

Optimizing Strategic Planning for Results



Michele Seyranian
October 20, 2008

Who is KeyCorp?



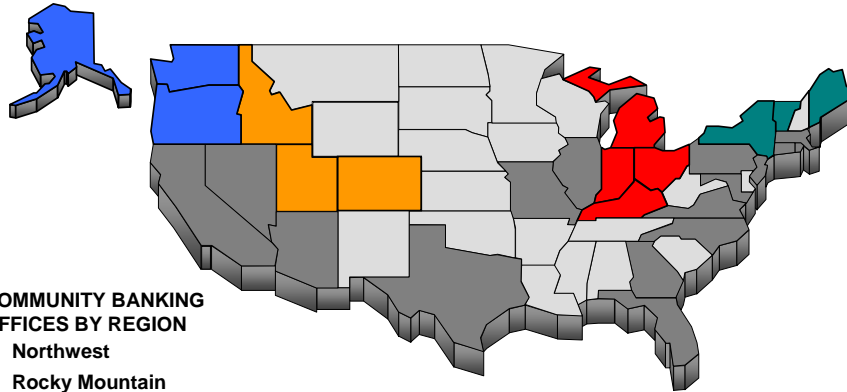
- **16th Largest U.S. Bank-Based Financial Services Company***
- **Assets: \$101 Billion at June 30, 2008**
- **Market Cap: \$5.5 Billion as of July 31, 2008**
- **Headquarters: Cleveland, OH**
- **Banking Offices: Community Banking in 13 states;
National Businesses (offices) in 29 states**
- **Web Site: www.key.com**

** Ranking : June 30, 2008*



2

Key's Franchise



COMMUNITY BANKING OFFICES BY REGION

- Northwest
- Rocky Mountain
- Great Lakes
- Northeast

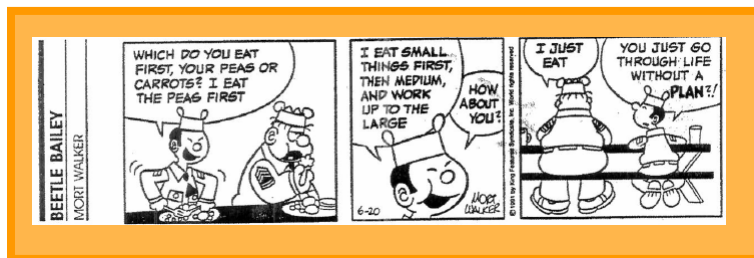
NATIONAL BANKING OFFICES

■ These states and all Community Banking states



3

To succeed, we all need a plan...



But more importantly, we need to be “planful” about the execution and measurement of our plan. . .



4

...And many of us have shared this sentiment... 



Challenge: How to Succeed in Implementing Your Strategy

“The starting point to executing strategy is the ability to describe it”

- 90% of organizations fail to execute their strategies
- 95% of employees do not understand the organization’s strategies
- 85% of executive teams spend less than 1 hour per month discussing strategy
- 60% of organizations link strategy to budgeting

Source: Balanced Scorecard Collaborative – Drs Norton and Kaplan



6

Processes Not Aligned in the Past



Strategic Plans

Budgets

Operational Plans

Business Reviews

Processes were not being managed in a synergistic manner and were operating independently.



7

Executive Ownership is Critical



Henry L. Meyer, III
Chairman and Chief Executive Officer
KeyCorp

- Drive **accountability** around strategy execution
- Provide a **comprehensive view** of company performance
- Ensure **collaboration** across the organization
- Provide **consistency** in reporting

CEO must make case for change – Burning Platform



8

Drs. Norton and Kaplan Began with a Simple Premise

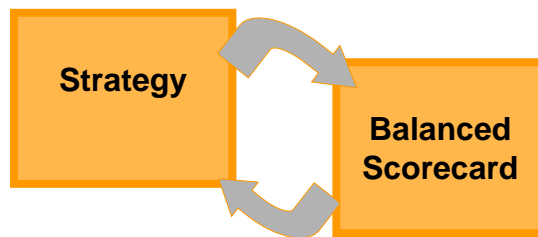
The Premise

Measurement Communicates
Values, Priorities & Direction



The Conclusion

Measurement Must Be Linked To Strategy



Measurement to Communicate, Not to Control



9

Executive Ownership

- Designate an internal champion with authority
- Seek buy-in from Executives and staff leadership
 - Clear but flexible timeline
 - Clear expectations of team – time commitment, workload impact
 - Collaborative process – opportunities for meaningful input
 - Constant communication – transparency



10

Linking Scorecard to Strategy



Overview of Process

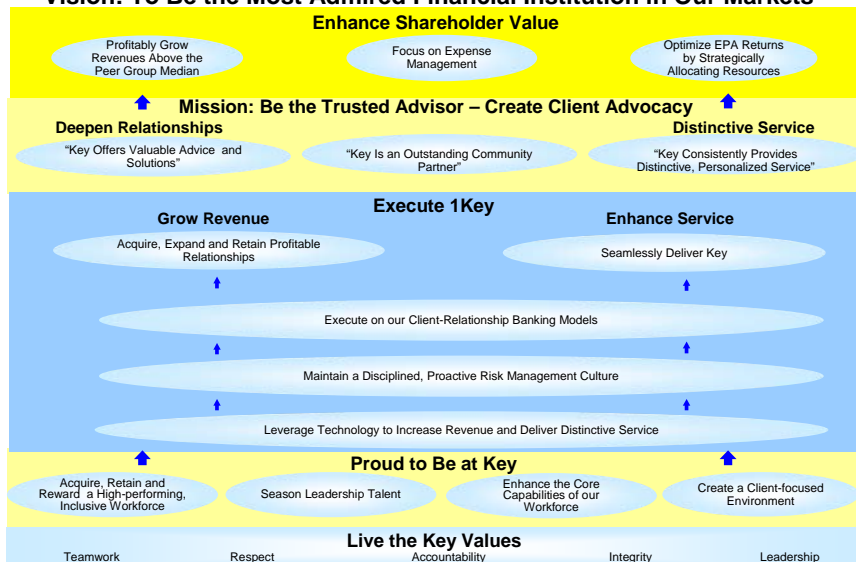
- Set *strategic goals*
- Clearly define *objectives* for strategic goals
- Determine best way to *measure* progress toward achieving each objective
- Set specific *targets* for each objective
- Develop *action plans* to achieve each target
- Regularly *report results* at all levels



KeyCorp Strategy Map

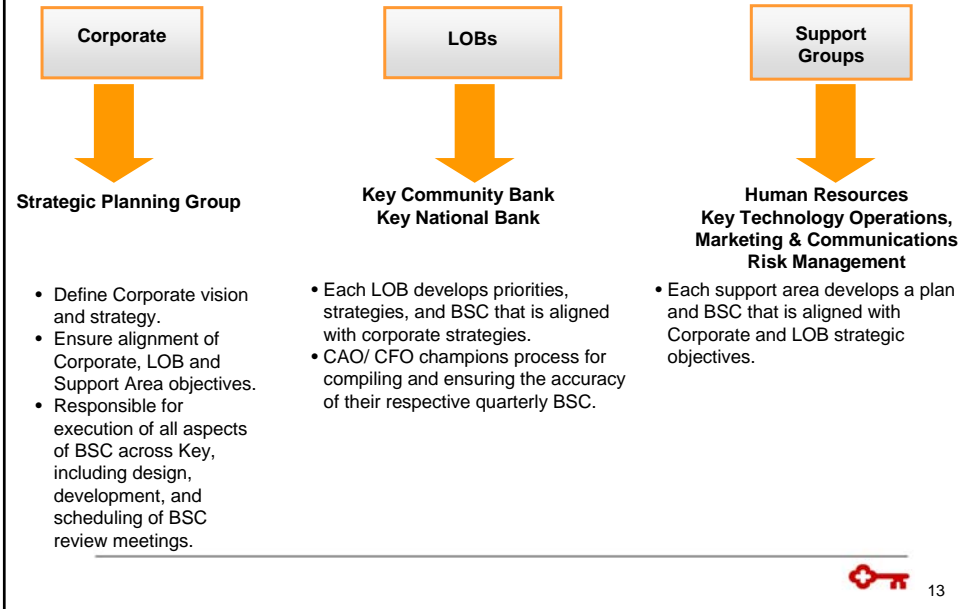


Vision: To Be the Most Admired Financial Institution in Our Markets



1Key Corporate Strategy Map – 2008

Corporate, LOB and Support Area Roles & Responsibilities



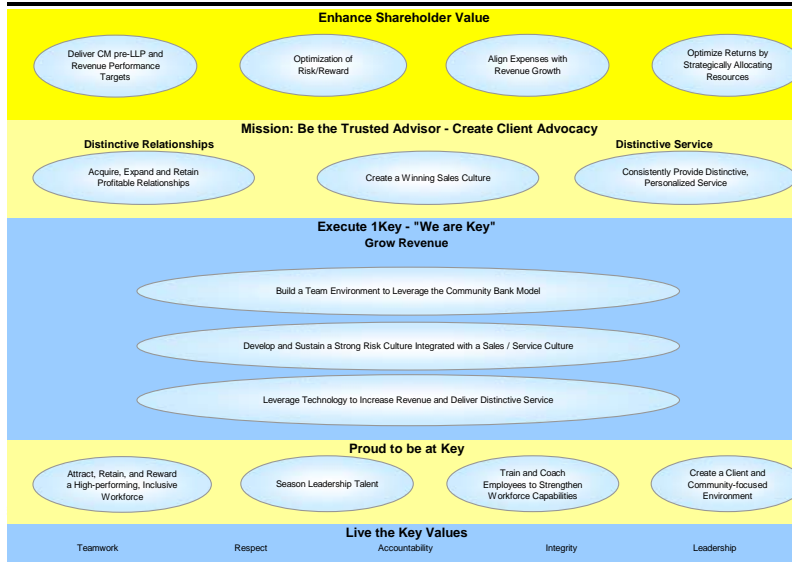
Key Community Banking Strategy Map

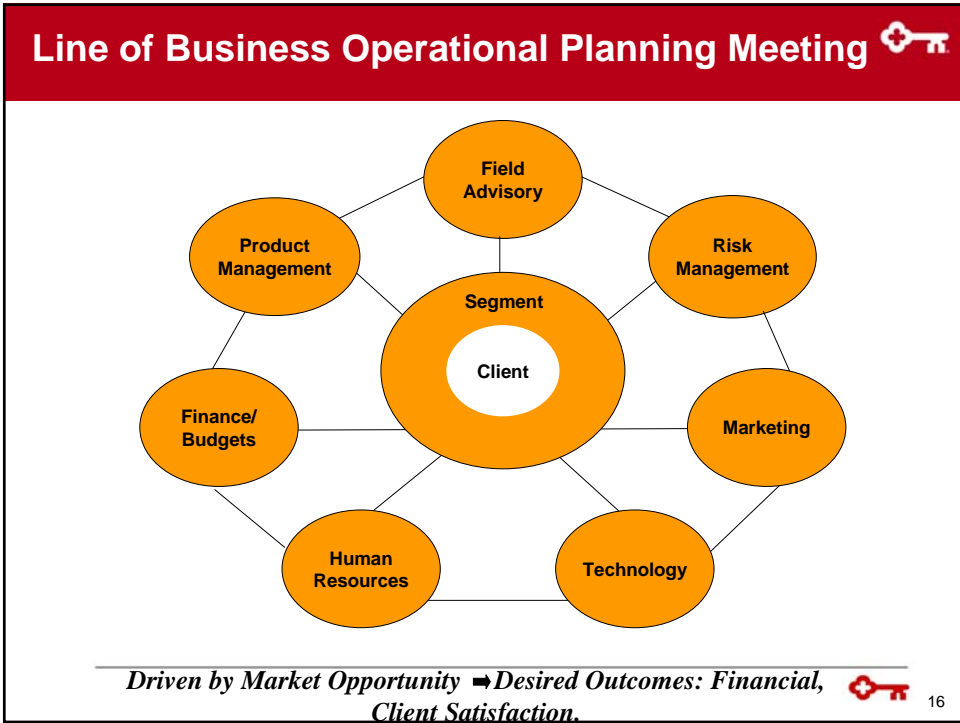
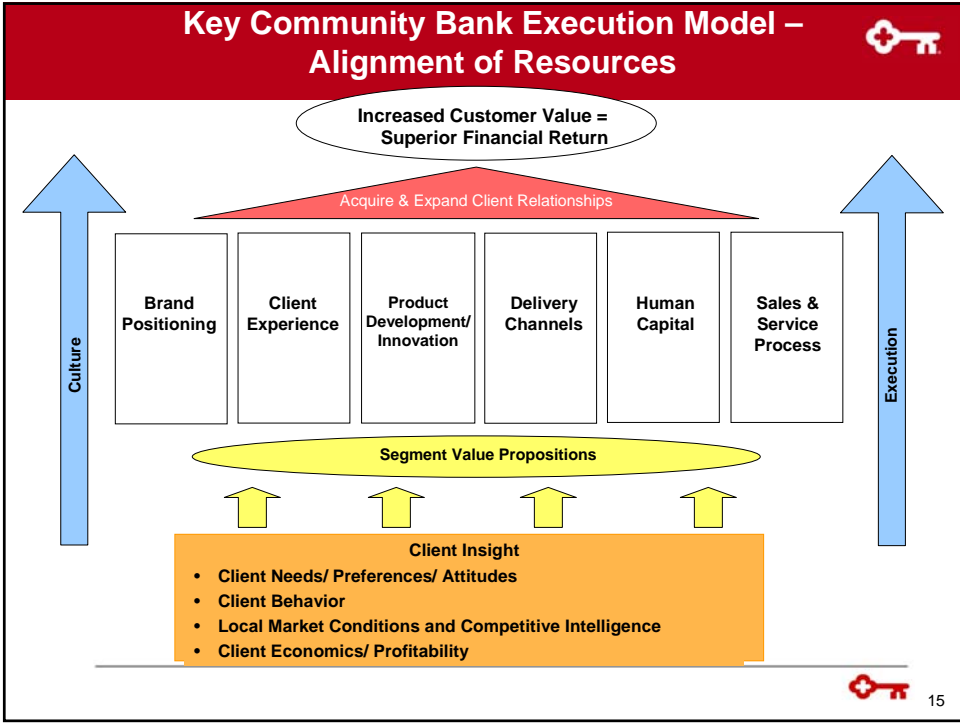


Key Community Bank Balanced Scorecard



Vision: "To be the Most Admired Financial Institution in our Markets."





Linking Scorecard to Strategy



- **Set multi-year targets for each objective**
 - Set *ultimate target* = What does success look like?
 - Set *annual targets* as milestones to reach ultimate target (2 to 3 years)
- **Gather industry benchmarks**
 - What are *other organizations* achieving?
 - Where do we want to be as *compared to other* organizations?
 - *Adjust* targets



17

Linking Scorecard to Strategy



KeyCorp Process for Reporting Results

- Designate *reporters* for each target
- Collect *results* for all 4 quarters
- Compile *reports* for each quarter
- *Discuss* results each quarter
 - What are the results telling us?
 - What will we do in response to the results?
- Present summary *year-end report*



18

Core Key Community Bank Performance Summary



	Page Numbers	2Q 2008				Quarterly Performance Data				
		Actual	Plan	% Change to Plan	% Change to Prior Yr	1Q 08	4Q 07	3Q 07	2Q 07	1Q 07
Shareholder Performance										
G ROE										
G Economic Profit Added (\$Mill)										
G Operating Leverage (bps)(Var to plan/yr in bps)										
CM (Excl. LLP) (\$Mill)										
Revenue (\$Mill)										
Non Interest Income (\$Mill)										
Direct NIE (\$Mill)										
FTEs										
Loans/leases Balances (\$Mill)										
Deposit Balances (\$Mill)										
Net Charge Offs										
Net Charge Offs/Avg Loans/Leases										
Loan Loss Provision (\$Mill)										
Sales Performance										
New Client Acquisition										
Consumer (Excl Express-DDAs as proxy)										
Business Banking ⁽²⁾										
Commercial ⁽²⁾										
Wealth										
Sales Calls										
Consumer (mth per FTE)										
Business Banking (mth per FTE)										
Commercial (mth per FTE)										
KPB (YTD - Q per FTE)										
Relationship Reviews										
Business Banking (YTD)										
Comm) YTD (Goal is annual-28% complete YTD)										
KPB (1Q was 180% of goal YTD above plan)										

↑ Arrows indicate movement of momentum; Colors are based on Year to Date Performance Ratings.

Red: Unfavorable variance and probability that goal will not be achieved
Yellow: Below or at risk of achieving goal
Green: At or favorable to goal



Consumer Summary Scorecard



Key Operating Metrics		2Q 08	2Q 07	2Q YTD Actual	2Q YTD Plan	3Q 2008 Update:	
G Revenue ⁽¹⁾ (\$Mill)						Loan Production	
G CM Excl LLP ⁽¹⁾ (\$Mill)						Deposit Production	
G Net DDA Accounts ⁽¹⁾						Net DDA	
Loan Prod ⁽²⁾ (\$Mill)							
Deposit Prod ⁽²⁾ (\$Mill)							
Loans/Leases ⁽¹⁾ (\$Mill)							
Deposits ⁽¹⁾ (\$Mill)							
		2Q Actual	% Change to Plan	Prior Yr	Spread Rate	Var in BPs to Plan	Prior Yr
Growth Initiatives		Progress & Successes vs. Prior Commitment & Goals				Future Commitments - T30-60-90	
HE Program: Integrated program of pre-approved credit offers, marketing, training, process improvement, integrated customer calling, and sales mgmt to improved HE performance.	Consumer Credit Program results:				T-30:		
Saving/ Investing Program: Integrated program of activities related to growing deposits and KIS revenue through CD offers, client "Book of Business" relationship reviews, and KIS referrals.	Consumer Saving/ Investing Program results:				T-0: T-30: T-60:		
Client Acquisition Program Ongoing set of activities to drive increased new client acquisition including advertising, targeted direct mail, Key@Work and promotions.	Client Acquisition Program results:				T-0: T-30:		

Linking Scorecard to Action



Encourage Open Dialogue about Results

- **Quarterly reporting to promote discussion**

- Determine who needs full report vs. summary report
- One page lists of successes and challenges

- **Regular discussions to promote focus and alignment**

- Greatest successes -- *celebrate!*
- Greatest challenges -- *analyze and strategize together*
- CEO, CFO, CAO and LOB/Support Area Executive – quarterly discussions
- Board – quarterly discussions



21

Linking Scorecard to Action



Encourage Open Dialogue about Results

- **Prioritize open internal communication**

- Communications Team – all staff levels and programs
- Provide updates and receive feedback



22



Communicate!

- Leadership Conference
- Meeting in a Box
- Print Communications
- Intranet
- Voice Mail
- E-Mail



Encourage Open Dialogue about Results

- **Prioritize open internal *communication***
 - Communications Team – all staff levels and programs
 - Provide updates and receive feedback
- **Incorporate achievement of Balanced Scorecard results into *Performance Management system***



Hold Everyone Accountable



- Establish Performance targets at the highest levels of the organization.
- Cascade and align throughout Key objectives based on their respective LOB/Support Leaders' Scorecard metrics.
- Develop Personal Scorecards implemented across the organization.
- Increase accountability and differentiate rewards, recognition and development

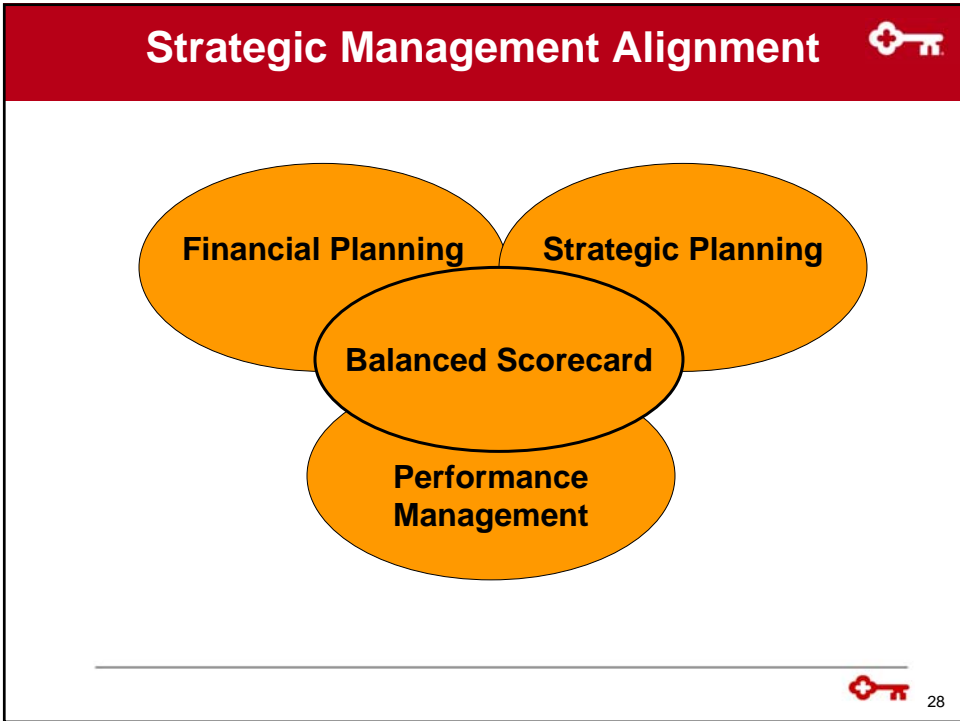
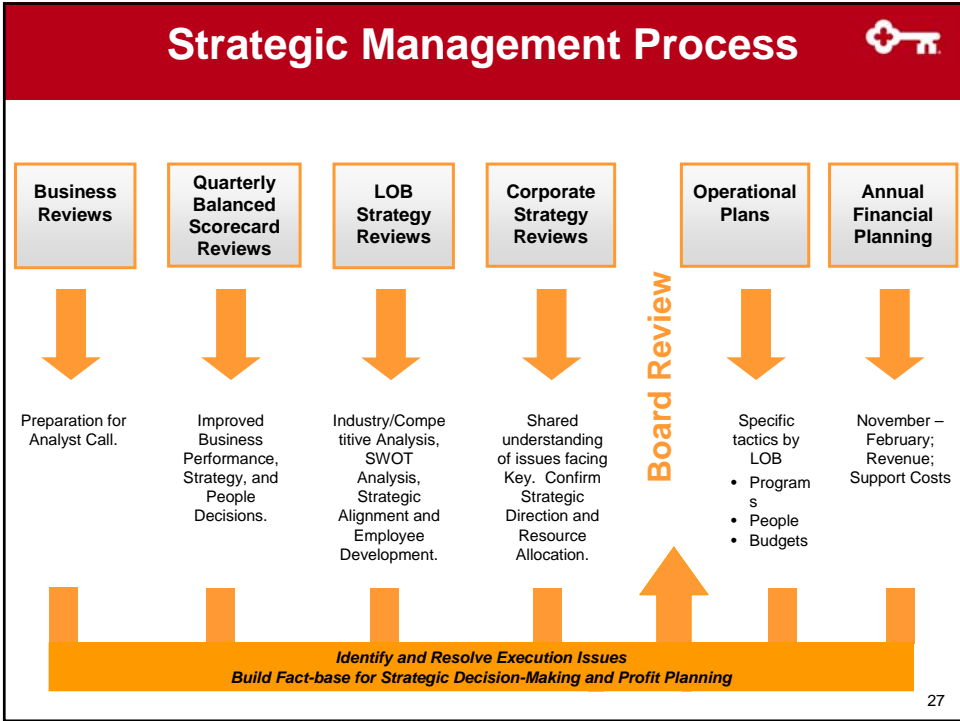


Hold Everyone Accountable



Performance Scorecard		Differentiating for High Performance					
Employee Name:		Employee Social Security #:					
Manager Name:		Company #/Cost Center #:					
LOB/Support Area:		Department:					
Position:		Date Completed:					
					Annual Performance Rating:		
1Key Balanced Scorecard	Performance Goals (Identify annual performance goals)	Employee Results (Evaluate actual results and assign performance ratings)	Performance Rating				Comments
			Q1	Q2	Q3	Q4	
Enhance Shareholder Value							
Be the Trusted Advisor							
Execute 1Key							
Proud to be at Key							
Live the Key Values							
Summary Rating*					Annual Performance Rating**:		
<small>* Total each quarter's Performance Ratings, divide by four (the number of Balanced Scorecard Elements) to determine the quarterly Summary Rating to one decimal point (for example, 2.7). ** Divide the sum of quarterly Summary Ratings by four to determine Annual Performance Rating to one decimal point.</small>							
Performance Ratings							
1- Low Performance: Does not consistently meet established goals and client expectations. May not demonstrate Key Values consistently. 2- Vital Performance: Meets established goals and client expectations. Demonstrates Key Values consistently. 3- High Performance: Consistently exceeds established performance goals, client expectations and exemplifies Key Values.							
Manager Signature:		Date:					
Second Manager Signature: †		Date:					
Employee Signature:		Date:					
<small>† Second Manager defined as matrix or next higher-level manager</small>							
NOTE: At year-end, manager: ✦ Enters Annual Performance Rating on HR Online. ✦ Makes copies of this form for the employee and manager's records. ✦ Sends via inter-office mail the original, signed Performance Scorecard form to HR Recordkeeping, OH-01-02-0528.							



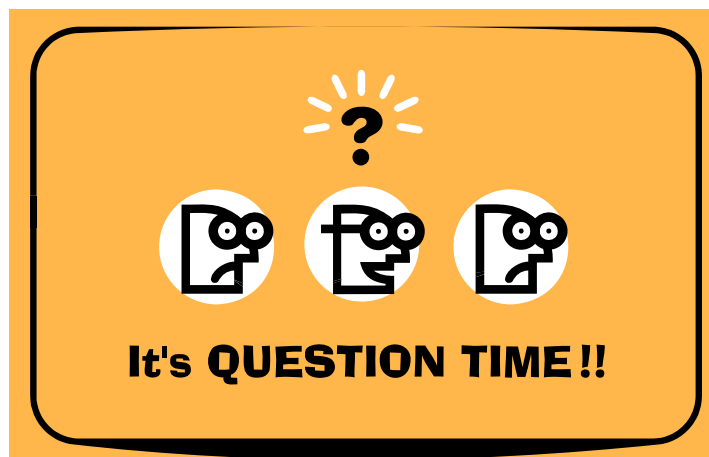


Lessons Learned



- Need senior leadership support
- Identify strong project manager
- Identify causal relationships
- Include critical cross-functional team member
- Teamwork is critical to success
- Cannot over communicate
- Don't assume anything
- Hidden problems surface
- Repetition important; Becomes more relevant as used
- Tool for driving change and alignment

29



30

