. This team will stay together and report quarterly to the Board of Directors on what steps have been taken and the results that are being seen. This group will be referred to as the "Culture Committee".

The first thing the Culture Committee will do is try to simplify the task. The program is divided into three key tasks. They are "Define", "Align" and "Manage". Each task will have action steps with specific goals. Some will be simple and easily implemented and some will require more commitment of time and resources.

IMPLEMENTING THE PROGRAM

DEFINE OUR CULTURE

The first task will be to evaluate the current culture of the Bank. Is it unified, fragmented, segmented or synergistic? Culture of an organization can often be seen in three main areas:

1. Stated Values – These are the publicly stated values and standards. These are included in the Mission Statement or Vision Statement of the Bank. You can also see these in the goals or business practices of an organization. This is what the Bank aspires to be or accomplish.

2. Enacted Values – This is how the employees of the Bank operate on a daily basis. In a perfect world the Stated and Enacted Values would be the same but often they are not. When there is a large gap between the two, it can be frustrating for employees. It is important for Management to try to reduce the discrepancies.

3. Observable Items – This is the physical appearance of the Bank, its employees and their actions. This is everything from the appearance of the facilities, how the employees dress, how they behave and how they interact with one another. This should support the Stated Values of the company.

There are pockets of positive culture but all employees are not aligned working toward the same goal. Individual and departmental goals vary widely. Some departments are focused on growth, some profitability, some on customer service and others on compliance. Although all of these are correct and vital there is no harmony within the organization. With this in mind there must be components in place to lay the foundation of what will be expected.

To clearly define the Bank's culture there first must be a road map, a Vision Statement, a mental picture of the results that want to be achieved. This should be the statement that everything ties back to. The Vision statement should inspire but be practical. It should be a guide that helps us set goals, create plans, make decisions and evaluate our work.

Once the Vision is set there must be tools in place to communicate the message. This communication must be delivered to prospective employees as well as existing employees. This will be done by a variety of ways.

1. **Onboarding of new employees** – Expand the process of bringing on new employees outside the traditional orientation process. The onboarding process will thoroughly introduce the employee to the Bank and their department. They can learn the culture by participating in meetings and being paired with a mentor. The mentor should schedule regular check-in meetings to make sure the employee is fully engaged. The onboarding process should have a goal of helping the new employee make a connection between the company wide goals and their day to day tasks.

2. **Personality Assessments** – A program such as the Predictive Index (PI) will be used as a Bank partner.

   a. Hiring – Utilizing PI in the hiring process will help determine whether a candidate has the needed behavioral traits and ability to accomplish the job at hand. This is a strong indicator of how a person will think and work and help ensure a proper fit.

   b. Management – Utilizing PI will also help assemble current employees in the right job roles. As Jim Collins says "You have to get the right people on the bus and in the

right seats".[3] The Bank could be full of talent but if they are not in the right place they will never perform at the top of their game. This will help understand the employee and guide them so that they and the Bank will perform optimally.

3. **Communication** – Development of a Bank wide monthly communication call. This will allow Management to communicate with every employee on a regular basis. The call should be used to inform employees of any changes that may affect them, communicate key performance metrics so the employees feel engaged in the success of the bank and should also give employees the opportunity to ask questions to Senior Management.

ALIGN ENGAGED EMPLOYEES WITH THE VISION

The second task is to align all employees with the desired vision. There should be clear priorities and expected behaviors. Vince Lombardi once said "Individual commitment to a group effort – that is what makes a team work, a company work, a society work, a civilization work."[4] Getting everyone moving in the right direction is crucial. A recent Franklin Covey survey polled employees and discovered that over 80% of those employees don't know how their job duties contribute to their employer's goals. When employees don't see the big picture it becomes easy to spend time on tasks that provide little value to the organization's bottom line. In the banking world, management can spend time perfecting a report while never finding time to interview customers about how the bank can better serve their needs; work on internal procedures but never ask the employees how this will affect them or help a customer fill out a loan application but never ask about that new customer's other financial needs.

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[3] https://www.jimcollins.com/concepts/first-who-then-what.html

[4] https://brightdrops.com/vince-lombardi-quotes

So how will Management align employee's actions and behaviors with the Bank's vision?

1. **Tie incentive plans to vision** – Include a service component, both internal and external, in personal and departmental goals. Currently the bank offers an Associates Incentive Program (AIP) for non-management employees. The AIP is paid annually as a percentage of salary and is awarded to any employee getting at least a satisfactory rating on his/her annual review. There is no service component in the annual review. Historically the review has been based on technical compliance with policy and the ability to accurately perform a job. There is also not an incentive for going above and beyond. An employee getting the minimum "satisfactory" rating could get the same annual bonus as another employee that received an "exceeds expectations" rating and customer service or how you relate with other employees or departments is never considered. A revamp of the current AIP program would be impactful to employees and how they conducted business. A bonus should truly be a bonus and not guaranteed to everyone. By integrating goals and incentives with vision, employees will be inspired to hold themselves and each other accountable.

2. **Job Shadowing** – Institute an inter-department employee exchange program. One of the issues faced is departments working in silos. It is easy to get locked in to the job you do and lose a sense of respect for other departments. This program would give employees the opportunity to spend one day learning the job of a coworker in another area of the Bank. The idea is that employees will become familiar with the processes and challenges of other departments, which will help make working relationships more efficient and provide a higher level of understanding among employees about the operations of the Bank. Upon completion of the job shadowing the employee will complete a short report

describing anything they learned and if there is anything that can be done to improve the process. At least quarterly these ideas will be circulated to the Managers of each department so they can have the opportunity to learn from each experience. Having the opportunity to work with other departments will allow employees to step out of their normal routine and understand how their work and others fits in with the vision of the Bank.

3. **360 degree feedback** – Launch an employee review process that not only goes downward but includes feedback from peers, subordinates and other individuals. This can allow employees to understand how effective they are as an employee. A 360 degree feedback process can result in many benefits such as:

   a. Improved feedback from multiple sources – provides well rounded feedback from coworkers, supervisors and subordinates.

   b. Team development – Helps team members work more effectively together. Team members often know more about how other employees are performing than their supervisors.

   c. Improved customer service – Each employee will receive valuable feedback about the quality of his/her service. The feedback should enable the employee to improve the level of their service.

   d. Training needs – Feedback will identify opportunities for additional training and thus allow planning for classes or seminars.

MANAGE

Companies that have great culture actively monitor and manage their culture. Southwest airlines is an example of a company that has managed culture over time. For more than 40 years

Southwest has been known for its sense of pride among its employees. Southwest has built an environment that puts its employees first. This fosters a sense of commitment from its employees that drives excellent customer service. It is Managements job to ensure the Bank's culture will continue and thrive. Once the culture is defined and everyone is aligned the Bank can go on to establish policies, programs and strategies that support and strengthen its purpose and values. In aligned organizations, these traits motivate and unite everyone from the top down.

Management must have tools in place for monitoring and sustaining a high performance culture. These tools will include the following:

1. **Communication** – Develop an internal communication plan. This is necessary for many reasons. It will:
   a. Provide clear and consistent communication with employees so they feel informed about goals and performance.
   b. Define what initiatives are important and how they will be implemented.
   c. Give employees a chance to engage with Management and become a part of the process.

   The communication must be clear and consistent and heard throughout the Bank. According to a Towers Watson study[5], companies with highly effective communication earn a 47% higher return to shareholders than organization with poor communication. Improved internal communication doesn't only affect your returns, it can also increase employee engagement and build stronger teams.

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[5] https://www.businessperform.com/workplace-communication/poor-communication-costs.html

2. **Quarterly employee reviews** – Historically performance reviews have been done annually. Most annual reviews rely on the Managers memory making the conversation less productive. It is virtually impossible to remember an entire year's worth of performance. In a recent Harvard Business Review[6] this is referred to as "distance bias". The more recent the event, the more value assigned to it. This can lead to an unfair or inaccurate review process. Employees want and need feedback more often than once a year. Providing feedback more often is a giant opportunity to develop employees. More frequent feedback can also aid in the employee-manager relationship. Gallup reports that employees whose managers regularly communicate with them are nearly three times more engaged than those with managers that don't regularly communicate.[7] Below are some statistics from Clear Company related to performance feedback:

   a. Companies that implement regular employee feedback have turnover rates that are 14.9% lower than for employees who receive no feedback.[8]

   b. 1 in 5 employees are not confident their manager will provide regular feedback.[9]

   c. 68% of employees that receive accurate and consistent feedback feel fulfilled in their jobs.[10]

3. **Reward Wins** – Develop an employee rewards program. According to "State of Employee Engagement"; 63% of employees feel like they do not get enough praise, 57%

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[6] https://hbr.org/2018/06/3-biases-that-hijack-performance-reviews-and-how-to-address-them

[7] https://www.gallup.com/workplace/236570/employees-lot-managers.aspx

[8] https://blog.clearcompany.com/mind-blowing-statistics-performance-reviews-employee-engagement

[9] https://blog.clearcompany.com/mind-blowing-statistics-performance-reviews-employee-engagement

[10] https://blog.clearcompany.com/mind-blowing-statistics-performance-reviews-employee-engagement

of employees wouldn't recommend their organization as a good place to work and 56% of employees believe that they don't have any career advancement opportunities.[11] A strong rewards program not only gives the employee a tangible reminder of a job well done but can create a bond between the employees and company that can last for years to come. Google is consistently at the top of the "Best Places to Work" categories. 86% of Google employees feel satisfied with their jobs.[12] That's due in part to the company's rewards program. Instead of cash they give experiences which is popular with the millennial generation. Employees can earn everything from a dinner to trips.

IMPLEMENTATION SCHEDULE

July 2020

- Evaluate and define the Bank's current culture

August 2020

- Bank wide roll out of new Vision and Mission Statement

- Begin gathering information from employees to streamline processes and eliminate roadblocks.

- Utilize monthly bank wide communication calls to engage employees

- Begin weekly departmental meetings

- Begin employee shout out campaign on intranet

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[11] https://officevibe.com/state-employee-engagement

[12] https://www.businessinsider.com/google-is-the-best-company-to-work-for-in-america-2016-4

- Begin developing Employee Incentive Plan

September 2020

- Begin new onboarding process for new employees

- Begin job shadowing program

- Begin social media campaign

- Begin customer and employee surveys

October 2020

- Begin process of onboarding Personality Index

- Begin process of re-vamping AIP

- Begin process of onboarding 360 degree feedback

December 2020

- Roll out employee incentive plan

January 2021

- Begin using PI and 360 degree feedback

- Begin quarterly employee reviews

- Start of new AIP program

FINANCIAL IMPACT

The proposed program calls for a long term investment of both time and money but is designed to increase the Bank's performance and shareholder value. Quality products, innovative marketing and competitive interest rates are all valuable in determining the success of the Bank but the employees are what really drives results. The employees are the backbone of the Bank and if they are not happy the Bank will suffer. On the other hand, engaged employees will push the bank forward and thus have a positive impact on the bottom line.

Positive company culture and commitment to employee happiness both have a direct relationship with shareholder returns. Culture-conscious companies rise above industry benchmarks and they out-earn and outperform their competition. The culture of an organization directly impacts its bottom line. It is difficult to put a hard number on the financial impact of the program but the results will be evident. By aligning the culture with the organizations goals it can positively affect many areas.

The financial impact section will consider the impact on the banks performance. It will look at both the possible benefits of the program and implementation costs of the program.

FINANCIAL BENEFITS

ENGAGED EMPLOYEES

Does the culture of the Bank encourage employees to feel connected and enthusiastic about the work they do? Engaged employees work to make their organization more successful and look for ways to move the company forward. These type employees treat the Bank like they are actual owners. On the other hand, disengaged employees simply come to work and complete their

assigned tasks, putting no extra effort into their daily activities. They are simply there for a paycheck. In today's work environment 66% of the workforce is considered disengaged. Of that 66% approximately 1/5 of those employees are considered actively disengaged.[13] Actively disengaged employees are comprised of disruptive workers who negatively impact the productivity of those around them. An organization with higher employee engagement and lower active disengagement perform at higher levels.

REDUCE TURNOVER

High turnover is not only expensive but it can drastically lower employee morale and can make the job harder for those who remain. Some studies show it can cost up to nine month's salary every time an employee has to be replaced. By investing in creating a healthy culture the bank can demonstrate they value the employees. In turn, those employees will be more likely to stay with the bank for a longer period of time.

ATTRACT TOP TALENT

A strong culture can make the bank a more attractive employer for top talent. A 2019 study from Glassdoor suggests that there is more to attracting employees than pay and benefits.[14] Over 5,000 workers were polled and it revealed that company culture could be the most important thing to prospective employees. According to the survey 77% of respondents said they would consider a

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[13] https://news.gallup.com/poll/241649/employee-engagement-rise.aspx

[14] https://www.businessnewsdaily.com/15206-company-culture-matters-to-workers.html by Andrew Martins - July 2019

company's culture before applying. Another 56% added that they found workplace culture more important than salary.

Encouraging a positive workplace may attract new talent but having a mission statement that aligns with the employees is also important. According to the survey, 89% said that it was important for employers to have a clear mission and purpose when applying for a job. Once they are hired, 66% of workers said a clear mission is important for them to stay engaged[15].

INCREASED PERFORMANCE

If employees are happy with what they do and enjoy coming to work then their performance will increase. This can stem from a variety of things but could include increased flexibility at work, the opportunity for increased professional development and having the idea that what they are doing makes a difference. With Millennials making up a large part of the workforce today the desires or hot buttons for employees is changing. It may not be simply money driven any longer. An employee today may put more value on quality of life or the ability to increase their value or worth than simply their annual salary.

Google is a prime example of this. They have topped Fortune's "Best Companies to Work For" the past six years and eight out of the last eleven years.[16] Their office environment includes ping pong tables, napping pods and video games. Although banking requires a more structured environment the underlying premise is the same. Trust your employees and give them an

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[15] https://www.businessnewsdaily.com/15206-company-culture-matters-to-workers.html by Andrew Martins - July 2019

[16] https://www.usatoday.com/story/money/business/2017/03/09/fortune-top-places-to-work-google/98953070/

enjoyable atmosphere where they are given the ability to take care of the customer and they will

thrive.

IMPLEMENTATION COSTS

The proposed program does not call for the hiring of any new full time employees as most of the

program's implementation will be absorbed by existing staff. There are however investments that

will need to be made to ensure the success of the program. Below is a breakdown of the cost:

Item	Annual Expense	One Time Expense	Explanation
Predictive Index	$ 10,000	$ 20,000	$10,000 will be for the annual license and fees. $20,000 will be for initial set up and training.
Employee Incentive Plan	$ 200,000	$ -	This is included as a cost but it will not be an additional expense as there is currently a similar plan in place.
360 degree feedback	$ 25,000	$ 2,500	Initial set up cost and per employee cost of the program.
Employee Rewards Program	$ 5,000	$ -	Establish a pool of funds to be administered as employee rewards.

Year	Total Expense	Annual Expense	One Time Expense
1	$ 262,500	$ 240,000	$ 22,500
2	$ 240,000	$ 240,000	$ -
3	$ 240,000	$ 240,000	$ -

Total cost to administer the program is approximately $240,000 per year. Year 1 has start-up

costs of $22,500. This is comprised of the initial set up and training for the Predictive Index

program and initial set up for the 360 degree feedback tool. Of the estimated $240,000 annual

cost, $200,000 is made up of the incentive program for employees. Citizens Bank currently has

an incentive program in place that would be re-worked to fit the program so that is not a true

additional cost.

Along with the cost of the program there will be time implications for existing staff. The

majority of this time commitment will be from senior level employees and will not have an

additional financial burden on the Bank. The table below will consider the estimated expense

associated with the salaried employees participating in the program.

Item	Annual Expense	One Time Expense	Explanation
Onboarding of new hires	$11,500	$ -	Estimated 15 new hires per year. Estimated Mentors salary of $80K/yr. If Mentor allocates 20 hrs to employee = $11,500
Job Shadowing	$2,700	$ -	Estimated 20 employees per year. Estimated salary of employees shadowing $35K. 8 hrs of shadowing per employee = $2,700
Quarterly employee reviews	$18,500	$ -	Estimated salary cost of Supervisors time at avg salary of $80K and 1 day per quarter allowed for reviews = $18,500.

The purpose of the program is to elevate the Bank's performance through employee engagement

and satisfaction. The cost of the program is relatively inexpensive due to the fact that no

additional full time employees will be needed, the employee incentive plan is already being accrued and most of the additional labor costs are being absorbed by salaried employees.

NON-FINANCIAL IMPACT

The final, and equally important, aspect of this program is the non-financial impact that it would have on the Bank. As a stockholder, you want to grow the bank's customer base and bottom line. Although financial goals are essential, there are many other factors that affect business performance. Non-financial objectives, such as those revolving around customer loyalty, employee wellbeing and productivity also matter. These all have a direct impact on the banks performance and revenue.

When looking at the non-financial impact to the Bank it can be divided into two sections. The first thing to look at are any organizational hurdles that may prevent the Bank from reaching its desired goals and in turn how the Bank plans to overcome those hurdles. The expected hurdles are as follows:

1. **Lack of Commitment**
2. **Resistance to Change**
3. **Communication Change**

After those are identified there must be measure in place to monitor the impact. The three key measures that will be considered are.

1. **Customer Measures** - Reaching out to the customer
2. **Employee Engagement and Satisfaction** – Drinking the Cool-Aid
3. **Internal Process Measures** - Ensuring proper policies and procedures are in place

Each, on their own, are significant; however, when combined as a whole, they define the importance of looking at the non-financial aspect of the Culture Program in a positive way. When looking for improvements and/or growth, the financial gain is usually the end game. Citizens Bank wants to show that it considers all aspects, financial and non-financial benefits, when working to improve employee morale and customer experience.

ORGANIZATIONAL HURDLES

When implementing the culture change there will be imbedded hurdles to overcome. Those hurdles consist of ensuring everyone is committed to the vision, being willing to change the way things have always been done and communicating effectively.

An effort to change culture is not an overnight fix. This can take five or more years to fully see the results. Employees can often see this as a phase and simply endure the changes assuming it will eventually go back to the way it's always been. Management and the Board have to be fully engaged and supportive of the vision. Culture is often strengthened when a CEO or President is passionate and consistent with the message. Engaging all of management and the Board will ensure that the vision is held firm and that commitment to culture is an expectation.

Change can often times be met with resistance from employees and in turn prevent change from taking place. The status quo tends to be more convenient and comfortable, so resistance to a new process or structure is almost inevitable. Reasons employees tend to resist change are fear of loss of control, changes to everyday work habits and uncertainty about the future. This is why it is important to inform and educate employees why change is necessary and to reinforce the changes in the organization. It will be important to know which employees to target initially to

increase the chance of change taking place. Also, resistance can come from anywhere in the organization so it is important that management identify and respond to sources of resistance.

Communicating cultural change is another important and challenging part of the cultural change program. Determining who needs information, what information needs to be circulated and what motivates employees are all critical. The CEO or President will need to communicate bank wide to all staff and stakeholders. Employees will need to be fully informed about what is changing, the reasons for the change and what is now expected.

OVERCOMING HURDLES

The hurdles identified above are addressed in several ways that will help get everyone aligned and ensure the message is consistent. The first task is to make sure Managers are Leaders. Leaders will inspire their employees and put the focus on the people where Managers simply focus on processes.

The development of weekly meetings among each department will help bring employees together and bring focus to items that must be addressed. Engaging employees in the conversation of what is and what is not working is imperative. Managers will be asked to report on things discussed in their weekly meetings at the monthly management meeting.

Citizens Banks internal intranet will be utilized to push out an employee lead "shout out" campaign to encourage others when they see them going above and beyond to help others. This campaign will recognize others good deeds with messages posted on the employee intranet and be followed by #crushedit. It is noted in the book "The Surprising Effects of Employee

Recognition and Appreciation"[17] that 44% of employees give regular peer to peer recognition when they have a tool that makes it easy. Posting it on the internal chat is a great way for employees to highlight the achievements of others in front of their colleagues.

MEASURES TO EVALUATE THE IMPACT OF CHANGE

CUSTOMER MEASURES

Everyone wants happy, loyal customers. These customers will recommend your product or service to others and ultimately drive the bottom line. The best way to attain this goal is to build processes around customer satisfaction. Ways the program will address this are as follows:

1. **Leverage Social Media -** We are now a culture of social media. From Facebook to Twitter, from Instagram to Snapchat, from YouTube to TikTok, we are living in a world fueled by "what's happening right now". The history of social media is relatively short in terms of time, but this doesn't make it any less exciting or influential. Today, social media is an integral part of the lives of people around the world. Overall, there are some 2.62 billion social media users around the world and this number is expected to grow to over 3 billion by 2021[18]. This is where the bank can grow its relationships with its customers. Social media can help the bank build online traffic, create brand awareness and communicate with customers and potential customers. Social Media when used strategically, is the most powerful marketing tool that the world has ever seen. So how does the bank leverage social media?

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[17] https://www.tinypulse.com/blog/sk-18-creative-employee-recognition-ideas

[18] https://historycooperative.org/the-history-of-social-media/

a. Engage Millennials – Traditionally banking has been boring. Use social media to create a more retail feel. The use of videos and images on social media can gain the attention of consumers and help separate Citizens Bank from the crowd. Hi-light events, charities, financial tips and fun facts to keep it interesting. Explain how the products or services work and make sure they can be presented digitally.

b. Focus on Customer Service – Using social media to learn about customers and engage them is important. Offering an avenue for them to give feedback can be very beneficial. Ways the program will accomplish this are as follows:

- Surveys

- Twitter Polls

- Contests and Giveaways

c. Be personal – Personal stories and challenges are rarely boring and connect with consumers. When you hear of specific struggles or successes a business has it is engaging. Use social medial to share these stories. Share stories of personal lives, communities and small businesses and how Citizens Bank plays a role in those stories.

2. **Speak to Customers** – While social media has taken the place of much of today's conversation, some customers still like to communicate one on one. Building strong customer engagement and relationships take conversation. Getting answers to pertinent questions demonstrates a desire to know more about the customer and in turn take care of their needs. Customer surveys will be used either through mail outs, phone calls or personal conversations. This is a quick and easy way to get information.

Employee Engagement and Satisfaction

Employee engagement is a direct result of company culture. It reflects how employees feel about their jobs and the direction of the bank. A strong culture gives employees a clear direction and path to achieve the goal. Engaged employees are happier, more motivated and likely going to stay with the bank. Overall an engaged employee is more:

- Connected to the Bank's mission

- Motivated to exceed their goals

- Proactive in learning new things

- Positive in their attitude

- Committed to the Bank

In a 2015 survey by Deloitte University Press[19], HR managers rated culture and engagement as the most important issue affecting an organization. This highlights the need for business leaders to understand their organization's culture and look for ways to better engage employees. The program will use the following methods to help engage employees:

1. **Get to know them**. Getting to know employees is an easy way to engage employees. Learning about them, their families and their goals allows leaders to develop a stronger rapport with them. Simply find time to speak to them, ask how they are doing or ask about their interests or hobbies. This is a simple way to make employees feel appreciated and show that you care about them as a person and not just an employee.

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[19] Deloitte University Press / DUPress.com

2. **Communicate**. Communication is often the number one issue when employees are asked about company culture. Employees need to be communicated with and made to feel a part of the overall plan. Keep them abreast of any changes that are coming down the pipe or simply let them know how the bank is doing. For employees to have a vested interest in the Bank they should be made aware of the successes, challenges and failures. Provide employees with a briefing using team or departmental meetings. This will allow them the opportunity to develop new ideas for weaker areas and continue to grow the areas that are doing well.

3. **Empower employees**. Employee empowerment, like employee engagement, is crucial in business. More companies now understand that when you give employees more responsibility and power, it can benefit both the employee and the business. Empowered employees are often times more loyal, committed and productive. Through the program employees will be surveyed to see where the pinch points are and things that are hindering productivity. Management must listen to the responses and find ways to eliminate roadblocks and allow employees to make decisions.

4. **Employee feedback**. While culture will develop over time there is no guarantee that it will look like what you think it will. By listening to employees and acting on their feedback, Management has the ability to be proactive in creating and maintaining a positive atmosphere. As part of the program, Management will communicate with employees and encourage feedback through routine employee reviews, 360 degree feedback tool and employee surveys.

Internal Process Measures

This measure falls back to the implementation of a Vision Statement. Not only is this Vision Statement a clarification of the Bank's goal, but it's also a view of how Management intends to move forward, stay on track, and strive to be the best. Introducing a Vision Statement to the Bank is an ideal way to get employees on board. When the employees can visualize the goal, it becomes attainable. When the goal is attained, morale is improved. The Vision Statement, as previously stated, is the road map to defining the Bank's culture. A couple of ways the program will improve internal processes and procedures are as follows:

1. **Clarify job roles** – Each employee and department should know exactly what their job is and how that job fits in to the overall direction of the bank. Job descriptions should not only describe the position and expertise needed but also include any soft skills that would make a candidate ideal for the culture. A service component should also be included for every position.

2. **Eliminate roadblocks** – When employers see performance issues a common cause is roadblocks. Something in the day to day routine that slows down production or service. Roadblocks can include policies, procedures or personal behaviors which keep employees from performing their work in the most productive manner. A plan will be put in place to periodically meet with employees and get input on what they are seeing. That information will be discussed among Management and acted on if needed.

Working under pressure is sometimes expected; however, without a clear vision and understanding, that pressure is intensified. The work environment needs to be as free from stress as possible. Confusion and misunderstandings of one's job duties, as simple or complex as it

may be, can cause unwanted and unnecessary stress. This program will minimize the stress of the day-to-day workday by nurturing employees to learn the culture of banking and showing that the Bank is actively working to build relationships with its employees.

Results of Non-Financial Impact

With the Vision Statement and Policies in place and the implementation of goal-oriented and team building exercises, the Bank will grow. The Bank will grow financially and, equally important, non-financially. The Bank will gain the customer's loyalty by being open and transparent with its customers. Whether using social media or making a phone call or having a luncheon, the customers want and deserve to be treated as though they are part of the Bank's family…the Bank's culture.

Customers not only notice how the Bank handles their finances, they also notice how the employees are treated, how the employees respond to inquiries, and the employees' overall morale. The employees will be educated on the Culture and, moreover, know that they are appreciated within the company. The Bank will meet opportunities and concerns with answers and solutions. There will be challenges to face; however, with each challenge, there will be a lesson. And each lesson will empower the employee with the knowledge and skills to perform their jobs in a more productive way. This empowerment will benefit the employee going forward to improve job satisfaction, company morale, and even staff retention.

Teaching employees about the Bank's culture is imperative to implementing the Culture Program. We must reinvent the mindset of "that's how it's always been" and "that's how I've always done it" into the culture of "I want to learn the best way" and "I'm willing to try

something new". By encouraging this positive mindset, we will grow as a company and as individuals.

Whether it's an employee's first day on the job or an employee's 40th year, the same vision should be taught and understood. Whether the customer has $100 or $1,000,000 in the Bank, they should feel like they have chosen the right bank. There is a trickle-down effect to this program. Knowledge improves job satisfaction. Improved job satisfaction creates improved productivity. Improved productivity creates improved morale. Improved morale creates improved customer engagement. And improved customer engagement improves customer relationships. And that is the ultimate goal of this program: Strengthening the Bank at its core, unifying bonds with its employees, and reinforcing relationships with its customers by educating, learning, and embracing this new Culture of banking.

CONCLUSION

Tracking and managing the basics such as asset growth and asset quality, deposits, loans, and financial performance is the standard. Citizens Bank needs to put the same effort into managing and tracking our culture and service. The culture program will be cost-effective as the expenses are minimal to implement and nearly non-existent to maintain. The benefits will be apparent not only internally, but also externally, breaching from business into personal. When employees are educated, empowered, and rewarded, unnecessary work stress can be minimalized or even avoided. This simple, yet extremely effective program demonstrates that the Bank is actively engaging the employees and building a long-lasting relationship. Customer service would flourish as employees are educated with the most up-to-date training and empowered to engage customers without fear of retribution. A culture program has been discussed for several years

without being executed. Now is the time. Citizens Bank must implement a culture program to increase morale, empower employees, and improve customer service. And that is the ultimate goal of this program: Strengthening the Bank at its core, unifying bonds with its employees, and reinforcing relationships with its customers by educating, learning, and embracing this new Culture of banking.