

Missouri Quality Award Application

April 25, 2008



ORGANIZATIONAL PROFILE

P.1 Organizational Description

On any given day, the more than 1,000 employees of the Federal Reserve Bank of St. Louis (the Bank) and its branch offices located in Little Rock, Louisville, and Memphis are serving varied constituents located in parts of seven states that make up the Eighth Federal Reserve District. The Bank helps manage and stabilize the \$14 trillion U.S. economy and advance monetary policy with a focus on maintaining low inflation; interacting with the U.S. Treasury (Treasury) and Federal Reserve staff to ensure that the Federal Reserve System (FRS) is effectively serving as fiscal agent and depository to the Treasury; fostering safe and responsible banking practices through its ongoing examinations of 95+ state member banks and supervision of 600+ bank holding companies and other related entities throughout the Eighth District; processing millions of paper checks and pieces of U.S. currency each day, helping to ensure that the U.S. payments mechanism functions smoothly and facilitates healthy economic activity; and developing relevant community economic development and financial education programs, and sharing beneficial regional economic research with the public, including bankers, business and government leaders, educators, and community development practitioners—helping to foster an economy operating at maximum sustainable capacity.

A key responsibility of the FRS is to contribute to maximum sustainable economic growth by maintaining low and stable inflation; this is sometimes termed a dual mandate which is directed at promoting both full employment and price stability.



Bank Footprint

The Bank's strategic plan has four basic elements: mission, vision, core values, and goals and objectives. The Bank's mission describes its purpose, its reason for being. The Bank's vision defines what it aspires to be. The long-term goals outline what the Bank hopes to accomplish in support of its mission, and its core values are the qualities the entire organization, including each employee, should demonstrate every day in order for the Bank to reach its ultimate goal.

Services		Delivery Mechanisms
Monetary Policy	<ul style="list-style-type: none"> Economic research and publications Information and data services 	Participation on the Federal Open Market Committee (FOMC); speeches to Bank constituents; and web site, publications, and conferences
U.S. Treasury Services	<ul style="list-style-type: none"> Overall coordination of FRS Treasury Services Strategic consulting and relationship management Cash management, forecasting, and accounting 	Consultants supporting Treasury business lines; call center; and application development and support
Public Programs	<ul style="list-style-type: none"> Community economic development Financial and economic education Economic information sharing 	Publications; meetings; conferences and seminars; online data collection and reporting tools
Bank Supervision and Regulation	<ul style="list-style-type: none"> Examinations and inspections Collecting and processing banking and financial information 	In-person examinations; reports of findings and ratings; online reporting and monitoring tools; and meetings and conferences
Payment Services	<ul style="list-style-type: none"> Check clearing Currency, coin, and food coupon processing 	Courier; electronic; and web-based alternatives

Overview of Services

The Bank's St. Louis headquarters is its largest office with approximately 930 employees. Little Rock and Louisville are smaller public outreach-focused offices; the Memphis office employs about 80 employees.

Because positions across the Bank vary widely, educational levels range from a high school degree or equivalent, to Ph.D.s in economics. Some professional positions require technical certifications as entry requirements.

Employees expect the Bank to provide a safe and collaborative environment in which to work.

The Bank offers a diverse, competitive package of benefits to meet the needs of its varied workforce, including health insurance, a defined benefit pension, a 401'K' plan, tuition reimbursement, on-site seminars, a subsidized on-site cafeteria, and an on-site fitness center.

A nationally managed, secure, and reliable technology infrastructure enables operations to support internal and external customers.

Given the Bank's role in the U.S. financial system, physical and information security is of utmost importance. The Bank has secured its facilities and data to ensure employee safety and to prohibit unauthorized access.

As an integral part of the nation's central bank, each of the 12 Reserve Banks (RBs) performs functions defined in the Federal Reserve Act (FRA). RBs are subject to oversight and certain policies established by the Board of Governors (BoG) of the FRS, a federal agency. RBs are not federal agencies; rather, they are federally chartered corporations owned by their member banks. An RB's member banks include all national banks within that RB's district, as well as each state-chartered bank within such district that applies and is

Elements	Definitions
Mission	<p>The Bank's mission is to promote stable prices, encourage maximum sustainable economic growth, and support financial stability for constituents in the Eighth District and throughout the United States by:</p> <ul style="list-style-type: none"> • Advancing monetary policy focused on low inflation; • Performing effectively as the fiscal agent and depository of the U.S. Treasury; • Fostering safe and responsible banking practices; • Providing beneficial regional economic research, community development programs, and economic and financial education; and • Providing and promoting efficient, reliable, and accessible payment services.
Vision	<p>To be a vibrant, viable Reserve Bank—providing high-quality, innovative products and services that meet the needs of its constituents—even as the environment in which the Bank operates changes dramatically. The Bank's influence and visibility will grow, consistent with the role of a central bank, for the good of the constituents in the Eighth District.</p> <p>To be a benchmark provider of services among Reserve banks and a leader in shaping the future of the Fed's business and support functions. The Bank will provide a working environment that attracts and retains exceptional employees who can learn, grow, and succeed.</p>
Core Values	<p>The core values that guide the Bank's organizational decisions and actions are:</p> <ul style="list-style-type: none"> • Commitment to the Public Interest: Being mindful of its legacy and opportunity to positively influence society, the Bank endeavors to provide outstanding service to the public, U.S. government, and the financial community that is consistent with its mission. • Integrity and Respect: The Bank seeks to operate in a transparent manner and adhere to the highest standards of honesty, fairness, and discretion in its dealings with the public, business partners, and its colleagues. • Independence of Views: The Bank seeks input from a variety of sources and values professional judgment. • Innovation: The Bank strives to foster an innovative culture where creative ideas for improvement are encouraged. • Teamwork: The Bank values the diversity of one another and the benefit derived from collaboration, teamwork, and open communications. • Ownership: The Bank values personal ownership and accountability as a key to fostering high levels of performance. • Customer Satisfaction: The Bank values its customers; whether external or internal customers, the Bank wants to ensure they are receiving the best possible service in the most efficient way.

Bank Mission, Vision, and Core Values

approved for membership. As a federally chartered corporation, each RB is subject to certain federal laws applicable to private businesses, including those relating to equal employment opportunity. RBs are also subject to certain state and local laws, such as those governing the payment of real estate taxes.

The FRA requires that supervision and control of each RB be exercised by a board of directors (BoD). Each of the Bank's three branches also has a BoD; however, branch boards are advisory in nature and help to serve a community outreach function. Although branch boards do not report to the BoD, the BoD solicits regional economic information from branch board directors.

Day to day management of the Bank rests with its president/CEO, its first vice president/COO, and its Management Committee (MC) which, in addition to the president (who reports to the BoD) and first vice president (who reports to the president), includes six senior vice presidents.

The Bank provides high quality, innovative services consistent with its customer's expectations of a central bank.

In addition to regular interactions with constituents and suppliers, several formal events occur to promote information exchange, feedback, and relationship building.

P.2 Organizational Challenges

The FRS is undergoing an unprecedented level of change as a result of changes in consumer payment preferences, technological advances, consolidations within the banking industry; regulatory changes, and cost efficiency pressures. These factors have resulted in large-scale functional consolidations within the FRS, resulting in a shift of operational accountabilities among RBs.

Because RBs and the BoG constitute the only central bank in the United States and with a structure far different than other nations' central banks, the ability to find meaningful comparative data for the services provided by the Bank is limited. Some support areas, such as Human Resources and Information Technology, have comparative performance data.

Continuous improvement efforts are driven at a variety of levels throughout the Bank. Organizational learning (which is supplemented at the division/department/work unit level) is enabled through formal training opportunities and is complemented by knowledge sharing and best practice exchanges via roundtables, participation on local and national workgroups, Info Shares, Lunch & Learns, and other means. Innovation and knowledge management tools are available to foster discussion around new ideas and to leverage institutional knowledge.

Services	Key Customers and Stakeholders	Requirements
Monetary Policy	The FOMC; other economists; financial market participants; and the general public	Valuable advice; educational publications; and availability of, accurate data and information services
U.S. Treasury Services	Department of the Treasury; financial institutions (FIs); other RBs; and the BoG	Effective leadership; responsiveness; and cost-effective services
Public Programs	FIs; government agencies; and educational and community-based organizations	Relevant, quality information that is accessible
Bank Supervision and Regulation	State-member banks; bank and financial holding companies that are Fed members; and the BoG	Knowledgeable and professional workforce; and accurate exams

Overview of Customers and Stakeholders and Requirements

CATEGORY 1 – LEADERSHIP

1.1 Senior Leadership

The Bank's vision and core values are jointly developed, refined, and communicated by the MC, with input and oversight from the BoD. Each year, as part of this strategic planning process, the Bank conveys its direction for the upcoming three-year period to all staff. The Bank deploys the plan, which includes the vision and core values, through widespread communication to all management and employees. This results in the development of individual performance objectives that tie to the plan, and closely aligned financial plans and compensation systems (i.e., merit and variable pay) that tie to key strategic initiatives. The Bank's CEO and COO are actively involved in communicating the strategic direction of the organization and providing clarification to staff via Town Hall meetings and other venues. Also, the Bank's COO plays an intrinsic part in new employee orientation by personally visiting with most new hires to share the Bank's vision and culture, ensuring that all employees have an understanding of what the Bank seeks to achieve and how it conducts its business.

Key stakeholders, customers and others learn about the Bank's commitment to its vision and values through ongoing interactions with staff. These groups have an opportunity to influence Bank performance through informal feedback, as well as by responding to Bank-initiated surveys.

Staff and senior leaders mingle freely whether over meals, in the halls, or when resolving issues. Senior leaders interact with employees from their respective divisions on a regular basis (through casual conversation, staff meetings, project oversight meetings, and one-on-one development discussions) to reinforce and ensure progress in achieving the Bank's strategic objectives. Senior leaders actively encourage and reward innovation, teamwork, leadership, and customer service efforts through performance evaluations, compensation, and formal and informal staff recognition programs.

The Bank's senior leaders promote an environment of zero tolerance for legal and ethical lapses. They do this in many ways, including: The Bank's Ethics Officer (who is also a senior vice president and the Bank's general counsel) writes a periodic ethics column; the Bank's CEO and COO distribute an annual EEO letter to all Bank employees emphasizing the Bank's commitment to equal employment opportunity and ensuring an environment that is free from harassment; the Bank's COO writes and distributes periodically throughout the year a publication called "Bankline" in which he responds to questions from employees about a variety of issues, including those relating to legal and ethical behavior; selected senior leaders

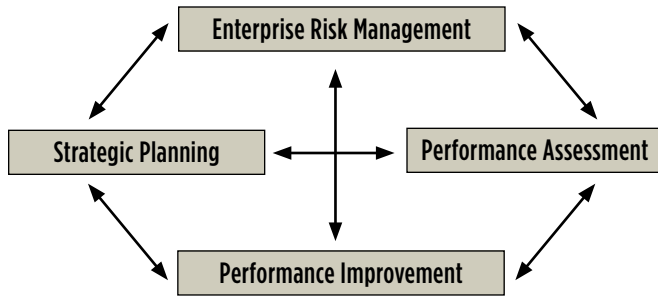
participate as members of a panel which, under certain circumstances, is convened to address employee complaints; and the Bank's senior managers have frequent formal and informal discussions (through Town Hall meetings, e-mails, newsletters, and other venues) with employees during which they discuss, promote, and respond to many questions, including those relating to legal and ethical compliance.

The senior leaders ensure sustainability by continually assessing the environment in which the Bank operates; setting and communicating a clear vision; staffing with capable employees; and monitoring ongoing success in achieving critical outcomes. Integration between strategic planning, enterprise risk management, organizational performance assessment and performance improvement processes supports the overall services the Bank provides. The Bank's vision statement, developed by senior management, explicitly states that the Bank will be a "benchmark provider" in all aspects of performance, serving as a clarion call for Bank staff to continually enhance performance. The Bank COO plays an active role in the review and refinement of performance metrics. Additionally, senior leaders for years have challenged employees to be role models in leading and shaping an evolving central banking system. Drawing on well-established and anecdotal industry performance metrics, as well as examining the performance of other RBs, senior leaders encourage each functional area to examine its performance to gauge ongoing progress in attaining and maintaining a leadership position in performance.

Recognizing that exceptional performance requires exceptional employees, senior management developed a Bank goal to foster an environment "that attracts and retains exceptional employees who can learn, grow, and succeed." The expectation is clear that employees will continuously learn to improve skill sets, enabling the Bank to deliver exceptional products and service to its customers. Through the Bank's performance management process, senior management ensures that all Bank staff have a formal development plan against which progress is tracked throughout each year. Supplementing the one-level-up review process of annual performance appraisals, the COO reviews performance appraisals for all Bank officials.

Senior leaders serve as mentors informally and formally through the Bank's mentor program. In addition to development programs tailored for a given individual, the Bank has instituted two management development programs, Leadership Development (a comprehensive leadership development initiative), whereby current and future Bank leaders are exposed to leading edge training that features nationally recognized experts, and Talent Management (succession and development planning). The Bank's senior management

is actively involved, personally reviews and discusses talent management results for all levels of management. Annually, the Bank's COO meets with the BoD to discuss succession planning for senior officers.



Integrated Processes

Based on Bank-solicited stakeholder and employee feedback, senior management has identified a number of targeted organizational initiatives as a call to action for improved performance, one of which was internal communications. Echo, a cross-divisional workgroup, was created in 1999 to develop new employee communication programs and to serve as an employee communications sounding board. Echo established new communications mechanisms (such as Town Hall and Info Espresso meetings) that enhanced the existing direct interaction between senior management and the Bank's workforce. Echo sponsors Bank-wide promotional campaigns focused on encouraging employees to take a personal role in improving the Bank's communications environment by speaking up when they have ideas and listening more closely to their colleagues.

Senior leaders communicate the direction of the Bank, share progress on achieving the Bank's strategic goals, and seek feedback from the staff, particularly on the culture and operating environment. In-person meetings are supple-

mented with written memoranda and articles in internal Bank publications.

The Bank's core value of teamwork highlights senior management's commitment to open communications. The Bank operates with an open-door policy; anyone in the workforce can surface an issue to any member of management.

Senior management is actively involved in setting variable pay programs across the organization (which are tied to key objectives) and is typically involved in recognizing and rewarding staff for high performance.

By asking employees to integrate their performance objectives with the strategic plan, the Bank creates alignment and focus for achieving its vision. A first step in this deployment process is establishing plans for each division, a process that the division SVP oversees. The strategic plan places emphasis on improving performance from a variety of perspectives, starting with the vision of being a benchmark provider of services, which is also represented in Bank objectives to improve customer satisfaction, Bank services, and work processes. The performance dashboard is the primary tool the Bank uses to review organizational progress in meeting stated goals. Supplementing the higher-level dashboard performance view, each division has a more detailed performance monitoring process in place.

1.2 Governance and Social Responsibilities

The Bank completes annual self-assessments, conducts periodic employee surveys, and fosters an environment in which employees can ask management questions and surface issues through various means without fear of reprisal. The Bank's governance system is designed to ensure that management is held accountable for achieving all aspects of the Bank's strategic plan. Management must comply with FRS and

Meeting Types	Leads	Audiences	Topics	Frequency
Corporate Town Hall Meetings	CEO, COO, MC	All Bank staff	Corporate strategic direction and staff Q&A	Annually
Divisional Town Hall Meetings	Divisional SVP	All division staff	Divisional issues and staff Q&A	Annually
Senior Officer Meetings	COO	VPs and SVPs	Strategic and operational issues	Twice per quarter
Bank Management Meetings	COO	All Bank management	Strategic and operational issues	Quarterly
Info Espresso	Leader of a given topic	Interested Bank management	Key organizational topics	Monthly
Divisional/Departmental Meetings	Divisional/departmental management	Divisional/departmental staff	Key divisional/departmental topics	Monthly/ad hoc
Key Announcements	CEO/COO	Affected staff	Varies	Ad hoc

Communication Meeting Approaches

Bank policies and maintain appropriate documentation supporting its decisions.

The BoD receives periodic reports on performance related to meeting the Bank's goals. The BoD, whose membership must meet certain statutory guidelines, is independent of management. The BoD reviews Bank policies, including those relating to financial and operational performance, compliance with controls, work climate, and HR issues. The BoD's Audit Committee reviews reports prepared by the Bank's auditors, as well as audit reports prepared by the Bank's outside auditors and other entities that conduct audits of Bank activities.

The Bank has numerous controls to monitor fiscal performance, including compliance with AS5, preparation of an annual budget, and a monthly review of budget variances. The budget is reviewed and approved by the MC, the BoD, and the BoG's Bank Affairs Committee. Spending decisions must comply with the FRS Administration Manual, the Bank's policy on discretionary expenditures, and the FRS Financial Accounting Manual. The Bank has other policies in place to ensure fiscal accountability including guidelines regarding procurement practices, and performance of an annual assertion that complies with AS5.

The Bank shares risk assessments and mitigation strategies with management through the Enterprise Risk Management Advisory Committee. Audit results are shared with senior management and monitored by the MC. The Bank issues and distributes internally and to the public an annual report which includes year-end financial statements. It discloses other relevant information through its public web site and shares information with Bank employees through semiannual Town Hall meetings, and by other less formal means, as appropriate.

Formal evaluation of the performance of senior management is conducted by the BoD, BoG, and by the Bank's CEO and/or COO. The Bank gathers employee perspectives on senior leaders through periodic employee surveys and informal conversations. Senior management compensation is based upon performance against measurable goals, which emphasizes their accountability to be effective leaders. As is the case with all Bank employees, senior management creates annual developmental goals, which include attending various leadership seminars and System meetings on leadership effectiveness.

The Bank approaches all of its activities with sensitivity toward maintaining the Bank's reputation as a trusted, highly credible public service organization that is objective and neutral. Consequently, the Bank continually seeks public input through outreach programs, community events, and periodic public dialogue with the Bank's CEO and other senior leaders. If there is negative feedback, the Bank reviews the concerns, determines who is impacted,

and implements the most effective means to mitigate the situation.

Supplementing the Bank's COSO-based internal control framework, the Bank established the Risk Management Consulting (RMC) department in 2000. The RMC reports to the Bank's COO. One of the roles of the RMC is to oversee the Bank's enterprise risk management (ERM) process, a comprehensive process that identifies events that may affect the Bank's ability to achieve its strategic goals. Awareness of risks leads to more effective decision-making. Key risks are formally identified annually and reported to the MC and BoD. Quarterly status reports are also provided.

A similar ERM process is deployed across the FRS, which encompasses the identification of cross-district risks. Risk assessments are performed throughout the year with communication through FRS ERM leaders to senior management. Risk events that occur are also communicated through the FRS to provide early warning to other RBs.

Bank management discusses its business plans with other RBs when System issues are involved that might have a larger public impact. The Bank's Legal division is well-integrated into the business planning process so that legal issues can be identified early and resolved appropriately.

Legal offers periodic training sessions on topics relevant to the Bank's management. Training sessions may be delivered to a broad audience or tailored to a targeted audience. Training reinforces the message that the Bank's lawyers should be consulted regarding legal and ethics issues, and this has resulted in more routine calls for legal guidance.

Ethical behavior is an expectation of all staff. To reinforce this expectation, the Bank has put the following mechanisms in place:

- Distribution of the Code of Conduct (the Code) to all staff
- Ongoing ethics and legal issues training
- Inclusion of ethical behavior as a competency in performance evaluations
- Procedures for reporting potential violations and to request guidance
- Bank surveys including questions regarding employee views of the Bank's operating environment
- Ethics monitoring and reporting processes

Ethics is discussed during new employee orientation, and most new employees must complete an online course on the Code within the first 90 days of employment. Ethical behavior is included as a performance competency for all Bank employees and is evaluated as part of the annual performance management process for each employee. Ethics questions are addressed through short, targeted articles in Bank publications. Management frequently communi-

cates to Bank employees the existence of and reasons for the Bank's 24-hour fraud hotline. Management also periodically surveys employees to gauge the effectiveness of these communications and their interpretation of the Bank's performance as it relates to ethical behavior.

The Bank supports its key communities through the services it provides and through volunteer efforts. The Bank's key communities are predominantly the metropolitan areas where the Bank has physical offices (St. Louis, Little Rock, Louisville, and Memphis). Though prohibited from making monetary donations to community or charitable projects, the Bank has a strong public service legacy. The Bank encourages employees to become involved in projects to improve the communities and reflect the Bank's desire to be a vibrant corporate citizen.

To oversee these volunteer efforts, the Bank has established a program office called FEVR (Fed Employee Volunteer Resources). FEVR's mission is to provide a clearinghouse of information on individual and group volunteer opportunities for employees of the Bank and to promote and recognize volunteering. The FEVR Advisory Board, consisting of Bank staff from various departments, manages the Bank's employee volunteer efforts and oversees the Frequent FEVR Program and the Volunteer Recognition Program to recognize as many employees as possible for volunteer contributions. These programs recognize employees who participate in volunteer efforts through FEVR and those who participate in volunteer work outside of FEVR.

Several Bank employees serve on community boards sharing their leadership, expertise, and passion for improving the communities within the Eighth District.

CATEGORY 2 – STRATEGIC PLANNING

2.1 Strategy Development

The Bank's senior leadership actively participates in developing a three-year direction for the Bank through an annual multistep strategic planning process. Strategic, tactical, risk, and financial planning requires input and participation by all levels of management in the organization. A "top-down/bottom-up" approach (including discussions with FRS Product Offices and/or the BoG where appropriate) is used to assess internal and external environmental factors, define strategic goals, and develop annual Bank-wide and functional objectives. Once the strategic plan and budget are approved, management refines the tactical objectives and begins the process of tying the objectives to individual employees' business planning worksheets, and developing supporting variable pay programs to improve outcomes and ensure staff recognition. Bank goals provide a longer-term strategic direction for the Bank and are relatively static over the planning horizon. Supporting objectives and tactics are refined or reworked annually and are more responsive to changing dynamics.

Over the past several years, the Bank has focused on integrating the strategic planning process with its enterprise risk management efforts to improve the quality of information provided to senior management and the BoD. A group (primarily senior level officers) representing all functional areas within the Bank meet monthly to share information and provide input into the planning process. A key product of this group, the ERM Advisory Committee (ERMAC), is a "living" environmental assessment document, which captures external and internal factors confronting the organization and provides insights into potential opportunities and challenges for the Bank. The assessment is shared with the MC as part of its initial strategic planning deliberations. Following the MC's input, the assessment is circulated among Bank management as an important foundational basis for individual division planning.

In setting strategic goals, senior management prioritized the goals in order of importance for the Bank's long-term sustainability as an organization. The Bank's strategic goals are ongoing in that they are never "completed."

The strategic goals and supporting objectives support the Bank's mission and vision statements, and are tailored to meet the opportunities and challenges identified in the environmental and risk assessment processes. The environmental assessment provides the essential information enabling management to identify and document existing and emerging stakeholder needs, and immediate and longer-term opportunities, as well as challenges that the organization must confront.

2.2 Strategy Deployment

Once the corporate direction is established by the MC, individual divisions/departments develop annual strategies and objectives that lead to meeting near-term and longer-term bank goals. Tactical plans follow and cascade from the broader Bank and division goals, with management assigning individual responsibility to Bank staff. The Bank encourages management to tie the specific objectives for the individual to the specific Bank goals so that the connection is apparent and any gaps can be identified. The Bank COO is highly involved in ensuring that the action plans developed in support of key objectives are thorough and well thought out.

Outcomes are sustained due in part to the Bank's approach to organizational performance monitoring and reporting. In conjunction with establishing the Bank's strategic plan, performance indicators are defined to assist in determining the progress in achieving a particular objective.

The Bank's strategic planning process incorporates financial planning (including national business guidelines, where appropriate) to ensure that adequate resources are provided for planned activities. During the planning cycle, the MC reviews all Bank plans to prioritize activities, assess trade-offs, and ensure that adequate resources are provided to meet planned activities. A key aspect of this phase in the planning cycle is the development of business cases whereby new initiatives or innovative ideas to deliver improved services or products are presented to the MC for funding. Trade-offs are assessed in this process, and key Bank activities are prioritized to ensure that the organization effectively balances near-term and longer-term goals of customers and stakeholders. Through this planning process, a proposed budget is developed and presented to the BoD and BAC. As a part of the Bank's enterprise risk management process, risks are identified, assessed, and monitored.

Through chain-of-command interactions (supplementing the performance monitoring processes in place in business areas), senior leaders discuss objectives that are off-course, as well as possible corrective actions to be taken. Affected parties are quickly assembled, and revised plans are developed and shared with affected parties, including senior management, for approval. If warranted, the BoD and/or BoG are consulted and approval obtained. The modified plans are deployed. Tracking mechanisms are revised as necessary.

Through the strategic planning process and the assessment of changes in the Bank's external environment, management assesses its resource capacity and capabilities to effectively

and successfully achieve existing objectives and identify any future gaps. The process enables cross-divisional discussions from which trends in organizational human resource needs emerge. These trends are important to Human Resources (HR) in its program planning and delivery.

Annually, the Bank assesses human resources market conditions in its four offices to ensure that compensation and benefit packages remain competitive for the positions needed. The Bank is committed to continuous development for its staff to ensure that the workforce is capable and that the Bank continues to be viewed by current and prospective employees as an “employer of choice.” If internal candidates are unable to be effectively trained to meet emerging requirements, the Bank will look externally to fill needs.

The Bank has developed a robust performance dashboard supporting its strategic goals and objectives and routinely updates metrics to reflect the Bank’s current direction to provide relevant indicators of performance. As divisions and departments evaluate the broad direction set out in the plan, tactical plans are developed, and individuals across the Bank prepare action plans to support the tactics. Bank management encourages, through its performance management process, tying staff plans to the Bank’s goals and strategies to ensure that there is alignment and ownership. This process supports MC’s expectation that employees find themselves in the Bank’s plan. The nature of the Bank’s planning and performance assessment processes ensures that all affected employees and stakeholders are addressed.

At the conclusion of each year, the Bank undertakes a detailed self-assessment reflecting the organization’s success in achieving its near-term strategic goals and objectives and longer-term vision. Gaps in performance are identified as part of the Bank’s ensuing strategic planning exercise, and appropriate adjustments are made. Assessment is not a once-a-year process; the Bank regularly reviews performance and identifies and addresses performance gaps.

The Bank’s vision of being a benchmark provider of services drives action to improve upon a prior year’s performance level.

CATEGORY 3 – CUSTOMER AND MARKET FOCUS

3.1 Customer and Market Knowledge

The Bank is similar to a diversified corporation given its variety of distinct business lines, customers, and constituents. The Bank carries out broad functions in monetary policy and service to Treasury as part of its role in the FRS. The customers for these businesses are largely defined within the FRA. In monetary policy, the Bank supports the BoG and the FOMC in promoting stable prices, encouraging maximum sustainable economic growth, and supporting financial stability for constituents in the Eighth District. The FRA also allows Treasury to designate RBs as fiscal agents to perform a variety of financial services.

In addition to the above, the Bank engages in economic research, public programs, supervision and regulation, and financial services, focusing within the boundaries of the Eighth District.

Due to the variety of customers and customer groups within the Bank’s diverse businesses, identification of future customers is tailored by each division. In most cases, customers are identified through pre-established relationships and networks developed over time. The Bank maintains relationships with banking industry participants, community and business leaders, and economists. As a result, customers of competitors are included in the process of customer identification.

The Bank obtains the views of customers through formal and informal methods. Formal evaluations are completed for a number of business lines, including Treasury Services, public programs, supervision and regulation, and payment services. These evaluations provide the Bank with valuable information.

Beyond formal evaluations from customers, the Bank values face-to-face communications with customers. In the areas of monetary policy, Treasury Services, and public programs, regular dialogue with key customers provides a more precise understanding of customer requirements and expectations. To meet differing needs of a diverse customer base, the Bank employs a variety of communication channels. It has established, in some areas, formal advisory councils, which provide face-to-face opportunities to gather feedback for monetary policy and public programs. As an innovative way to capture economic information important to the Bank’s constituents, the Research division has recently created a new quarterly publication—“Burgundy Books,” which will take a detailed look at economic data for the District, providing more focused and comprehensive snapshots of the regional economies. This new product was the direct result of feedback received from Bank constituents.

The Bank incorporates information and customer feedback, as well as each division’s tactical goals for the year, in its strategic planning process. While Bank divisions monitor marketing, sales, and customer retention data, such information is used to varying degrees by each division, given the Bank’s role as a not-for-profit organization.

During its year 2000 strategic planning process, the Bank introduced a customer service initiative with the goal of incorporating an explicit customer focus into all services performed by the Bank. As part of the customer service initiative, the Bank established an annual service improvement planning process (SIP) to provide a framework for business areas to outline their strategy for delivering service to internal and external customers. The annual planning phase prompts business areas to consider their customers’ needs with a focus on continually endeavoring to improve

Services	Listening Methods	Output Examples
Monetary Policy	Dialogue with key constituents; advisory councils; and board of directors meetings	FOMC action; and enhancements to online research tools
U.S. Treasury Services	Pre-established check point calls; frequent face-to-face meetings; application release surveys; and annual customer satisfaction surveys	New products/services; software enhancements; and consistent compliance with standards
Public Programs	Event surveys; constituent evaluations; advisory councils; and dialogue with constituents through meetings	Relevant outreach programs; new venues; and targeted research
Bank Supervision and Regulation	Post-exam evaluations; and dialogue with constituents through meetings	Revised procedures; personnel training; and enhancements to online tools
Payment Services	Formal customer evaluations; quality kick-back cards; and feedback through sales calls	New products/services; revised procedures; training; and educational campaigns

Examples and Outcomes of Listening Methods

services, largely using direct feedback from customers to help drive this strategy. The SIP incorporates an assessment of the current service environment, service objectives spanning a 12-18 month period, and mechanisms for accountability. The process requires business areas to document their feedback and results. As this is an annual process, it also focuses on year-over-year improvements.

The SIP process asks business areas to develop “Deliver + 1” objectives to demonstrate the manner in which they will deliver superior service by either enhancing an existing service or providing a new service to customers. This provides an opportunity for business areas to solicit customer feedback and create innovative ways to exceed customer needs.

The Bank listens and learns from its customers. In particular, the consistent, ongoing dialogue with customers, combined with the Bank’s extensive networks in banking, community, and economic circles, allows the Bank to adjust its strategies, as well as its listening and learning methods.

3.2 Customer Relationships and Satisfaction

Strong relationship management is the cornerstone of the Bank’s customer service culture. In each of the Bank’s divisions, employees are expected to immerse themselves in the business of the customer, and to serve as the point of contact for customers. In several business areas, the Bank regularly hosts conferences and meetings, providing opportunities for relationship-building with customers and positive referrals for new business opportunities.

As a part of the customer service initiative the Bank offers a variety of training programs to reinforce the skills needed to provide excellent customer service.

The Bank maintains a number of key access mechanisms enabling customers to seek information, conduct business, and provide feedback. An award-winning external web site

offers research tools and service descriptions. This web site is specifically designed for easy customer access and readability, and includes e-mail contacts and phone numbers inviting customers to contact the Bank directly with questions and concerns to be promptly addressed by appropriate department staff. A toll-free telephone number provides access to any business line within the Bank. Other customer access channels include speeches, examiners, surveys, community work groups, and boards. Customer service centers are embedded in several of the Bank’s business lines, and related customers are directed to these service areas as part of the new customer orientation process. Customer-facing units are expected to log calls using a standard application. Call statistics are reviewed regularly against target metrics to analyze trends, identify service gaps, and implement process improvements.

The Bank places a premium on direct human interaction. Regularly scheduled face-to-face meetings between key constituents and senior Bank officials provide direct access to decision makers who can quickly address concerns. The Bank uses surveys, informal feedback, and industry “best practices” to ensure that key contact requirements are incorporated into the various access methods deployed. Customer satisfaction metrics are one means for monitoring the effectiveness of these methods. Contact requirements are documented and incorporated into department standard operating procedures, and, in some cases, measures have been established to monitor performance. For example, call centers monitor the time it takes to answer calls to ensure that timely responses are achieved. Additionally, call centers distribute feedback cards to a random sample of callers in order to assess the effectiveness of the service experience.

Many of the Bank’s access methods allow for direct and immediate feedback (including face-to-face meetings, conference calls, surveys following sessions, and account representative management) so that any complaint can be heard and addressed timely. When appropriate, senior management is involved to facilitate prompt resolution of issues.

Types of Programs	Customer Service Components
New Employee Orientation	30 minutes on Bank customer service philosophy, structure, and current programs
Premier Service Providers	Program offers certification in customer service, with different programs for staff and management.
Telephone Training	Phone usage policies; holds, transfers, and voice mail
Raving Fans Training	Concepts include the three tenets of Raving Fans
Telephone Doctor Rx	75-minute facilitated session
Telephone Doctor Video Library	Topics include courtesy and professionalism, handling difficult calls, positive attitude, “forbidden” phrases, and “cardinal rules” of telephone service
Eight Habits Library	Includes books, articles, videos, and audiotapes covering the Eight Habits topic

Customer Service Training Approaches

Operating procedures and practices are regularly reviewed to ensure that employees have the resources necessary to handle inquiries in a timely manner. Front-line customer-facing employees are empowered to “own the issue” and take whatever steps are necessary to resolve issues effectively. The Bank’s “Eight Habits of Exemplary Customer Service” mantras include an expectation that complaints be heard and addressed in a timely manner. Additionally, employees are expected to identify innovations that prevent issues from recurring.

Customer Service Habits
<ul style="list-style-type: none">• Be positive• Own the problem. Own the customer.• Listen to learn• Forge long-term partnerships• Put on the customer’s shoes• Challenge boundaries with innovation• Keep your promises• Be proud

Eight Habits of Exemplary Customer Service

Senior leadership, including the BoD, is also actively engaged in monitoring and addressing customer service issues.

The Bank’s relationship management approach provides opportunities for the Bank’s business areas to remain close to their customers, their requirements, and any changing needs. The annual SIP process, a subcomponent of the strategic

planning process, requires each business area in the Bank to assess the business from a customer service perspective, describe feedback processes, and identify improvements.

Most business areas conduct formal surveys to gauge customer satisfaction and loyalty. Online economic research tools utilize online surveys. Face-to-face educational seminars utilize paper and online surveys. Check encloses quality feedback cards, etc. Business areas typically request feedback in the form of numeric ratings and design surveys to allow for narrative feedback and the capture of specific customer expectations. In some cases, the surveys also request that customers discuss their priorities and future business needs.

The SIP process requires that business areas explicitly state their service objectives and related expectations. All business areas must establish a “Deliver + 1” objective to ensure that they are measuring customer satisfaction and how they exceed those customer expectations. The Bank’s established service culture promotes continuous improvement, and business areas incorporate year-over-year results in their performance reporting processes.

The Bank’s customer service philosophy, training programs, and performance metrics include an expectation to seek input routinely from customers to ensure that the Bank is meeting service expectations. Follow-up to customers on products and services occurs soon after service delivery. Surveys are conducted immediately following conferences, seminars, and meetings to ensure that adjustments can be introduced quickly.

CATEGORY 4 – MEASUREMENT, ANALYSIS, AND KNOWLEDGE MANAGEMENT

4.1 Measurement, Analysis, and Improvement of Organizational Performance

The Bank's strategic planning process serves to ensure strategic and tactical alignment among departments, divisions, and the Bank as a whole. Department/division objectives are built from this foundation. Objectives include action plans and financial and operating targets. Department and staff performance management plans include performance goals. In certain business functions where the Bank acts under delegated authority, such as Banking Supervision, performance is measured against System-wide metrics established by the BoG. In general, these metrics relate to statutory requirements or other performance elements that the BoG determines.

Mechanisms are in place to track and report results. Frequency of tracking varies depending on the nature of the business area and its activities. Production or operational areas, such as Check and Cash operations, tend to monitor operating effectiveness more frequently (sometimes daily), while less production-oriented business areas, like Research, may monitor monthly or quarterly. While a variety of performance measures are tracked, monitored, and reported within individual business areas, the most important are reflected on the Bank's dashboard.

The Bank's dashboard reflects four categories of measures;

- Level of success achieved with strategic goals and objectives
- Financial performance
- Operating effectiveness
- Organizational climate

The tracking and analysis of performance results aids in budgeting, staffing, and investment decisions. Innovation occurs throughout the process, particularly in the planning cycle, as staff and management are encouraged to find new ways to reach new customers, to deliver new services to existing customers, or to deliver existing services in new ways. Innovation is often spurred when operational or financial performance expectations have been raised; staff and management develop solutions and document plans for ways of improving their performance.

The Bank's process for collecting and using comparative data and information involves five steps:

- Identify potential sources
- Review the available data and information

- Determine usefulness of the available data and information
- Incorporate use of selected comparative data and information
- Compare Bank performance to comparative data and information; and identify opportunities for improvement

Sources include industry peer groups and other RBs. Industry data is of most value for those business functions found in essentially all organizations, such as Information Technology and Human Resources.

The Bank has increased its use of comparative data and information over the past several years, in conjunction with its vision of being a benchmark provider of services. In 2005, the Bank formed a Benchmark Provider workgroup to provide an organizational focus on assessing the Bank's performance.

Performance discussions occur routinely at an organization level and within business areas. These activities provide ample opportunity to perform timely assessment of factors that may be signaling the need for change to the Bank's performance measurement systems, realign resources as needed, and develop and execute action plans accordingly.

Risk management activities at all levels of the organization assist in keeping Bank management abreast of changes to the business, political, regulatory, and operating environment, ensuring timely response to change. RMC meets quarterly with business areas to facilitate review of previously noted risks, as well as the identification of new potential risks to the Bank's strategic objectives, development of mitigating strategies, and follow-up on action plans. The Bank's commitment to enterprise risk management aids greatly in the identification, analysis, and understanding of the impact of change.

During the strategic planning process, past performance, organizational capabilities, and business demand are considered together to identify areas for organizational focus. The Bank also considers risk and impact assessments, investment required, and value to the organization when defining organizational priorities. Budgets and resource allocations evolve to support these priorities.

Work is assigned to the appropriate work units, and, ultimately, these efforts are included in individual staff performance plans. For some initiatives, the Bank forms workgroups, with a charter created to designate the scope and expectations of the workgroup. The Bank also makes use of Action Planning Teams (APTs), groups made of

volunteers with a passion for the topic at hand. Individual departments also make use of workgroups and/or APTs to address department specific opportunities.

Leadership informs staff of the areas of Bank focus using a variety of communication mechanisms. This helps to ensure that everyone is aware of and committed to the effort and that decisions are made in support of these priorities.

Bank Initiatives
<ul style="list-style-type: none">• Communications• Customer Service• Enterprise Risk Management• Innovation (APT)• Invest in People (APT)• Knowledge Management (APT)• Staff Development• Work Culture

Examples of Bank Focus

As a part of strategic planning, management assesses performance results and ongoing targets for continuous improvement, i.e., movement toward meeting or exceeding benchmark levels. The associated tactical plans are developed. Review of key processes is performed at the department/division level. Informally, the typical plan-do-check-act methodology is used to plan and implement the process change and monitor results to ensure the intended outcomes are achieved.

4.2 Management of Information, Information Technology, and Knowledge

Data and information is made available to customers and the Bank's workforce primarily through business application user interfaces, web sites, and files/reports, based on the needs of the audience.

The Bank continually strives to improve its data and information sharing capabilities to meet new audience needs. For example, some of the Bank's most important data and information shared with its customers and constituents are through the Research library. Leveraging the Internet, web-accessible databases, and digital imaging/OCR technology has resulted in a move away from supplying paper documents to electronic data sharing, which has extended the reach of economic information beyond the walls of the Bank.

Requirements for software are managed through implementation using the FRS Technology Project Standards, based on the industry project management body of knowledge methodology (PMBOK), to ensure that user-interface and transaction-processing requirements are defined and met.

A newly implemented iterative release management methodology is used to ensure more active user involvement in the design and testing of the application, and that acceptance of functionality occurs throughout the development and implementation lifecycle. Strict application security standards are built into the application during development/integration and are complemented by network security and rigid access control processes.

Hardware (infrastructure, network, desktop/laptop, and mobile computing devices) reliability and security, whether locally or nationally managed, are ensured by using standard-build and security-hardening procedures. Hardware is replaced according to the Bank's standard hardware replacement lifecycle—typically three years to coincide with vendor warranty terms and support recommendations. The Bank network is architected such that only authorized user access and data is permissible into the Bank's network. Over the past few years, increasing use of real-time performance monitoring ensures application and infrastructure service degradations are promptly addressed to avoid downtime. Standard incident management policy and procedure are continually being strengthened to foster rapid resolution should impact occur.

The Bank's change-management process has evolved significantly over the past five years to manage the risk of changes being introduced into the computing environment. Adherence to the change-management policy and procedures is monitored, and improvement opportunities are identified in an effort to ensure that the reliability and availability of the Bank's computing environment are continually maximized.

The Bank is committed to ensuring the availability of the computing infrastructure and data during an emergency, as is demonstrated by the Bank's investment in technology, and organizational resources.

The Bank continually reviews and improves contingency hardware and software requirements to accommodate new and changing business needs. Testing the Bank's sustainability during an emergency is a key component of the Bank's business continuity efforts. Regularly scheduled contingency tests are designed to accommodate a variety of business, technical, and facilities scenarios and involve all business areas. Testing includes table-top exercises for business areas to validate business contingency plans. The Bank conducts lessons-learned after each contingency test to assess its effectiveness and to drive continuous improvement.

A Business Continuity Management Steering Group, with representation from all business areas, governs the Bank's business continuity strategy and promotes an inclusive "business continuity is everyone's job" principle. A dedicated Business Continuity unit, in partnership with Business Con-

tinuity liaisons assigned in each business area, is responsible for executing the strategy. The Bank's Business Continuity Officer ensures that the Bank's roles and responsibilities in support of the FRS business continuity strategy are fulfilled. The MC, which is also the Bank's crisis management team, is updated typically on a semiannual basis on business continuity strategies and progress toward achieving them. The MC also participates in exercises designed to ensure that the crisis management team is equipped to fulfill its decision-making and oversight role in the event of an emergency.

Up-to-date data, information, and computing infrastructure availability begins with planning by business areas, whose strategic and tactical plans define the availability requirements to fulfill customer obligations and workforce needs. Business areas continually strengthen these plans each year to include availability needs for new business and new customers.

The Bank's asset management program defines requirements for hardware and software upgrade and replacement based on vendor warranty terms, license agreements, and support roadmaps. IT staff and management participate in vendor forums, technology conferences, and FRS technology workgroups to keep abreast of changing operating environments across the System and the industry and to make implementation recommendations to enable the Bank to meet its objectives. More recently, national standards are analyzed to ensure the Bank's compliance with evolving operating environment standards.

Business and IT plans are brought together to form the Bank's technology plan. IT budgets are developed using this plan, which is reviewed semiannually. Business Impact Analysis and Living Disaster Recovery Plans, which define emergency availability requirements, are owned by the business areas and are reviewed annually by the Business Continuity unit.

Given the role of the Bank, information security is of the utmost importance. Information classification requirements,

and encryption capabilities, along with the architecture of the computing environment itself, ensure the security and confidentiality of organizational data and information. Department-level risk management activities have grown to include enterprise-level risk assessment and action planning. The Bank requires information security training for all new employees, and security awareness activities occur Bank-wide throughout the year.

Validation activities performed through department self-audits, reviews by internal and external auditors, and the BoG assist the Bank in confirming that it is effectively managing data, information, and organizational knowledge, thus minimizing the potential of reputational risk to the Bank.

The Bank's culture is one of collaboration; ideas and new information are readily shared.

Written documentation is the most tangible manifestation of institutional knowledge; the Bank uses document management tools, repositories, and processes to collect information and make it available as needed. Efforts are underway to employ the use of web-based collaboration tools and knowledge bases that provide a structure for harvesting tacit knowledge. The Knowledge Management APT continues to bring organizational awareness to the value of formal knowledge management practices and supporting tools.

Employees participate on local and FRS project teams and workgroups, as well as vendor/supplier local interest groups and industry/regional communities of interest, to foster knowledge, expertise, and best-practice sharing. Focus groups, surveys, and information exchanges are facilitated on particular organizational topics (e.g., innovation and customer service) as another means of knowledge sharing. Customer focus groups, surveys, the Bank's web site, research publications, account/relationship management, and regional public programs are all ways that the Bank exchanges information with its customers.

Knowledge Areas of Focus	Approaches
People	<ul style="list-style-type: none"> • Policy and procedure documentation • On-the-job training • Trained backups • Development plans
Process	<ul style="list-style-type: none"> • Bank, FRS, and industry groups • Conferences and seminars
Environmental	<ul style="list-style-type: none"> • SWOT • Comparative information and data • Legal/regulatory updates • Bank-sponsored events

Management of Organizational Knowledge

CATEGORY 5 – WORKFORCE FOCUS

5.1 Workforce Engagement

In 2007, the Bank contracted with Morehead and Associates (Morehead), an organization that measures workforce commitment and engagement. Based on Morehead's research, what employees rate as important factors is reflected below.

Factors
<ul style="list-style-type: none">• Business ethics/citizenship• Effective co-worker relations• Effective leadership• Employee involvement and recognition• Fair compensation• Growth and development• Job-Person match• Quality and customer focus• Regard and respect for employees• Work- and personal-life balance

Workforce Engagement Factors

The Bank also considers employees' perspectives through the Bank-wide Town Hall meetings, where all employees have an opportunity to learn about Bank initiatives and ask questions of the senior leadership team and through "BankLine," a publication in which the Bank's COO answers questions submitted anonymously by employees. The Bank also listens carefully to information that surfaces from discussions with employees and looks for trends or patterns.

The Bank uses formal and informal means to foster a high-performing and motivated culture. Individual and department objectives, as well as individual performance and reward processes, are tied to the Bank's strategic direction and goals, which enables employees to understand how they contribute directly to the Bank's success. Messages about the Bank's strategic vision and changes in the Bank's functions are openly discussed and reinforced in face-to-face meetings and other regular communications, which fosters open communication and keeps everyone informed where the Bank is headed.

Action Planning Teams (APTs) were created from grass-roots interest by cross-functional staff and management teams and are empowered to address certain issues or improve certain processes within the organization. An "Invest in People" APT was the catalyst for the current talent management processes, as well as a number of work/life balance initiatives. The creation of the Diversity Council was an outgrowth of the Work Culture APT, resulting in an enhanced focus for a more inclusive and diverse work environment. The Bank has provided diversity

training over the years. 2006 marked the inaugural year of the Diversity Council. The Diversity Council sponsors events to help maintain awareness of the value of diversity and to keep inclusion high within the organization.

Teamwork, innovation, and customer satisfaction are also all a part of the Bank's values. A variety of approaches fosters open communication across all levels.

The planning component of the Performance Management Process is an annual process made up of three sections:

- Individual business objectives are identified that tie to department objectives, which, in turn, support the Bank's strategic plan and goals. Each Bank goal reflects accountability to one of the constituents or customer segments it serves.
- Competencies are identified that are relevant to the individual's job and measures his/her skills in their use.
- Development plans are created for all employees. By encouraging frequent supervisor-employee discussions about job expectations and the employee's performance and development, the Bank fosters engaged employees who know where they stand in terms of their performance and understand how they personally fit into helping the Bank achieve its goals.

The Bank maintains compensation programs that are internally fair, offer employees competitive pay, and reward individuals based on their performance. The Bank supports the basic compensation philosophy of "pay for performance." Under this system, rewards (salary increases and variable pay) are tied to an employee's actual performance as measured in the Performance Management Process. Better performance results in larger rewards. The Bank's variable pay program recognizes individuals for performance that demonstrates initiative, major contributions to key Bank strategies, or work that shows that an employee went above and beyond what is normally expected in a particular work situation. Exceptional performance in achieving organizational objectives and providing outstanding customer service are just two of the criteria for which monetary recognition may be awarded. Bank-wide recognition and financial rewards also include the President's Award for Leadership, which was created in 2004 to acknowledge and reward individuals or groups contributing significantly toward System or District achievements.

The Bank uses an integrated strategy, called the Staff Development Plan (SDP), for all of its personnel-related processes:

- Selecting qualified people
- Developing their job-related skills and knowledge
- Managing their performance
- Cultivating their talent

Culture Focus	Bank Programs/Initiatives
Cooperation, Effective Communication, and Skill Sharing	<ul style="list-style-type: none"> • Standing employee team focused on internal communications (Echo) • New Employee Orientation/Reception (introduction to Bank processes, values/culture) • Bank and FRS intranet sites; Quickplace/Sametime information sharing capabilities • Lunch & Learns • Info Espresso meetings
Effective Information Flow/ Two-Way Communication	<ul style="list-style-type: none"> • Semiannual Bank-wide Town Hall meetings • Quarterly management meetings • Regular department and team meetings
Individual Goal Setting/ Empowerment and Initiative	<ul style="list-style-type: none"> • Bank-wide communication of strategic plan; Bank goals cascade to department goals • Individual business goals link to Bank goals; individual development goals link to personal career goals • Integrated Staff and Leadership Curriculum training (focused on achievement) • Action Planning Teams • Employee and Peer Recognition programs; and President's Leadership Award • Online/automated access to Bank learning opportunities • Educational assistance program
Innovation and Diversity	<ul style="list-style-type: none"> • Employee team focused on innovation (Innov8); online innovation resources (i-Bank) • Diversity Council and HR-led diversity-related activities

Programs Fostering a High-performing and Motivated Culture

Approaches	Subjects Addressed
New Employees	<ul style="list-style-type: none"> • New Employee Orientation (HR) <ul style="list-style-type: none"> - Strategic plan and goals; values - Conversation with COO • Supplemented department orientations for functional or specific business knowledge (departments) • On-going on-the-job training (departments)
New Management or development of someone being considered for management	<ul style="list-style-type: none"> • Foundational Management curriculum • Segments on financial and risk management, human resources • Management challenges • Senior leader panel (Q&A)
As-needed training	<ul style="list-style-type: none"> • New technology • New processes
Breadth of general opportunities	<ul style="list-style-type: none"> • Mentoring program • Educational assistance • Cross-functional FRS project teams • On-site technical training (Computer Basics; MS Office Suite; Lotus Notes) • Access to comprehensive e-learning library • Premier Service Provider Program (customer service)
Business-area specific	<ul style="list-style-type: none"> • Structured programs (Banking Supervision and Regulation and Information Technology)

Staff Learning Opportunities

At the heart of the SDP are the Bank's competencies—behaviors that employees use to meet the Bank's goals. The competencies are the foundation upon which all staff development activities are based. Eight to eleven competencies, from among 67 standard competencies, were selected

by teams of employees through card-sorting exercises. This competency-identification process generated dialogue and fostered a common meaning of the competencies for the Bank, culminating in approval by the Bank's MC. Competencies were then integrated into all aspects of the SDP, such

as interview questions, 360-degree feedback tools, performance management, and development offerings.

The Bank uses several means to understand the development needs of the organization. HR periodically surveys Bank management to understand current and upcoming development needs (competency-based and other). Information from industry best-practice surveys, satisfaction feedback on current offerings, departing employees' exit interviews, and other informal employee feedback help validate the formal data and are used by HR to drive adjustments to current offerings and development of future offerings, as well as to ensure that the offerings are meeting the organization's needs.

The Bank provides a "Learning Resource Center" equipped with eight personal computers. The center is open to all staff to improve their computer skills, as well as to access internal or external learning resources and for hands-on classroom training on computer-based applications. On-the-job training, including cross-training, takes place at the work-unit level, which is aided by procedure manuals and related job aids. Development is a key focus of the Bank.

Leadership development has been a Bank focus over the last several years, with the introduction of a Leadership Series in 2003. This Series emphasizes the best thinking and academic research on the topic of leadership and promotes action planning and practical application within the Bank.

The Bank uses individual program evaluations, research/comparison of best practices, focus group discussions, interviews, and informal feedback to assess and make improvements to learning and development programs.

The Bank encourages every employee to manage his/her own career, with the support of management. Employees have online resources, including career-planning and interviewing tips on the Bank's intranet site.

Talent management discussions and annual development conversations keep leaders and employees in touch with employee strengths, development opportunities, and potential matches for future advancement. The current talent management tool combines point-in-time information on an individual's performance and potential and is part of the overall talent process, which begins with recruiting the right people and extends through the employee's life cycle at the Bank. This more formal tool, which the Bank implemented in 2004, provides a consistent framework for discussions across units, within departments, and across departments. General discussions center on development of high-potential individuals and their ability and readiness to assume higher-level responsibilities and cross-functional assignments, and to fill future succession opportunities. Senior leaders also annually review senior officer-level succession plans with the Bank's board of directors. Leaders rely on a variety of ways to develop high potential individuals including through additional funding for external learning opportunities, development assessments, mentoring,

Type of Opportunities	Subjects Covered
Development of personal attributes	<ul style="list-style-type: none"> • 360 Feedback Process • Annual Leadership Training Curriculum
Development of organizational knowledge	<ul style="list-style-type: none"> • Presentations/interactions with Management Committee • Foundational Management Curriculum • Reassignments across departments
Ethical business practices	<ul style="list-style-type: none"> • Ethics training • Annual legal issues training
Core competencies, strategic challenges, and accomplishment of short- and long-term action plans	<ul style="list-style-type: none"> • Quarterly leadership meetings with COO • Federal Reserve System Leadership conferences
Organizational performance improvement, change, and innovation	<ul style="list-style-type: none"> • Performance and Talent Management process training
Breadth of leadership development opportunities	<ul style="list-style-type: none"> • FRS Leadership Exchange Programs • External coaching program • External Assessments • Leadership of Bank-wide Action Planning or Project Teams • External leadership programs • Mentor Program

Learning and Development opportunities for Bank Leaders

personal coaching, and strategic placement of candidates in cross-functional job assignments.

The Bank uses formal and informal methods to assess employee engagement and satisfaction throughout the organization. The primary formal measure for employee engagement and satisfaction is the use of biennial employee opinion surveys. Employees rate the Bank on a given topic and also indicate how important the topic is to them.

In addition to the survey results, the Bank uses other means to assess engagement, such as Town Hall meetings (nature of questions and comments) and employee participation in Bank events and development opportunities, which help gauge whether employees seem connected to each other and are able to take advantage of job-related enrichment opportunities.

HR monitors a variety of data sources, such as exit interviews and turnover, to help assess the level of employee engagement at the department or Bank levels. HR works with departments, offering resources as needed to identify and address any underlying issues. If systemic issues emerge, HR brings them to the attention of senior management.

5.2 Workforce Environment

Capability and capacity needs surface via several standing processes.

A key source of candidates comes from existing employees who refer individuals for specific positions.

When additional resources are needed, departments work with HR, which posts positions internally and externally in media (web sites, newspapers, and specialty publications) depending on the nature of the position. The Bank participates in career fairs, college recruiting forums, and various networks that broaden its reach for candidates.

HR screens candidates initially through behaviorally based interviews to ensure that the candidates meet minimum requirements. Top candidates are interviewed using competency-based questions. Once hired, the Bank provides an extensive full-day orientation program, substantially revamped in 2006, to ensure a meaningful and positive first experience with the Bank. After the one-month mark, HR leadership invites new hires to a luncheon designed to provide new employees an opportunity to obtain answers to any lingering questions and HR an opportunity to get first-hand feedback on onboarding experiences. New hires also are invited to a reception within the first six months of employment to meet the Bank's officers and other members of management.

Retaining employees depends on a variety of factors. The Bank focuses on the fundamentals for most employees: providing challenging, meaningful work, competitive compensation and benefits packages, and a culture in which each person is treated with respect and given the tools to succeed.

The Bank is committed to diversity, and its approach to recruiting is directed at attracting candidates who are reflective of its diverse community. The Bank has designed its

Means	Details
Risk management	Senior management reviews information on the external environment, identifying and ranking risks including those related to resource capacity.
Strategic Planning	As a part of the planning process, division and departmental heads assess resources (number, type, and skill levels) required to achieve strategic objectives.
Talent Management	Cross-divisional and divisional planning meetings are held annually.
Budget Planning	Resources are managed financially through this process. Each department head has flexibility to manage its resources within its approved budget. However, as additional resource needs arise, departments can request added capacity via the budget exceptions/business case process for additions in the next budget year.
Employee Opinion Survey	The Bank reviews employee feedback to determine where resource issues may exist.
Staff Development and Performance Management	The Bank reviews data for specific job groups to determine what competencies need improvement, if objectives are not being met, and where performance gaps exist. Development plans are established for staff members through the performance management system.
Employee Relations	Informal information gathered is analyzed and shared with division heads as appropriate.
Employee Assistance Program	Data is reviewed for trends in employee issues (stress, depression, etc.)

Capability and Capacity Assessment Methods

benefits packages to appeal to diverse groups of employees and recently expanded its EEO statement to reflect that the Bank does not discriminate on account of marital status, sexual orientation, or gender identity.

The workforce is organized around the Bank's major functions. Management responsibility and accountability for organizational results, planning, and monitoring are cascaded throughout the organization into departments and work units. The Bank tightly aligns strategic objectives with a number of other Bank processes, such as risk management, budget, and talent management processes. In addition, the Bank ties variable pay deliverables and cash award decisions to the achievement of key objectives. Through a strong pay-for-performance philosophy, the Bank recognizes performance that exceeds expectations.

Given the Bank's diverse population, choice and flexibility are important parts of the Bank's health benefits strategy. Well-subsidized health and dental benefits entice most employees to enroll in the related plan.

Safety is an important part of the workplace. Entry to permanent Bank locations requires card access. Furthermore, all employees and guests and their property are subject to a security screening upon entry.

The Bank has had a formal safety program in place for more than 10 years. The effort includes a District Safety Officer, Safety Coordinator, and cross-functional Safety Committee. As a result, the Bank has had few serious workplace accidents. If injuries occur, the Bank takes steps to remediate any issues immediately. Through its Safety Coordinator, the Bank hosts an annual Bank-wide safety fair to maintain a heightened awareness by employees of safety issues both at work (workstation ergonomics; air/water quality) and at home (smoke detector and fire extinguisher needs).

The Bank supplements these safety efforts with a Staff Warden Program. Volunteers from each department (70 wardens currently) are trained on first-aid, emergency response, and evacuation procedures. Additionally, all of the Bank's Law Enforcement staff members are trained in basic first-aid and CPR.

The Bank participates in a Workers' Compensation Coalition, which focuses, in part, on improving safety within the FRS. Also, the Safety Coordinator reviews all workplace accident reports for trends and unusual occurrences and institutes changes where needed. The Bank's goal is to minimize the amount of lost time due to workplace accidents.

The Bank continually monitors local and national health and wellness trends, and looks for ways to incorporate additional programs or enhance current programs focused

on improving employee health. The Bank uses employee feedback and participation rates to determine the effectiveness of its various health-related programs.

The Bank undertakes an annual review of its HR and management policies, and seeks input for suggested changes from departments. These policies include work scheduling, employment, attendance, and benefits. This review process, which culminates with review and approval by the MC, evaluates proposed changes and, where appropriate, alters policies to reflect the changing needs of the workforce. Although policies are Bank-wide, the Bank allows departments to exercise flexibility in certain areas, such as work-from-home schedules, to meet the specific needs of their staffs and business areas.

The Bank's benefits are as diverse as the Bank's workforce. The Bank provides retiree medical coverage to employees with ten years of service after age 45 to attract mid-career candidates. The Bank offers flexible scheduling to attract Gen-Y candidates and those with family obligations. Domestic partner benefits are offered to attract candidates with nontraditional families.

CATEGORY 6 – PROCESS MANAGEMENT

6.1 Work Systems Design

The Bank's five core central bank services, which are reflected in the mission statement, are largely defined by the FRA and have been performed by the Bank since its inception in 1913. Goals, objectives, and tactical action plans are in place to support achieving the Bank's mission, which specifically aligns with these core services. The Bank is not driven to sustain itself by taking business away from other service providers; rather, its goal is to provide high-quality services to its constituents, consistent with the mission of a central bank.

The Bank's strategic direction, including which business lines are targeted for expansion and which for exiting, establishes the foundation for work system design and innovation. Work system design includes components of high-level planning, detailed operating practices, and effective performance-monitoring components that reflect customer expectations and FRS and Bank policy.

The Bank's approach to work system innovation reflects a top-down, bottom-up approach. Key components of this approach include:

- Input from stakeholders: frequent communication with key customers, suppliers, and others to solicit input and generate new ideas
- A work environment in which innovation is cultivated: use of Bank-wide groups and automated tools, such as the Innovation Action Planning Team (APT) and i-Bank, to bring forward employee input on a regular basis, in addition to discussions within departments
- Formal assessment processes: periodic evaluation of improvement opportunities from department self-assessments, internal audits, and external reviews
- Reward and recognition: a variety of approaches including the President's Award for Leadership, which recognizes outstanding contributions to the District and Federal Reserve System

Generally, the Bank maintains in-house any key work processes related to products and services, unless specific needed expertise is not contained within the Bank. Thus, the performance of key work processes supporting the Bank's core competencies are largely the responsibility of the Bank.

The Bank structures key work processes to support achievement of the Bank's strategic plan, ensuring a focus on delivering value to customers and constituents, as well as driving organizational success. All work processes directly contribute to one of the Bank's core competencies or a valuable organizational support activity.

The Bank's strategic planning process includes an environmental assessment of key factors and risks affecting the Bank's core competencies and work processes. Informally, input from customers, suppliers, partners, and collaborators are factored into the environmental assessment. As departments and divisions individually define tactical plans, key work processes requirements are refined incorporating input are received from customer/constituent feedback.

The Bank develops technology-based processes using standard technology project management practices (PMBOK, RAD, and ITIL). Groups such as the Bank's Technology Change and Advisory Group and Knowledge Management APT supplement the Bank work units in leveraging the use of technology and organizational knowledge. Also, active participation by Bank leaders on a variety of FRS groups ensures work process relevance, adherence to standards, and incorporation of best practices.

In conjunction with the Bank's vision of being a benchmark provider of services, the Bank focuses on identifying and tracking meaningful measures related to quality, customer service, productivity, and cost effectiveness. Established quality management and requirements management programs, such as those in Treasury Services and Bank Supervision and Regulation, serve to ensure key processes are operating as designed.

The Bank's formal Business Continuity function works with business areas to document and routinely review business continuity plans, and addressing the wide variety of contingency situations faced by the organization. The Bank's crisis management team, consisting of senior officials, oversees the organization's preparedness for disasters and emergencies, and a comprehensive preparedness testing program is in place for all business lines. In addition to these organization-administered exercises, the Bank participates in FRS national business continuity tests and periodic exercises with key customers, buddy banks, and others.

Types of Exercises	Descriptions
Table-top	Review scenarios, walk through responses, and actions
Site Outage	Test business process recovery based on various types of site failures
Full Production	Test business processes during normal business hours at remote facilities
Employee Notification	Test notification processes

Business Continuity Exercises

6.2 Work Process Management and Improvement

Work processes are implemented by:

- testing procedures through internal and external audits;
- training and cross-training employees; and
- validating the documentation of all related tasks, assignments, and other activities.

Once work processes are implemented, performance measures reflecting key requirements are monitored. The Bank conducts department self-audits and risk evaluations to assess process effectiveness and to ensure compliance with controls and standards.

Customer input is central to implementation and management of the Bank’s work processes. Input from advisory councils, focus groups, and customer satisfaction surveys, as well as anecdotal information received in a number of ways, are used to drive process improvement. For example, in Public Programs, constituent input drives needs assessments as the basis for program development and research projects. User needs and ongoing feedback mold the Bank’s web-enabled data services.

The information contained in the given work areas’ risk assessment is fundamental in the design of related control processes. The assessments identify potential risks and the associated probability of occurrences and related impacts; those risks that have a higher probability of occurrence with a higher level of impact will likely result in the establishment of an associated control. In addition, the Bank assigns internal audit liaisons to all operating areas to provide ongoing review and consultation to department management.

Where feasible, the Bank conducts preimplementation tests and small-scale pilot implementations and follows structured change control processes for technology initiatives. Employees are trained and cross-trained on new processes, actively participate in process and control testing, and are responsible for updating operating procedures as part of the change management and review process.

The Bank’s vision to be a benchmark provider drives a wide variety of improvement actions across the organization and sharpens focus on identifying meaningful measures to assess the Bank’s performance against other RBs and industry standards. Improved results require improved processes. The Bank’s improvement process involves:

- Planning: identify areas for improvement, determine cost/benefit (where appropriate) to prioritize changes to pursue, outline changes and related impacts (procedures, systems, resources), and identify how to assess outcomes
- Implementing: staff trained, procedures updated, and changes activated
- Monitoring: track, assess, and communicate outcomes
- Following up to improve the process and associated results: document lessons learned, seek feedback from those who should have benefited from the change (customers, partners), and identify components of the process that need further refinement

Approaches to information sharing reflect a combination of routine Bank communication approaches and less formal information exchanges, as well as leveraging interaction opportunities with sources external to the Bank to discuss and exchange ideas and best practices. Success stories and related lessons learned are routinely highlighted on SL8 and in internal bank communications, such as the “Eighth Note.”

Approaches	Practices
Top-Down (Internal)	<ul style="list-style-type: none"> • Senior officers meetings • Quarterly District management meetings • ECHO employee communications group • Enterprise risk management reviews
Bottom-Up (Internal)	<ul style="list-style-type: none"> • Best practice/lessons learned luncheons • Innovation APT • Knowledge Management APT • i-Bank idea sharing application
System/Industry (External)	<ul style="list-style-type: none"> • District Dialogue discussions • FRS leadership exchange program • Participation on FRS and industry committees and workgroups

Innovation and Organizational Learning Practices