

Case Study



Building a Culture of Process Improvement

A PROCESS IMPROVEMENT CASE STUDY
— **BNC BANK**

 info@extracoconsulting.com

 **1-888-797-7468**

 extracoconsulting.com

 @ConsultExtraco

BACKGROUND

Building a Premier Franchise in the Carolinas and Virginia

BNC BANCORP is the parent company of BNC Bank (formerly the Bank of North Carolina) and is headquartered in High Point, North Carolina. As of December 31, 2016, the bank had 82 locations and \$7.4 billion in total assets. BNC is the largest community bank headquartered in North Carolina and has strong momentum with substantial earnings. BNC is also a proven acquiror with fifteen completed acquisitions, both whole bank and FDIC-assisted.

BNC has a consistent record of growth since only having \$102 million in assets in 1997. While the early 90's were turbulent times to open a bank, that didn't stop the BNC Bank's Five Steering Committee Members (and later members of the Board): Groome Fulton, Bob Burleson, Lenny Peters, Lloyd Higgins, and Carl Hoffman. In fact, Dr. Peters still serves on the Board of Directors. The bank made its first acquisition in 2001, and has since become a buyer of choice. Rick Callicutt, one of the bank's first employees, became the CEO and President of the Bank of North Carolina and BNC Bancorp on June 11, 2013. Mr. Callicutt remains the driving force behind the daily banking operations and expansion efforts, as well as the recent growth initiatives.

While much has changed from the early days in 1997, the bank's commitment has remained the same.

BNC BANK MISSION STATEMENT

At BNC Bank, our mission is to provide the best banking experience possible by anticipating your needs, and exceeding your expectations while assisting you in achieving your short-term and long-term financial goals. We are committed to providing a challenging and rewarding work environment for our employees, while maintaining solid financial strength to ensure superior returns for our shareholders.

ACQUISITION EXPERIENCE

BNC has become the "Acquiror of Choice" in the Carolinas

| Acquisition Target | Date | Rationale |
|--|------------|---|
| High Point Bank and Trust Company | 11/1/2016 | Market Expansion with a Local Presence |
| Southcoast Community Bank | 6/17/2016 | Expansion in key SC markets |
| CertusBank, N.A. (7 branches) | 10/16/2015 | Expansion in key SC markets |
| Valley Bank | 7/1/2015 | Strong Core Deposit Base, Virginia Expansion |
| Harbor National Bank | 12/1/2014 | 100% Core Deposits-Charleston SC Expansion |
| Harrington Bank | 6/1/2014 | 100% Core Deposits - 33% Non Interest DDA - Raleigh CSA |
| Home Savings Bank of Albemarle, Inc. SSB | 4/1/2014 | 100% Core Deposits - Charlotte CSA Expansion |
| Randolph Bank & Trust Company | 10/1/2013 | 100% Core Deposits - Loans Primarily Retail |
| First Trust Bank | 11/30/2012 | Strong Core Deposit Base - Charlotte Metro Expansion |
| Bank of Hampton Roads (2 branches) | 9/21/2012 | 100% Core Deposit - Raleigh CSA Expansion |
| KeySource Commercial Bank | 9/14/2012 | Diversify Lending - Raleigh CSA Entry |
| Carolina Federal Savings Bank (FDIC) | 6/8/2012 | 100% Core Deposits - Charleston, SC Market Entry |
| Regent Bank, South Carolina | 12/31/2011 | 100% Core Deposits - Greenville, SC Market Entry |
| Blue Ridge Savings Bank (FDIC) | 10/14/2011 | 100% Core Deposits - Loans Primarily Retail |
| Beach First National Bank (FDIC) | 4/9/2010 | Strong Core Deposits - Reduce Wholesale Reliance |

15 Acquisitions since 2010

10 Banks Completed | 3 FDIC Assisted | 2 Branch Transactions

PROCESS REFINEMENT

Building a Culture of Process Improvement

Almost every community bank could benefit from a process refinement project once every five to seven years to identify opportunities based on external environment changes, customer preference changes, technology enhancements, and a multitude of other factors. Based on the astounding growth the Bank of North Carolina has experienced since 2010, Rick Callicutt scheduled a site visit in Texas to learn more about Extraco Banks and Extraco Consulting in early 2013. Extraco Consulting offers Bank-to-Bank Guidance based on proven methodologies tested and refined in their bank, Extraco Banks, which are customized to meet the culture, market, and strategic objectives for each bank client.

Following BNC Bank's site visit at Extraco, Mr. Callicutt engaged Extraco Consulting to perform a process refinement assessment at BNC Bank.

Extraco Consulting worked with a Project Manager at BNC Bank, currently Annette Rollins - Executive Vice President and Chief Human Resources Officer, to complete the process refinement assessment.

This service includes six primary steps (shown right) to create a Project Plan and Timeline for implementation.



Step 1: Conduct Employee Surveys

Extraco Consulting utilized an electronic survey tool to encourage employee participation through maintaining the anonymity of the feedback provided by participants. Employees were further encouraged by the leadership at the BNC Bank to provide honest feedback in order to assist with capturing the maximum amount of insight to support the process refinement assessment. Two survey question sets were administered, focusing on the operational (or retail support) impact of processes and the customer facing impact of processes. The survey response rate for customer facing personnel was 61% and 38% for support personnel, providing an overall response rate of 50%. Feedback requested through the survey included information regarding frequent errors, time associated with error corrections, work-flow and items that impede work-flow, technology functionality, manual process identification, and individual opinions regarding where the responsibility for tasks should lie to create the most efficient processes for the organization. Responses were reviewed individually to determine specific processes and departments requiring an observation focus. Responses were also consolidated for trend analysis to support achieving the greatest impact to the organization through in-person observations.



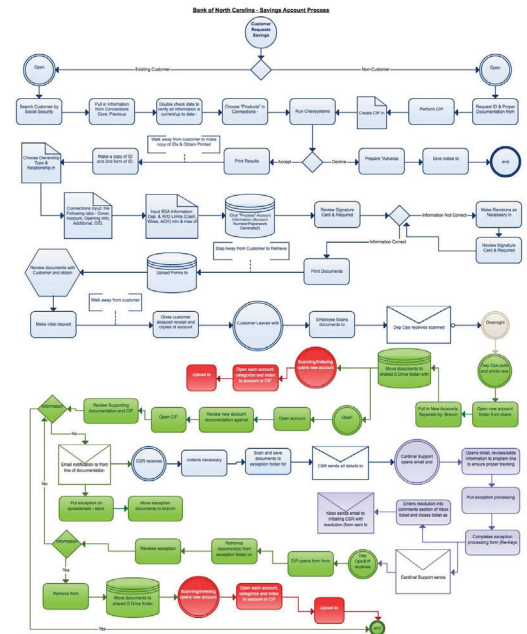
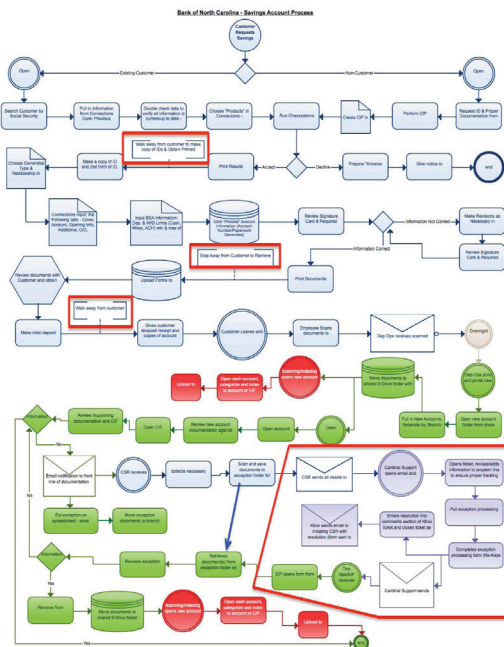
Step 2: In-Person Observations

Following the review of the employee survey responses and the identification of trends and opportunities for improvement, Extraco Consulting spent 253 hours onsite between a team of five consultants. The team conducted interviews and observed personnel performing processes and procedures in their live environment for all front-line and operational (commercial and retail) roles at the bank. More than 100 employee interviews were conducted in person, with additional follow-up interviews conducted remotely.



Step 3: Create Process Maps

Each process reviewed by Extraco Consulting utilized a process map(s) to support the process of identifying refinement opportunities. A key was provided to reflect the meaning of the shapes in the process maps, as well as the color coding reflecting when the process changed departments in the procedure. It is important to note that the processes were mapped (example shown below) based on the functions actually being performed and not based on the documented procedure. In fact, Extraco Consulting specifically did not review documented procedures prior to conducting the in-person interviews and observations.



Step 4: Identify Opportunities

More than 125 procedural opportunities were identified and presented to the Leadership at BNC Bank.

Examples of opportunities outlined in red.



Step 5: Champions Prioritize Opportunities

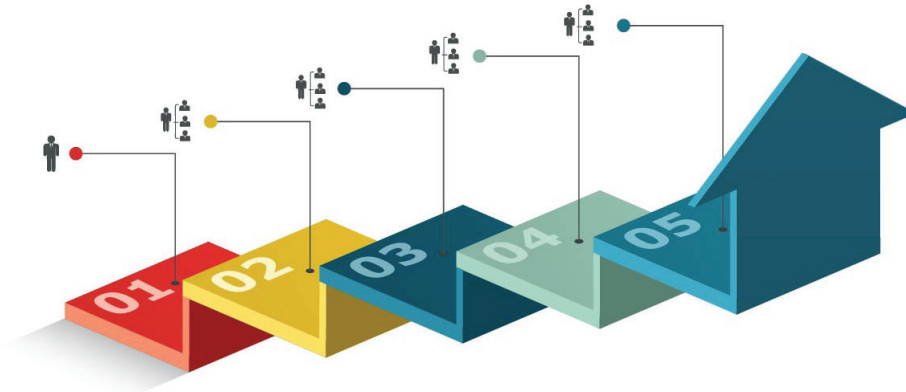
Extraco Consulting conducted in-person workshops with each department champion at the Bank of North Carolina to review the process maps, employee feedback trends, and recommended guidance to streamline the processes reviewed. The recommendations were categorized based on functional area with the largest impact, as well as "quick wins" and long-term strategies. Extraco Consulting recommended staging the "quick wins" throughout the project plan to keep momentum through the project and share success stories consistently throughout the entire project. Upon conclusion of the workshops, each department champion was charged with prioritizing their top 7 to 10 initiatives to include in the bank's project plan. The departments championing initiatives for their areas include Consumer Banking, Deposit Operations, Loan Operations, Central Document Preparation, Call Center and Automated Solutions. Human Resources serves as a critical partner for all departments and also serves as the BNC Bank Project Manager for the Process Improvement Project.



Step 6: Build Project Plan & Timelines

Extraco Consulting assisted each departmental champion with developing goals for each prioritized initiative, including three to five action steps to complete each goal. Critical partners and estimated time-lines for completion were included for each action step and goal (*illustrated below*).

Each goal has 1 to 5 action steps with critical partners and projected timelines



Each Champion updates their project plan monthly.

ONGOING PROJECT MANAGEMENT The Formal Project Plan and Timeline

BNC Bank engaged Extraco Consulting to serve as the project administrator to support Annette Rollins, the BNC Bank Project Manager, with developing the formal project plan and timeline, as well as perform the ongoing administrative responsibilities, through Annette's management. On a monthly basis, the departmental champions complete a turn-key project form provided by Extraco Consulting to reflect their progress on each action step for each goal. The project plan update templates require only a few minutes of the champions' time to complete each month, due to the turn-key nature of the template. Upon submission of the progress reports from each champion, Extraco Consulting updates the project plan document and the respective time-lines to reflect the percent completion for each action step and goal. The departmental champions are able to propose modified time-lines and action steps, which are approved by Annette prior to Extraco Consulting including the modified information in the project plan. (*Example project plan shown on bottom left.*)

| | Task | Assigned To | Start | End | Dur | % | 2015 | | | | | | | | | | | | 2016 | |
|---------|---|--------------------|---------|----------|-----|-----|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|------|-----|
| | | | | | | | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
| 1 | BNC Process Refinement Project Plan | Mary Beth Blackman | 1/1/15 | 1/31/16 | 371 | 75 | | | | | | | | | | | | | | |
| 1.A | Call Center | | 1/1/15 | 1/31/16 | 371 | 75 | | | | | | | | | | | | | | |
| 1.A.1 | Develop Metrics for Monitoring Performance | | 1/1/15 | 1/31/16 | 363 | 25 | | | | | | | | | | | | | | |
| 1.A.1.1 | Establish service expectations and implement Customer Experience expectations | | 1/1/15 | 2/28/15 | 9 | 100 | | | | | | | | | | | | | | |
| 1.A.2 | Establish quality assessment observations and communicate all grading benchmarks for CC Specialists. Minimum of 4 observations per month per specialist | | 2/12/15 | 2/28/15 | 11 | 100 | | | | | | | | | | | | | | |
| 1.A.3 | Develop prioritized measurements based upon integration with national solutions | | 3/1/15 | 13/1/15 | 192 | 25 | | | | | | | | | | | | | | |
| 1.A.4 | Finalize/Implement measurements and communicate with team | | 12/1/15 | 12/1/15 | 31 | 10 | | | | | | | | | | | | | | |
| 1.A.5 | Develop Incentive Program | | 1/1/16 | 1/31/16 | 10 | 10 | | | | | | | | | | | | | | |
| 1.B | Create Observation Function for Customer Care | | 1/1/15 | 1/31/15 | 69 | 100 | | | | | | | | | | | | | | |
| 1.C | Include Customer Care on all Branch Communication | | 1/1/15 | 11/30/15 | 330 | 100 | | | | | | | | | | | | | | |
| 1.D | Refine, align and execute call handling responsibilities in conjunction with Automated Solutions | | 2/1/15 | 12/31/15 | 333 | 14 | | | | | | | | | | | | | | |
| 1.D.1 | Collaborate with Automated Solutions team to determine call handling responsibilities | | 2/1/15 | 4/30/15 | 69 | 100 | | | | | | | | | | | | | | |
| 1.D.2 | Gain consensus regarding role clarity and call handling responsibilities | | 3/30/15 | 1/31/16 | 46 | 100 | | | | | | | | | | | | | | |
| 1.D.3 | Determine FTE impacts to new responsibilities and alignment | | 4/1/15 | 12/1/15 | 128 | 25 | | | | | | | | | | | | | | |
| 1.D.4 | Consolidate phone numbers for customer alignment | | 12/2/15 | 12/31/15 | 31 | 25 | | | | | | | | | | | | | | |

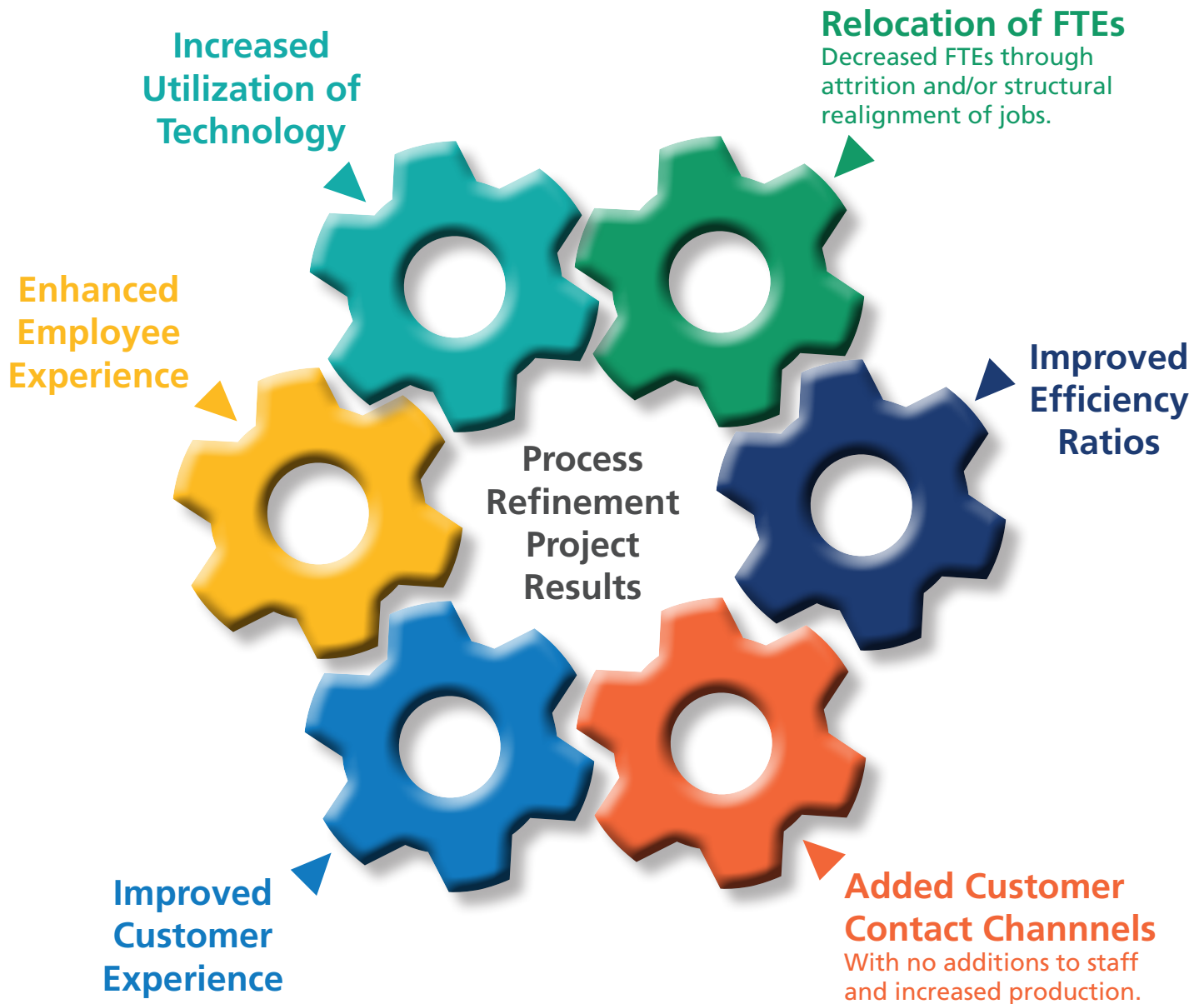
BNC Bank also engaged Extraco Consulting to assist the project champions through a retainer of creative hours. Extraco Consulting provides creative support to develop documents, templates, employee training materials, and any other items as agreed upon. Annette also oversees the retainer hours usage and provides recommendations to the project champions for usage of the creative support.

Annette and Extraco Consulting have bi-monthly update calls to review the project plan and any items of special mention so Annette can meet with the bank's stakeholders to support them with completing their projects. Annette conducts champion meetings as appropriate to celebrate their successes and review the upcoming opportunities and timelines.

RESULTS

BNC Bank Results

The project concluded in April 2016. **BNC Bank experienced more than a 7 to 1 ratio on process improvement quantified results versus expenses for consulting services/assistance.** In addition, the savings recognized from the project are not just a one time savings factor, the results are **annualized savings** for BNC Bank.



CULTURE OF PROCESS IMPROVEMENT

Continuous Process Refinement

While the aforementioned project plan involving seven departments at BNC officially concluded in April of 2016, there is a greater benefit provided to the bank through this engagement - Building a Culture of Process Improvement throughout the entire organization. While there is a projected time-line for this project, there is always an opportunity in any organization for process improvement, especially in a growing organization such as the BNC Bank.

Hear from the Bank of North Carolina

"Extraco Consulting seeks to understand what is at the core of a client's value proposition. They do this by building a relationship with the client to understand its historical perspective, corporate values, current competitive market and strategic direction. The professionals at Extraco take a thoughtful approach that combines depth of knowledge and expertise in a collaborative way. Their observations and recommendations are fact and experiential based. BNC Bank is a fast-growing organization in a highly competitive and regulated environment, and Extraco Consulting has been a critical engagement for us as we continue to build for the future."

Annette Rollins

Executive Vice President &
Chief Human Resources Officer



1-888-797-7468

extracoconsulting.com