



Canadian National Bank¹

It is the summer of 1996 and Kieth Thanh², a B.Comm. student at the University of Calgary who has just finished his third year of university, has joined Canadian National Bank as a summer management intern in their Bowness branch in Calgary, Alberta. Canadian National Bank is one of the five nationwide banks in Canada, with a branch network in all 12 provinces and territories providing a full range of financial services, including retail deposits and current accounts, fund management, personal loans, small business loans, commercial loans, and mortgages. Asset and profit growth have been steady for the bank over the past decade, with 1995 profits of \$730m.

The Alberta division of the bank has 115 branches located throughout the province. Each branch has been assigned to one of five growth categories, depending on the local economy and demographics, and volume and mix of business at the branch. Branches in category 1 have relatively less potential for growth (e.g., branches located in older, residential neighbourhoods) whereas branches in category 5 have high growth potential (e.g., branches located downtown or in outlying areas which are being developed). In the annual performance review cycle, the performance of each branch (and each branch manager) is compared to the performance of branches in the same growth category.

¹This case study was written for classroom discussion by Professor Thomas. A. Grossman Jr. of the Faculty of Management, University of Calgary. It is based on a real situation. ©1998, all rights reserved.

²Names and data have been disguised.

The Alberta divisional vice-president has been assigned a profit growth target of 6% for the 1997 financial year by the western regional senior vice-president. (The 1997 financial year commences on November 1, 1996.) The divisional vice-president wants to assign each branch a target growth rate that the branch manager will be expected to meet or exceed. Each branch in the same growth category will be assigned the same target growth rate. For simplicity, the target growth rates for a higher growth category will be one percentage point higher than the target growth rate for the next lower growth category. (For example, if the target rate for category 2 were 3.4%, then target rate for category 3 would be 4.4%). Finally, he wants the branch target growth rates to be consistent with the divisional growth rate, which means that the profit-weighted average of the branch growth rates should equal the divisional growth rate of 6%.

Jackson's staff has been unable to propose a satisfactory set of weights. Jackson has asked Thanh to take a look at this issue, and to recommend to him the target growth rate for each of the five growth categories. Thanh has tracked down data on 1995 branch performance, shown in Table 1.

Thanh is ambitious, and sees an opportunity to be promoted "out of the branch" and into the divisional headquarters if he can solve this problem. He knows he must provide an answer quickly, so he is bringing the data back to his apartment to see what he can do on his home computer.

Branch	Growth Category	1995 Profit (\$000)	Branch	Growth Category	1995 Profit (\$000)	Branch	Growth Category	1995 Profit (\$000)
1	3	864	40	2	626	78	3	355
2	2	268	41	2	759	79	5	769
3	4	1438	42	5	876	80	2	530
4	4	661	43	1	485	81	1	679
5	2	372	44	2	745	82	3	645
6	3	316	45	3	716	83	5	355
7	2	810	46	4	1124	84	2	206
8	2	750	47	2	492	85	2	389
9	3	216	48	5	1254	86	4	666
10	2	851	49	2	499	87	2	688
11	1	583	50	1	750	88	4	574
12	4	666	51	2	237	89	1	411
13	5	399	52	1	396	90	2	531
14	1	198	53	4	640	91	3	504
15	5	429	54	3	790	92	5	789
16	2	399	55	4	348	93	5	1011
17	1	316	56	4	695	94	4	585
18	5	956	57	5	643	95	2	534
19	5	697	58	4	514	96	4	987
20	4	740	59	2	283	97	2	437
21	3	768	60	2	455	98	3	823
22	2	390	61	4	858	99	3	942
23	4	815	62	2	528	100	2	399
24	2	634	63	3	768	101	2	665
25	2	819	64	5	594	102	3	939
26	5	488	65	3	632	103	1	149
27	1	118	66	3	515	104	2	611
28	4	599	67	4	818	105	4	201
29	1	721	68	2	180	106	2	623
30	3	598	69	1	737	107	4	330
31	4	847	70	3	474	108	2	678
32	5	417	71	2	551	109	1	348
33	5	527	72	2	658	110	3	546
34	2	189	73	5	1003	111	2	661
35	3	274	74	1	500	112	4	688
36	2	366	75	2	339	113	4	913
37	3	819	76	2	610	114	1	357
38	4	214	77	4	396	115	2	585
39	1	743						

Table 1: 1995 Branch Performance