

Check Out This Baldrige Winner

Clarke American responds to a business crisis and ends up with a major growth in profits

by

Susan E. Daniels, associate editor

A

FTER 120 SUCCESSFUL years, Clarke American was facing a major business crisis in fiscal year 1993-1994.

Today the San Antonio headquartered firm supplies checking account and bill paying accessories, financial forms and a portfolio of

services to financial institutions (see "Clarke American by the Numbers," p. 43). But in 1993 Clarke was mainly a check printer encountering a "perfect storm," as several negative business conditions came into play at the same time:

- The banking industry was undergoing massive consolidation. This, when only 20 of Clarke's customers accounted for 50% of its business. The loss of one customer could spell disaster.
- The check industry was also consolidating and had excess capacity. Prices had declined 10% in only 18 months.

Teams such as this 24-hour cycle team are an important part of the Clarke continuous improvement culture.



- Check purchasing from direct mail providers was emerging as a real threat to check printers who sold through financial institutions.
- Clarke American was under new leadership. James Coln, president and CEO, retired after 20 years, during which annual sales grew from \$5.8 million to \$270 million.

This was a defining moment for Clarke’s leadership team, under new president and CEO Charles L. Korbell Jr., and a catalyst for its Malcolm Baldrige National Quality Award journey. A new leadership model, illustrated in Figure 1, was geared to distinguishing the company through exceptional service.

Leadership’s response encompassed the following:

1. Developing a First in Service (FIS) business strategy (Figure 2) as the core of Clarke’s approach to business excellence.
2. Defining a vision and strategy for growth.
3. Deploying FIS tools, process management and a balanced business plan.
4. Redesigning its approach to the market with a partner and customer focus.

5. Creating a team based learning organization.
6. Making strategic investments to expand its offerings.

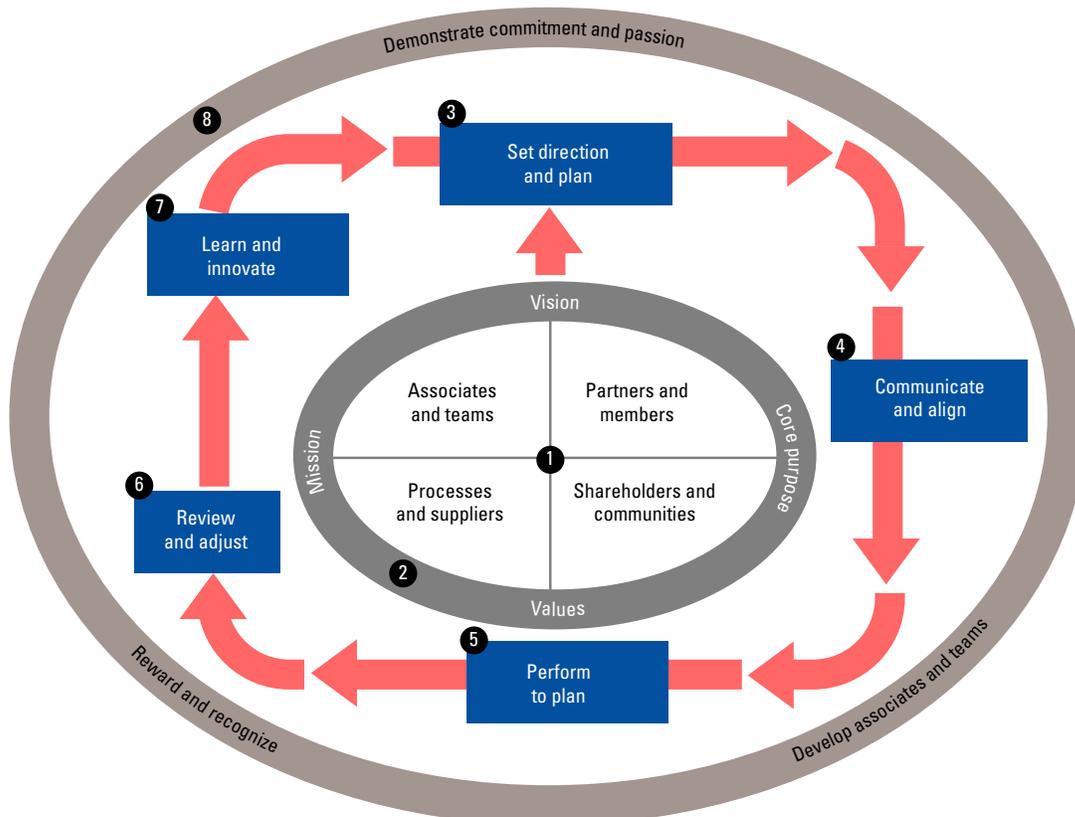
“Clarke’s FIS strategy took the firm from being primarily internally focused to being customer focused,” explains Korbell. FIS is the foundation and driving force behind all the company’s continuous improvement initiatives, aligning the company’s goals and actions with the goals of its financial institution customers (called partners by Clarke) and the customers of those financial institutions.

Major changes

The changes were dramatic: Clarke went from being financially focused to having a balanced business plan and from having premium pricing for profit to having value pricing for growth. Members of management became leadership role models. Top-down management gave way to participative goal deployment.

Improving processes took precedence over cost cutting, and customers, rather than competitors, became

FIGURE 1 Clarke American Leadership System



the focus. Clarke began to concentrate on processes instead of function, and benchmarked itself against world-class companies instead of just check printing industry best practices.

Clarke took a slow and methodical approach to the Baldrige Award. Wasting no time, the new leadership decided to apply for the award in 1993 and 1994. "The organization didn't win—it didn't even get a site visit. But we were learning," says Karen Hollingsworth, vice president, FIS performance excellence.

From 1996 to 1998, Clarke concentrated on embed-

FIGURE 2 Business Excellence at Clarke American

Vision statement

To become a world-class customer management solutions company providing innovative, quality driven solutions that delight our partners and customers.

Core purpose

To be the company people trust and prefer to provide quick and accurate financial documents, products and services that make transacting their business easy and secure.

Mission statement

We will be recognized as a First in Service company by our customers, partners, suppliers and shareholders as a result of our commitment to superior services and quality performance.

We will achieve long-term profitable growth by providing value added short run printing and related high quality products and services to the financial institution market and other selected channels.

Values

Customer first	Quality workplace
Integrity and mutual respect	Recognition
Knowledge sharing	Responsiveness
Measurement	Teamwork

First in Service

The way we do business, driven by the Baldrige model.

Quality policy

With each product and service we deliver, we will strive to exceed our customers' expectations. Our standard of performance is 100% satisfaction.

CLARKE AMERICAN

By the Numbers

4,000

Financial institution customers

3,300

Employees

25

Sites (19 manufacturing and six contact centers).

16

States

10 billion

Personalized checks produced per year

24/7

Service available

11 million

Calls handled annually

\$460 million

2001 revenues

50

Percentage of revenue increase from 1996 to 2000

ding the Baldrige model into everything it did: developing business process management; creating an organization based on a partner and process matrix; aligning the organization and deploying goals; gaining a new perspective on changing and running the business; creating a project teams discipline; and using voice of the customer and quality function deployment tools, leadership behavior assessments and internal fitness reviews. Business excellence



A Clarke American team develops direct response marketing solutions for customers.

FIGURE 3 Year 2001 Balanced Business Plan

	Balanced business plan goals	Measures
Associate and team development	Develop, acquire, retain and motivate associates and teams to drive world-class performance in core and emerging business.	<ul style="list-style-type: none"> Retention STAR ideas (suggestions, teams actions, results) Team huddles
	Dramatically grow revenue through customer preferred channels.	<ul style="list-style-type: none"> Customer satisfaction Revenue growth
Partner and customer value	Grow our business through partnership development and connectivity with partner service providers.	<ul style="list-style-type: none"> Scorecards Loyalty
	Retain partnerships.	<ul style="list-style-type: none"> Partner retention
Process and supplier management	Company focus to reduce waste to achieve world-class manufacturing and contact center performance.	
	Manage and improve key supplier performance to deliver increased value, cost/waste elimination and profit improvement.	<ul style="list-style-type: none"> Value management workshops New products or services developed with suppliers
Shareholder and community value	Drive superior financial performance to increase shareholder value.	
	Accelerate the First in Service journey to achieve world-class performance and recognition.	
	Be recognized as a responsible contributor committed to improving the communities where we live, work and play.	

assessments were conducted using the Baldrige scoring model.

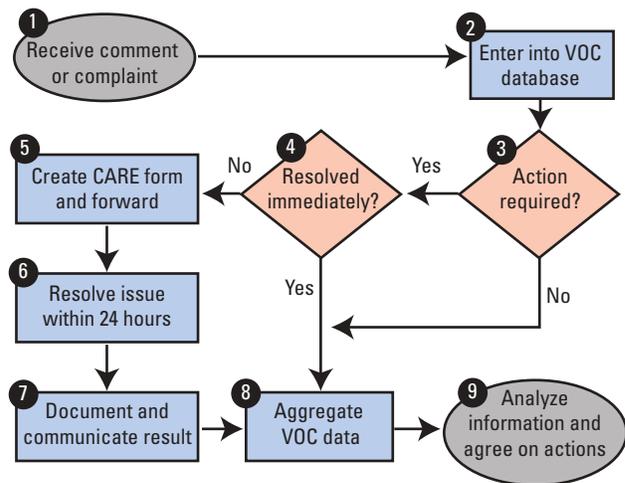
The move to being known as a world-class organization really took off in 1999. In 2001, Clarke won the Texas Award for Performance Excellence and was the only company to receive the Baldrige Award in the manufacturing category.

Baldrige categories

Under the Baldrige criteria's category one (leadership), Clarke not only expects members of management to set direction, plan, communicate and align, but also demands they demonstrate commitment and passion for FIS behaviors. The key leadership team (KLT) reviews organizational performance using a continuous planning cycle, an annual business excellence assessment and a system of quarterly, monthly and even weekly review meetings.

Community leadership and support have gone far beyond contributions and volunteer activities. In 1998, Clarke began helping the local United Way adopt FIS process improvement methods by providing training, consulting and feedback reports.

FIGURE 4 Voice of the customer (VOC) Clarke American Response Exercise (CARE)



President Bush and Secretary of Commerce Donald Evans (left) with Karen Hollingsworth and Charles Korbell Jr. of Clarke at the Baldrige Award presentations in Washington, DC, in March.



Strategic planning (Baldrige category two) started with a multiyear vision developed through a joint effort of the KLT and a national consulting firm.

At an annual planning workshop, the KLT and other key personnel develop a three-year business plan linked to all employees (called associates by Clarke) and team activities. Strategy deployment results in the balanced business plan (BBP) and selection of key company projects depicted in Figure 3.

The BBP is distributed throughout the company through the goal deployment process, the key to full alignment from the top of the organization to individual employees. Each employee creates a business excellence agreement stating contributions to the goals and a personal development plan to support the agreement. Employees are rewarded for accomplishing the goals through the annual company bonus plan.

Clarke describes its emphasis on customer and market focus (category three) as passionate, according to Hollingsworth. This emphasis leads Clarke to:

- Establish incentives for all associates linking a percentage of their annual bonuses to partner and customer satisfaction results, which are measured through telephone surveys.
- Develop partner selectivity tools to evaluate the probability of successful partnerships.

- Commit to fostering a learning organization that continually increases the knowledge and skills of employees, sustains a culture passionate about customers and is fully capable of meeting customers' ever increasing needs.

A key tool for driving the evolution to valuing long-term relations is a partnership scorecard developed

Baldrige Myths According To Clarke American

1. The criteria don't apply to us.

Reality: Clarke American is a unique check manufacturing company with a growing emphasis on customer contact services and direct response marketing. The criteria apply to everyone—they're all about the quest for performance excellence in all you do, whatever you do.

2. The application process can be finessed.

Reality: Applicants cannot fake results or cycles of improvement or make a poor process or category look good. The application scoring is incredibly accurate, the thoroughness of a site visit is amazing, and the overall process is the best business excellence review money *can't* buy.

3. Baldrige is expensive.

Reality: Baldrige is a long-term investment that yields excellent returns. Quality pays.

4. Achieving Baldrige recognition guarantees success.

Reality: It's a great milestone on your journey. Celebrate; then get back to work. Take the judges' feedback seriously, assess annually and continue to build on your successful model.



Members of the team that drafted Clarke American's successful Baldrige application had to really know the business, be interested and passionate, and have proven writing skills. They are (l to r) David Edgren, Andrea Turk and Lauri Birkelo.

jointly with the financial institution to define partnership goals, measures and targets. The progress toward goal achievement is reviewed at regularly scheduled meetings.

Clarke uses selectivity tools that allow it to evaluate the probability of successful partnerships—those predisposed to longevity, integration and customer satisfaction.

Voice of the customer and Clarke's response exercise program, shown in Figure 4 (p. 44), combine to provide an effective and fast complaint resolution process.

Clarke's information analysis (category four) consists of gathering and integrating data and information through a system of organizational performance metrics to continually set goals, analyze performance and achieve deployment to the individual associate.

In 1999, a balanced stakeholder approach was incor-

porated into Clarke's BBP and scorecard. Key process indicators reflect a process view. A leadership team member "owns" each metric, which means he or she is responsible for ensuring its relevance as well as evaluating and improving the processes for gathering and reporting the information.

The KLT also reviews all key metrics for continued relevance and integrity during goal deployment. New targets are established to achieve increasing performance levels.

The human resource focus (category five) at Clarke is highlighted by a "start anywhere, go anywhere" advancement philosophy that has allowed some employees to start at the entry level in one field and eventually move into management in another area of the business.

Hollingsworth says a comprehensive and systematic approach to recruitment and selection at all levels

FIGURE 5 Correlation Between Approach, Deployment and Results

	1995	1996	1997	1998	1999	2000	2001
Associate satisfaction	75%	72%	77%	80%	82%	84%	87%
Bonus plan and profit sharing payout (average per associate)	\$2,835	\$2,918	\$3,034	\$3,257	\$3,685	\$4,931	\$3,703
Savings from STAR (suggestions, teams, actions, results)	\$74,000	\$684,000	\$1.2 million	\$1.6 million	\$7.9 million	\$10 million	N/A
On-time service	86.1%	91.8%	94.6%	96.4%	96.5%	98.6%	98.9%
Charitable donations	\$286,000	\$391,000	\$460,000	\$704,000	\$836,000	\$1.3 million	\$840,000
Revenue	\$306 million	\$320 million	\$333 million	\$351 million	\$405 million	\$470 million	\$463 million
Revenue per associate	\$80,900	\$84,100	\$89,800	\$120,500	\$138,700	\$144,100	\$143,000
Profit growth	3.3%	7.6%	7.2%	1.0%	6.1%	17.3%	4.6%

assures the hiring of flexible, values based staff who will fit in with Clarke's unique accomplishment oriented culture. "We are fully aware of the correlation between high employee satisfaction and superior performance."

Process management (category six) at Clarke is geared to satisfying partners and customers and providing a competitive advantage through innovation, speed and quality. "Assurance of optimal process performance begins with a clear understanding of requirements and their incorporation into the process design," explains Hollingsworth. "Our proactive approach to quality allows us to build it into design, production and delivery, our customer focused core processes."

Business results (category seven) at Clarke have been impressive (see Figure 5). Most notable are the revenues per employee (about \$81,000 in 1995; more than \$144,000 in 2000) and profit growth (3.3% in 1995 and 17.3% in 2000). Even with the economic downturn in 2001, Clarke was able to increase its profits 4.6%.

Not bad for a company that wondered in 1993 whether it could continue to exist. In the words of W. Edwards Deming, Clarke American used quality tools and the Baldrige excellence model to find its way "out of the crisis" to produce truly impressive bottom-line results. 

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