Clarke American’s history dates back to 1874, with roots in printing checks. Today’s customers have much more sophisticated requirements, and we have expanded our traditional line of check products with innovative, added-value products and services. We are proud of our past, with its growth and prosperity, and are very excited about the future.

P.1A ORGANIZATIONAL ENVIRONMENT

Figure P-S1 defines Clarke American’s beliefs and aspirations. These form the foundation of our approach to Business Excellence, which we call First in Service® (FIS). FIS is our quality journey and is a mirror image of the Baldrige Model. This FIS commitment drives our people, processes and results toward world-class levels. Figure P-S2 shows the FIS behaviors we expect from every leader and associate. Our receipt of the 2001 Texas Award for Performance Excellence externally validates the success of FIS.

We align our goals and actions with the goals of our partners (the financial institutions – FIs) and our mutual customers (the checking account holders).

Headquartered in San Antonio, Texas, we produce personalized check orders and handle servicing phone calls at industry-leading levels of service, quality and cycle time. Our network includes manufacturing facilities, partner and customer contact centers and a field sales force. This network continues to evolve to deliver on the ever-changing needs of our partners and customers.

Figure P-S1 Who We Are – 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
- Integrity and Mutual Respect
- Knowledge Sharing
- Measurement

• Quality Workplace
• Recognition
• Responsiveness
• Teamwork

First in Service
The way we do business, driven by the Baldrige Model.

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

Values - Defined

Customer First – We believe this value is the very essence of why we exist at Clarke American. Customer focus that drives value-added products, services and processes which lead to high levels of customer satisfaction, preference and retention. Our target is to lead through customer driven quality.

Integrity and Mutual Respect – We are proud of our strong commitment to honesty and fairness in all of our business activities. We understand that each associate is responsible and accountable for their actions. This understanding includes admitting mistakes, accepting a better way when it is presented, and confidently giving credit where credit is due. Respect for each associate creates an open atmosphere of trust, sincere concern for self-esteem, and patience as we work together as a team to fulfill our business commitments.

Knowledge Sharing – The Clarke American culture encourages all to grow and learn. To be the best that you can be requires the ability to transfer and share knowledge. Best practice identification and sharing embed knowledge and transfer of successes. Through knowledge sharing all associates have the opportunity to cross-train and adapt to a rapidly changing, demanding and rewarding work environment.

Measurement – Customer-focused world class measurements are a cornerstone of our business. Effective measurement supports a fair, objective and open environment in which we can make informed decisions based on fact rather than opinion. Above all, we view measurement as a means of expressing and recognizing our goals and achievements as we strive for continuous improvement.

Quality Workplace – We are committed to maintaining a stimulating and rewarding work environment. This means that we invest in innovative, high-quality equipment and tools, and that we take pride in maintaining our workplace. The extra effort we put into keeping our offices, call centers and manufacturing facilities clean, neat, and efficient reflects the pride we have in Clarke American. The extra effort we put into our personal appearance reflects the pride we have in ourselves and the respect we have for our partners and customers.

Recognition – We work hard and enjoy celebrating the results of our work. It’s fun to reward and recognize the successful performance of teams and individual associates when they find a way to increase Clarke American’s value to our partners and customers. Meaningful business process improvements achieved by our associates, partners, and suppliers naturally inspire celebration.

Responsiveness – We respond quickly to our partners’ and customers’ needs. Our sense of urgency motivates us to take quick action on partner/customer requests and to continually improve the cycle time of our key business processes. We are each empowered to make the necessary decisions and take the necessary actions to make it easy for customers to do business with us.

Teamwork – We achieve extraordinary, exciting results when we work as a team. Teams embody the spirit of Clarke American as we, with our partners, customers and suppliers, explore new ways to meet the challenges of today’s business world. Teamwork allows each of us to participate in Clarke American’s success and shape our Company’s future.
P.1a(1) Clarke American pioneered world-class manufacturing processes and printing technologies. These, along with our nationwide customer contact network and e-Commerce solutions, provide customers around-the-clock access to customized checks and accessories, with multiple delivery choices such as next-day service.

**Services** are provided to both partners and customers. **Products** are typically delivered directly to customers. We strengthen both relationships through trust, excellence and integration. Some of the products and services we offer our partners and customers include:

- Personalized check products
- Checking account and bill paying accessories
- Partner contact services
- Customer contact services
- e-Commerce solutions
- Direct marketing services for partners
- Financial forms to enable document processing

**P.1a(2) Over a decade ago, Clarke American anticipated and addressed industry challenges and strengthened our commitment to First in Service.** Our nation’s growing population escalated annual check volumes from less than 7 billion paper checks written in 1950 to almost 70 billion in 2000.

Our achievement-oriented culture and direction are built on a foundation of integrity and strong values, and our culture extends from our President/CEO at the corporate office to the newest associate in a remote location.

**P.1a(3) Clarke American selects the most qualified associates with the highest levels of integrity and commitment to join our quality culture.** We employ over 3,000 associates in our corporate offices, manufacturing sites, contact centers and field sales. These empowered associates, guided by our culture, are our greatest competitive advantage.

Our workforce is evolving from predominantly manufacturing to a growing servicing focus as we continue to expand our product and service offerings. Investment in technology and training provide additional advancement opportunities. Improved processes also open doors for advancement. (e.g., contact center associates, with their extensive knowledge of partners and products, are primed to excel in our sales force).

**P.1a(4) Innovation is fundamental to Clarke American’s success.** We have consistently evolved, automated and improved processes and technologies beyond what is commonly available in the marketplace. A prime example is our state-of-the-art digital printing.

Our printing technology eliminates many costly and time-consuming steps from the Order Fulfillment process. It cuts cycle time, virtually eliminates the use of hazardous materials, dramatically improves quality and reduces waste. In simple terms, it moves Clarke American from traditional printing (with ink and plates) to clean digital printing with greater flexibility, capability and speed.

Other examples of innovative technology-driven solutions include:

- The **Clarke American Information System** (CAIS)
- Contact center technologies
- e-Commerce options

**P.1a(5) Clarke American operates in a regulatory environment that requires adherence to product, financial, health and safety, and environmental laws and regulations.** We are an active member of the Check Payment Systems Association (CPSA) and meet or exceed all laws governing checks. Our products exceed the standards set by the American National Standards Institute (ANSI) for financial transactions and the regulations administered by the Federal Reserve for document transaction processing. We are also accountable to partners and customers for maintaining the privacy of confidential information, providing security measures that protect against fraudulent activities, and contingency planning to ensure continued operations in emergency situations.

Clarke American adheres to the standards of the Americans with Disabilities Act, Equal Employment Opportunity Act, Fair Labor Standards Act, the National Labor Relations Act and Wage Garnishment Laws. Our accounting practices conform to GAAP principles. We abide by guidelines administered through OSHA and EPA to ensure a quality work environment.

**P.1b ORGANIZATIONAL RELATIONSHIPS**

**P.1b(1) Clarke American recognizes financial institutions as our primary distribution channel and continues to refine the segmentation of partners to better serve their needs.** Figure P-S3 shows our Level 1 and Level 2 segmentation.

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**Figure P-S2 How We Act – First in Service Behavior**

**Figure P-S3 Partner and Customer Segmentation**

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P.1b(2) Clarke American recognizes the importance of building long-term partnerships with key suppliers. Our continued success in this area is critical to achieving our growth. We expect suppliers to play a significant role in enhancing our competitive advantage as purchased costs become a larger portion of our total cost base and we seek additional innovative solutions.

Suppliers are categorized as material, technology or service providers. Supplier scorecards translate organizational objectives into supplier performance requirements; these are developed jointly and reviewed at least three times each year.

We ensure key suppliers meet performance requirements through workshops, conferences and meetings, and supplier scorecards. Using a “stoplight” model, suppliers are given an overall green, yellow or red rating with action plans developed to address gaps.

P.2A COMPETITIVE ENVIRONMENT

P.2a(1) Clarke American has outperformed the market in the FI check supply industry over the past five years.

Another source of competition to the FI check industry is direct mail competitors with 20 percent of the US check market. Their growth has come as a result of lower prices and consumer awareness of the variety of check styles offered through mail circulars. Three major players exist in this market.

P.2a(2) Our growth is attributable to our refined, consistent FIS strategy of partnering with FIs to provide best-in-class check printing and check-related services and products to enhance their businesses. During the early 1990s, aggressive competitive pricing drove all check providers to significantly reduce costs. We increased investment in our emerging FIS approach to ensure improvement in quality, products and services. This committed strategy of differentiating through FIS is the principal factor in determining our success.

P.2b Clarke American uses a formal assessment tool, following a defined approach, to identify and analyze strategic challenges. A semi-annual self-assessment, presented to the Board of Directors of our parent company details key strategic challenges and actions to monitor or alleviate the challenges. Clarke American addresses these risks through our Strategic Plan Development and Goal Deployment processes.

P.2c We are passionately committed to our FIS journey that has evolved to fully embody the Baldrige Criteria. FIS includes annual cycles of improvement and formal internal and external assessments that drive improvement actions. This approach, and the spirit of the Clarke American culture, creates an environment governed by process focus, yet invigorated by innovative change. Our agility allows us to continually evolve to delight partners and customers.

An organizational zeal for both breakthrough and continuous improvement is driven through a sustained dual focus on changing the business and running the business. Today’s rapidly changing business environment leads us to strongly consider change the business opportunities while balancing run the business requirements. Every associate embraces this dual responsibility to both change and run the business.

Our FIS Leadership System reaffirms the commitment to ongoing improvement, with the Balanced Business Plan at its core. Our High Performance Work System defines an organization that promotes improvement and knowledge sharing through individual and team activity. Individual initiative is expected of all associates through the S.T.A.R. suggestion program and Personal Development Plans, aligned with company objectives through individual Business Excellence Agreements (BEA). The Team Excellence process drives high performance teams through recognition, learning and knowledge sharing across the company. In addition, a FIS approach to process improvement, common FIS language, team disciplines and quality tools create an agile workforce that communicates well and responds quickly and effectively to improvement opportunities.

With this same change mindset, we emphasize continuous improvement in every element of our business. The Quality Improvement Cycle (PDCA – Figure P-S4) is our approach to systematic evaluation and improvement of key processes. This approach is a fundamental part of our basic quality training for all associates and is used to guide individual and team improvement, both formally and informally.

*Figure P-S4 Quality Improvement Cycle*

<table>
<thead>
<tr>
<th>ACT</th>
<th>PLAN</th>
<th>DO</th>
<th>CHECK</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Select an opportunity for improvement</td>
<td>1. Select an opportunity for improvement</td>
<td>1. Select an opportunity for improvement</td>
<td>1. Select an opportunity for improvement</td>
</tr>
<tr>
<td>2. Identify the customer’s requirements</td>
<td>2. Identify the customer’s requirements</td>
<td>2. Identify the customer’s requirements</td>
<td>2. Identify the customer’s requirements</td>
</tr>
<tr>
<td>3. Define the problem</td>
<td>3. Define the problem</td>
<td>3. Define the problem</td>
<td>3. Define the problem</td>
</tr>
<tr>
<td>5. Analyze for root causes</td>
<td>5. Analyze for root causes</td>
<td>5. Analyze for root causes</td>
<td>5. Analyze for root causes</td>
</tr>
<tr>
<td>7. Prepare plan to implement solution</td>
<td>7. Prepare plan to implement solution</td>
<td>7. Prepare plan to implement solution</td>
<td>7. Prepare plan to implement solution</td>
</tr>
</tbody>
</table>
Clarke American’s Key Leadership Team (KLT) is the powerful, visionary leadership force that drives the company to performance excellence in everything we do. The KLT includes our President and Chief Executive Officer, our Chief Operating Officer, the General Managers (GMs) of our business divisions, and the Vice Presidents (VPs) who champion each of our core and enabling processes. Leaders at all levels live our values and model the CEO’s passion for excellence and strong customer focus and cascade that energy throughout the organization.

### 1.1 ORGANIZATIONAL LEADERSHIP

Solid values are the foundation of Clarke American’s successes throughout our 127-year history. Twenty years ago, as consolidations occurred in both the check printing industry and in Financial Institutions (FIs), the president at the time used these values to set a new strategic direction of acquisition and growth for the company to offset the consolidation crises. A major milestone occurred in 1986 when his leadership team adopted First in Service® (FIS) as the company’s approach to customer-focused service excellence. In 1993, he retired and another long-time Clarke American associate was appointed as President and CEO. The new CEO’s passion for performance excellence, demand for measurement and data-driven decision-making, and principle-centered style were well known in the company. It was his understanding of FIS and commitment to building long-term partnerships with FIs, through segmentation and relationship building that would take the company to new levels.

#### 1.1a(1) The KLT establishes, communicates and deploys values, direction, and performance expectations through the FIS Leadership System (Figure 1.1-S1).

At the heart of our leadership system are our balanced Stakeholder quadrants. These stakeholders’ requirements drive all leadership actions. Leaders address these stakeholder requirements in alignment with our Vision, Mission, Values and Core Purpose (Figure P-S1). These defining statements were originally developed through our systematic Goal Deployment process and are regularly reviewed and, when needed, updated through this same process. These have been completely communicated and deployed across our matrix organization through the Linked Review and Communication Process (Figure 1.1-S2).

Our Vision defines the organization’s future direction and provides a view of “what we can be.” In our drive to satisfy our stakeholders, our Mission enhances our Vision and provides clear guidance in identifying and prioritizing business alternatives. Values establish the parameters of our work climate and set the standard of ethical personal conduct for associates, with commitment to honesty, fairness and accountability. The values, established in 1993, were first refined and updated in 1995. Most recently, in 1999, the KLT added the value of Knowledge Sharing to demonstrate their commitment to continually learning and improving both individually and as a company. Our Core Purpose, first expressed in 1995, defines the boundaries of our business activities.

Building on the foundation of our Vision, Mission, Values and Core Purpose, our leaders Set Direction and Plan with a focus on stakeholder requirements. Evolving from an internally focused process in 1986, today’s approach collects multiple internal and external inputs, establishes performance expectations with a long-range view, and creates a balanced strategy addressing all of our stakeholder needs. We Communicate & Align through a wide range of media and tools to link action plans at all levels of the organization. Leaders develop the Balanced Business Plan (BBP) through our Goal Deployment Process. The BBP defines goals and targets to both deliver on stakeholder requirements and to achieve our Vision, Mission, and Core Purpose. These goals and targets are linked from overall company levels to the individual contributor to ensure complete alignment throughout the organization. Flowing from our BBP is the Balanced Scorecard (BSC).

- The BSC is composed of the vital few change the business metrics that set the expectation of breakthrough improvement for each year.
- Through the Goal Deployment Process we also identify run the business Key Performance Indicators (KPIs).
- The final step in the Goal Deployment Process is the development of a Business Excellence Agreement (BEA) for each associate to link individual roles and performance to company performance and our bonus plan.
While our Goal Deployment process is our primary tool for communicating and aligning the organization, we also communicate values, direction and expectations to associates through a variety of mechanisms.

The **Linked Review and Communication Process** (Figure 1.1-S2) drives two-way review and communication. This system ranges from weekly, monthly, quarterly and annual reviews conducted by the KLT, division steering teams, and core and enabling processes to associate “huddles.” The system reinforces understanding of the Vision, Mission, Values and Core Purpose, reviews performance and delivers communications throughout the business. The KLT sponsors a scripted, “FIS Focus,” PowerPoint presentation to ensure a common message is delivered to all associates by local leaders.

**Figure 1.1-S2 Linked Review and Communication Process**

- **Weekly and Monthly meetings of the Key Leadership Team**
  - Key Leadership Team

- **Division Steering teams (monthly)**
  - Division Steering Teams

- **Staff and Process Meetings (monthly)**
  - Staff/Process Meetings

- **All Associates FIS Focus (monthly)**
  - FIS Focus Meetings

- **Associate team “Huddles” (once a week)**
  - Associate Huddles

Built around the company’s performance in the four quadrants of the BBP, this presentation provides up-to-date status on BSC goals, bonus objectives, and addresses other critical information. Leaders at each location communicate this standard presentation to all associates on all shifts each month. Encouraged to be interactive, FIS meetings are often a lively communication venue, complete with themes, decorations, team building activities and recognition events.

These communication mechanisms are supported by other methods of making each associate aware of our Vision, Mission, Values and Core Purpose. Statements are prominently displayed in conference rooms and common areas in all locations and networked desktop computer systems greet associates with this information upon login. Associates learn about these principles during orientation and receive laminated badge cards that are worn as a constant reminder.

As a learning organization, we appreciate our past. We endeavor to capture significant events and lessons learned from our journey as information integral to our longer-term communications.

1.1a(2) The KLT drives an environment of empowerment, associate involvement, innovation, and organizational agility and learning through FIS and personal role modeling of FIS Behaviors. The ring encompassing the entire leadership system (Figure 1.1-S1) articulates the behaviors expected of each leader at Clarke American. Through his personal involvement and behaviors, the CEO is the role model for **Demonstrate Commitment and Passion**, continuously **Develop Associates and Teams**, and generously **Reward and Recognize** (Figure 1.1-S1) our associates and teams. The CEO and the entire KLT hold every leader accountable for demonstrating these same behaviors. Leaders are evaluated, rewarded and recognized based not only upon their abilities to perform the tasks of leadership but also on their ability to behave as a leader.

We believe that passionate leadership is one of our key strengths. In his book, *The Passion Plan at Work*, organizational excellence authority Richard Chang cites Clarke American, along with companies such as Disney, GTE Directories, Ben and Jerry’s, Wainwright Industries and Southwest Airlines, as examples of companies who successfully integrate passion into their day-to-day operations to improve performance in both the workplace and the marketplace. We demonstrate this passion through systematic processes, communication, inspiration, involvement of associates and inclusion of partners and suppliers in shaping our future. This passion has allowed us to create an environment where we successfully **Perform to Plan**. Our ability to achieve consistently strong results is facilitated by an involved and empowered team of associates. Through our Baldrige-based FIS business model, we provide a culture, tools and disciplines to actively engage associates and develop a learning, agile company. FIS incorporates a common language and the tools to drive continuous improvement, as well as the team structure and methodology we use to execute projects. FIS disciplines moved us from a functional structure to a division and process orientation, removing the organizational blockages to becoming truly partner- and customer-driven. Examples of FIS processes that directly address empowerment and innovation include:

- The S.T.A.R. suggestion program through which associates propose and quantify improvements of any size.
- Our commitment to individual training and organizational learning gives associates the knowledge required to make empowered decisions aligned with company goals. KLT members set the example and participate alongside (and often lead) other associates in FIS, product-specific and safety training. Associates at all levels are empowered, through appropriate technical and professional development, to advance in their roles and initiate ideas that improve partner and customer satisfaction. This commitment to learning and development extends to all levels of associates. Not only do we provide a wide range of internal training opportunities, but we are also constantly evaluating external learning opportunities that will further enhance individual development.
- A wide variety of recognition processes further support and encourage empowerment and innovation.
- Our Open Door Policy offers associates access to leaders outside their normal reporting lines.
- Our successful Career Opportunity Program (COP) provides associates the opportunity to grow and have multiple careers at Clarke American. This program supports
organizational learning through sharing of best practices and ideas as associates move into various divisions or processes. Personal growth opportunities through upward and lateral movement within the company help develop “associates for life.”

Common language and tools let us quickly assemble dedicated teams of varying sizes and duration anywhere within the company, with confidence that they can immediately become productive.

1.1b(1) The KLT reviews organizational performance using the continuous planning cycle (Figure 2.1-S1), our annual Business Excellence Assessment, and a system of quarterly, monthly and weekly review meetings (Figure 1.1-S2). These approaches allow us to Review & Adjust performance and continuously facilitate improvement.

Through this structured set of weekly, monthly and quarterly reviews of operational performance and rapidly changing market conditions, leaders assess performance and progress toward short-term goals. During mid-year and annual plan reviews, the KLT reviews progress toward long-term goals and strategic direction. When they identify opportunities for corrective action, plans are quickly modified and deployed through divisions and processes to ensure delivery of performance commitments.

In these various reviews, the KLT tracks performance in both our change the business BSC goals and in our run the business KPIs. Company KPIs include current performance targets and results. Our breakthrough performance measures are reported through our BSC. In these review sessions, we also track competitive performance through the partner and customer listening posts and associate needs through the annual Associate Opinion Survey.

Figure 1.1-S3 illustrates our FIS Business Excellence Journey and depicts the evolution of our assessment methodology. In 1993 and 1994, we applied for the Malcolm Baldrige National Quality Award and through this experience learned that we “didn’t know what we didn’t know.” The process was extremely beneficial. We began to understand that we had a long journey to achieve world-class levels of performance excellence. We made the commitment to aggressively learn and use assessments as a tool for improvement. We have evolved our assessment process over time from the “Fitness Review” model to our Business Excellence Assessment that mirrors the Baldrige process.

Today, the KLT conducts comprehensive, organization-wide reviews using this mature assessment approach. KLT members were the first associates trained as lead examiners. They now work alongside other internal (including senior leaders, key managers and all location managers) and in some cases external examiners to formally evaluate organizational performance, perform gap analysis, recommend adjustments to close gaps, and identify improvement opportunities. In 1999, we trained over 100 associates as internal examiners to evaluate our organization. In 2000, we assessed every division, process and location using this approach. Assessment findings were shared with each group and used as input to the annual planning workshops. In addition to the benefit gained by the assessed organization, these internal assessments are a powerful method of sharing knowledge and best practices across the entire leadership structure of the company. Additionally, in 2000 we applied for the 2001 Texas Award for Performance Excellence, our state quality award. We are proud and honored to have been recognized with this award. This year we will use our formal application for Baldrige to assess our capabilities, validate our progress, and identify opportunities for improvement.

1.1b(2) Through Clarke American’s review processes, leaders identify opportunities for improvement and innovation, translate these opportunities into prioritized actions and assign these to a key project team, a division steering team, or process champion for action. Clarke American leaders use a defined set of decision criteria to prioritize opportunities for improvement and innovation. These criteria include the degree to which the opportunity impacts: 1) partners or customers; 2) operational performance; or 3) financial gains or risk.

High impact opportunities are assigned to a KLT member for ownership. Based upon the size of the opportunity, the owner may address the opportunity personally, assign it to a short-term team to address, or select and charter a dedicated team. Improvement teams often involve partners and/or suppliers. Corrective actions are aligned with BBP, BSC or KPI measures, then deployed and tracked to resolution through the linked review process.
1.1b(3) We use multiple leadership measurement and evaluation tools and feedback mechanisms to improve both individual leadership performance and our leadership system. Using these approaches, our leaders Learn & Innovate (Figure 1.1-S1). This final step embodies the disciplines of continuous organizational learning—understanding our performance, learning from our successes and opportunities, learning from best-in-class organizations, and revising our processes to drive improvement.

A comprehensive 360° Review Process was piloted by the KLT in 2000 to allow for feedback to leaders. Results of this pilot are currently being evaluated for feedback, enhancement and expansion to other levels of leadership.

The Leadership Effectiveness Survey and Leadership Assessment evaluate leaders against ten leadership competencies. Results drive annual Personal Development Plan (PDP) action item development. As a refinement to the process, the Leadership Assessment was automated in 2001.

Each senior leader tracks individual progress against company strategies and desired leadership behaviors across the four quadrants of the BBP through the Leadership Scorecard (LSC). The LSC is an element of the leader’s performance review.

The annual Associate Opinion Survey (AOS) contains a section that evaluates leadership effectiveness. Data collected through this process are reviewed at an organizational level to identify overall leadership opportunities and at a work group level to identify individual leader opportunities. The KLT prioritizes and acts on overall leadership opportunities. Individual leaders review survey results and identify personal development opportunities that become a part of each leader’s PDP.

These approaches to evaluating and improving the leadership system and individual leadership capabilities have proven effective.

1.2 PUBLIC RESPONSIBILITY AND CITIZENSHIP

Clarke American takes an active leadership role in major industry and regulatory associations to ensure we are proactive in our approach to public responsibility. We also actively participate in programs that support the communities where we conduct business.

1.2a(1) The KLT, as part of the strategic Goal Deployment process (Figure 2.1-S2), evaluates key areas of potential societal impact of our products, services and processes. If any issues arise, they are addressed at each stage of the planning, development and deployment process.

1.2a(2) In Goal Deployment, leaders capture and use input from all stakeholders, particularly our partners and customers to anticipate and address public concerns with our products, services or processes. These studies, coupled with ongoing benchmarking of best-in-class organizations, allow us to identify potential concerns and develop processes to address those concerns. Our leadership involvement in regulatory groups further ensures that we are giving ample attention to this critical issue.

1.2a(3) Integrity and Mutual Respect are the foundation of all interactions with partners, customers and suppliers, as well as among associates. These characteristics were part of Clarke American’s culture long before they were expressed as part of our values in 1993. They gained even greater emphasis when incorporated into FIS communications and processes. We take a very proactive approach to ensuring that our associates will all demonstrate ethical business behavior. Rather than rely on traditional methods to train, monitor, report and retain, we focus most of our resources toward hiring associates who share our values. The Associate Handbook, last updated in 2000, clearly states the behaviors associated with integrity that are required of all associates. When the Leadership Assessment was created in 1998, “Acting With Integrity” was included as one of the six sections, with seven questions directly addressing this value. The Leadership Effectiveness Survey, created in 1999, addresses this value both directly and indirectly in the feedback it solicits to ensure all leaders are role models for appropriate behaviors.

In 1999, Clarke American contracted with an outside firm to present a four-hour class on legal and ethical issues to all leadership, further emphasizing the behaviors associated with honesty and integrity that are required of our associates. This class also furnished information on how to deal with any violations. Because of our proactive hiring practices, we have high levels of success in recruiting and hiring associates who share our values.

1.2b Communities are one of our key stakeholder groups, and the KLT approaches our commitment to civic activities through a systematic approach. We provide support through both monetary contributions and involvement in volunteer activities. The KLT follows the process shown in Figure 1.2-S1 to determine our investment of people and monetary resources. This approach to community involvement provides the greatest impact for our investment.

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**Figure 1.2-S1 Major Project Support & Cause-Related Checks Selection Process**

- **Inputs**
  - FIS
  - Focus on Partner & Customer
  - Values
  - Quality
  - Workplace
  - Teamwork

- **Determine key focus areas for partners**
- **Decline participation**
- **Does this directly touch people?**
  - Yes
  - No

- **Align with Clarke American goals?**
  - Yes
  - No

- **Determine resource commitment (people/$)**

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**Clarke American**
Our current corporate support is focused in three key areas 1) overall community—United Way (UW) 2) education—Junior Achievement (JA); and 3) healthcare—Juvenile Diabetes Foundation (IDF). The United Way is our principal, nationwide charitable activity. Associates enjoy participating in UW fund raising and service projects in the communities where we have a manufacturing operation or contact center. Additionally, outside San Antonio, plant or contact center managers identify two local causes to support in addition to UW. This enables the company to provide support where it is most needed.

In 1998, Clarke American began working with the UW of San Antonio and Bexar County to help them adopt Clarke American’s FIS process improvement methods. In addition to training, we provided additional hours consulting with UW leadership on incorporating FIS techniques into their processes. At the end of the training, a business review report, similar to a Baldrige feedback report, was provided to the UW leadership team. This effort received “rave” reviews from the Director of the local United Way.

Clarke American has taken a proactive approach to many societal concerns through the creation of “cause-related checking products” in partnership with a number of national organizations. We produce checks and related merchandise with designs for eight causes including Save the Children, National Breast Cancer Organization, Wildlife Preservation Trust, A Better Chance and others.

One of Clarke American’s greatest strengths is our ability to consistently develop a sound, long-term strategy and create a competitive advantage by converting our strategic intents into valuable action. Our strategic planning process, an integral component of the company’s Continuous Planning Cycle (Figure 2.1-S1), has evolved over several years to become our current dynamic Goal Deployment process.

Strategic Plan Development Phase (Figure 2.1-S2) and Deployment phase (Figure 2.2-S1) align the entire organization and all stakeholders to achieve our goals and objectives. The complete process is termed Goal Deployment to maintain a focus on developing strategies that are both visionary and actionable.

2.1 STRATEGY DEVELOPMENT

2.1a(1) All steps in Strategic Plan Development (Figure 2.1-S2) flow from and link to the direction established through a long-term 1Strategic Study. The study and resulting multi-year Strategic Vision develop through a partnered effort of the Key Leadership Team (KLT) and a national consulting firm.

The long-term strategy is refined and linked to the short-term strategy through the
valuable Key Inputs gathered and disseminated prior to the meeting inform participants about partner and customer requirements, and other key items. Second, the Key Leadership Team come to the meeting passionate and prepared to participate, each representing their area of expertise. The workshop begins with a long-term vision perspective and works back to shorter-term objectives and activities through four primary steps:
1. Establish Vision
2. Identify Objectives
3. Determine Strategy
4. Agree upon Strategic Actions

Upon completion of the Annual Planning Workshop, we prepare a 3-Year Business Plan using the objectives, strategies and projects approved by the KLT. 2.1a(2) We consider a wide range of internal and external inputs in our strategic studies and annual planning process. Competitive information is integrated throughout the planning and execution of our strategy.

During development of the Balanced Business Plan, each division and process assesses their operational and technological needs.

Our strategic study includes an analysis of staffing needs, by job type, to accomplish our strategy, and considers existing staff and core competencies. We review and update these needs through goal deployment to ensure the proper resources are trained or hired and adequate funding is established.

We assess supplier capabilities and needs through our category management process. Based upon knowledge of partner and customer requirements and of the business direction and vision, category management teams develop supply strategies and plans to meet current and future partner and business requirements.

During development of the BBP, the KLT reviews financial results, forecasts and trends to determine resource requirements and other parameters that will impact plan opportunities. Financial information is prepared and presented by both the Business Development and Operational Finance departments during key input review. Business Development focuses on our performance relative to competitors and provides insight on both financial advantages and opportunities for improvement. Operational Finance focuses on internal performance using information gathered through annual, quarterly and monthly revenue and expense forecasts prepared by each division and process.

2.1b(1) Clarke American establishes high-level, long-term strategic objectives during development of the strategic vision. We define shorter-term objectives, linked to the vision, during goal deployment.

2.1b(2) Clarke American’s strategic objectives specifically address our risks and challenges. For each challenge, we establish one or more initiatives to minimize or eliminate the risks. Strategic objectives must balance the needs of all key stakeholders. We do this through effective use of the BBP. Reviewing and incorporating the needs of all stakeholders, while driving company actions through all four quadrants of the BBP, ensures an effective balance of focus and resources.

2.2 STRATEGY DEPLOYMENT

2.2a(1) Goal deployment is the key to full alignment from the top of the organization to the individual associate. Our mature, systematic process ensures plan deployment through standardized methodologies and techniques (Figure 2.2-S1). Four key outputs of the Annual Planning Workshop drive deployment of the company strategy throughout the organization: 1) strategic vision; 2) BBP; 3) BSC; and 4) key company projects. The Linked Review and Communication Process (Figure 1.1-S2), including the monthly FIS Focus presentation, keeps associates current with performance to plan throughout the year.

To begin deployment, the KLT establishes teams and allocates resources to support Key Company Projects. Our intent is to quickly maximize results for the most critical projects. Aligning the organization around company objectives begins with strategy deployment to the Divisions. In annual deployment workshops, each division develops distinct BBPs, BSCs, KPIs and action plans tied to the company strategy. Divisions also identify Support Requirements and communicate these to the core processes. Core Processes use division requirements and company strategy to develop action plans and KPIs. They also identify

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### Figure 2.1-S3 Year 2001 Balanced Business Plan

<table>
<thead>
<tr>
<th>Balanced Business Plan Goals</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATD Develop, acquire, retain and motivate associates and teams to drive world class performance in core and emerging business.</td>
<td>Retention, S.T.A.R. Ideas, Team Huddles</td>
</tr>
<tr>
<td>PCV Dramatically grow revenue through customer-preferred channels.</td>
<td>Customer Satisfaction, Revenue Growth</td>
</tr>
<tr>
<td>PCV Grow our business through partnership development and connectivity with partner service providers.</td>
<td>Scorecards, Loyalty</td>
</tr>
<tr>
<td>Retain partnerships.</td>
<td>Partner Retention</td>
</tr>
<tr>
<td>PSM Manage and improve key supplier performance to deliver increased value, cost/waste elimination, and profit improvement.</td>
<td>Value Management Workshops, New products or services developed with suppliers</td>
</tr>
<tr>
<td>SCV Drive superior financial performance to increase shareholder value.</td>
<td></td>
</tr>
<tr>
<td>SCV Accelerate the FIS journey to achieve world class performance and recognition.</td>
<td>Be recognized as a responsible contributor committed to improving the communities where we live, work, and play.</td>
</tr>
</tbody>
</table>

ATD=Associates and Team Development; PCV=Partner and Customer Value; PSM=Process and Supplier Management; SCV=Shareholder and Community Value

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2.2a(2) We consider a wide range of internal and external inputs in our strategic studies and annual planning process. Competitive information is integrated throughout the planning and execution of our strategy.
support requirements needed from enabling processes. **Enabling Processes** take the requirements identified by the core processes and develop their own action plans and KPIs. Once all divisions and processes have developed action plans and KPIs, the strategy deployment continues to **Regions, Locations and Sub-Processes**.

The KLT, supported by the compensation department, develops a company **Bonus Plan** to reward all associates for accomplishing the goals established in the BBP.

An annual **Vision Presentation** is made at every location to every shift by a KLT member to ensure a strong, consistent understanding of Clarke American’s future. To demonstrate management commitment to the vision, each KLT member delivers the presentation at least once.

**Business Excellence Agreements (BEAs)** (Item 5.1a(1)) and **Personal Development Plans (PDPs)** (Item 5.1a(3)) align **Associates and Teams** with company goals. Our last step is to **Evaluate and Improve**. Additionally, we evaluate this process annually as part of our Business Excellence Assessment. The Goal Deployment Manager, in conjunction with the KLT, reviews the goal deployment process to identify areas for improvement. We document this feedback and review tracking at all levels. Subjective criteria consist primarily of the operational needs defined through goal deployment action plans (Figure 2.2-S1).

**2.2a(2) Action plans are established at every level of the organization.** From high-level BBPs developed by each division to individual BEAs, associate actions align with company objectives.

**2.2a(3) Human Resource Management (HR) enabling process goals, measures and KPIs link to the company goal to “Develop, acquire, retain and motivate associates and teams to drive world class performance in core and emerging businesses.”** Both short- and long-term HR objectives project and provide the needed workforce to execute our strategy. We consistently look inward to develop associates to meet future needs. Our processes identify and train associates for both short-term (Career Opportunity Program) and long-term Organizational Management Development and Review (OMDR) needs. Long-term plans center around developing and acquiring the skill sets necessary to achieve our vision of growth.

**2.2a(4) Performance measurements are defined as change the business or run the business metrics.** The BSC tracks the critical, breakthrough change the business measurements that drive performance toward our vision. Measurements and targets on the BSC link directly to specific BBP objectives to align the overall action plan with company objectives. Additional company KPIs drive continuous improvement in run the business initiatives at all levels of the organization.

**2.2b Clarke American establishes short- and long-term performance goals as part of goal deployment.** Where possible, we compare our strategy and goals to our competitors’ historical and projected performance. If competitor information is unavailable, we use other appropriate comparisons and benchmarks.
Figure 2.2-S2 Examples of Company Key Performance Indicators

<table>
<thead>
<tr>
<th>Key Performance Indicator</th>
<th>Results Figure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Excellence (MBNQA Score)</td>
<td>7.4-S5</td>
</tr>
<tr>
<td>Branch satisfaction</td>
<td>7.1-S1</td>
</tr>
<tr>
<td>Accident frequency rating</td>
<td>7.3-S5</td>
</tr>
<tr>
<td>Revenue per associate</td>
<td>7.4-S2</td>
</tr>
<tr>
<td>401(k) participation</td>
<td>7.3-S4</td>
</tr>
<tr>
<td>Training hours per associate</td>
<td>7.3-S12</td>
</tr>
<tr>
<td>Manufacturing cycle time</td>
<td>7.4-S1</td>
</tr>
<tr>
<td>Waste</td>
<td>7.4-S4</td>
</tr>
<tr>
<td>Utilization of Avenue</td>
<td>7.4-S6</td>
</tr>
</tbody>
</table>

Figure 2.2-S3 Examples of Projected Short and Long Term Performance Goals

<table>
<thead>
<tr>
<th>Objective</th>
<th>Results Figure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associate and Team Development</td>
<td></td>
</tr>
<tr>
<td>Associate satisfaction</td>
<td>7.3-S1</td>
</tr>
<tr>
<td>Training hours per associate</td>
<td>7.3-S12</td>
</tr>
<tr>
<td>Partner satisfaction</td>
<td>7.1-S1</td>
</tr>
<tr>
<td>Manufacturing cycle time (hours)</td>
<td>7.4-S1</td>
</tr>
<tr>
<td>Revenue per associate</td>
<td>7.4-S2</td>
</tr>
<tr>
<td>Total revenue growth %</td>
<td>7.2-S1</td>
</tr>
<tr>
<td>Community participation</td>
<td>7.4-S12</td>
</tr>
</tbody>
</table>

Category 3 - Customer and Market Focus – Application Summary

Clarke American is in business today because of our culture of unrelenting partner and customer focus. The industry changes described in the Organizational Profile led us to aggressively improve how we determine the requirements of our partners and customers. Our response to these events was to choose First in Service® (FIS). We endeavor to use our business excellence model to create value for Clarke American, our partners and customers.

The key to our success is continually creating value for current and prospective partners and customers. Ideal partners and customers share our passion for superior service and value our solutions. Our passionate focus leads us to:

- establish incentives for all associates linking a percent of the annual bonus to partner and customer satisfaction results.
- develop partner selectivity tools that enable us to evaluate the probability of successful partnerships.
- commit to fostering a learning organization that continually increases the knowledge and skills of associates, sustaining a culture passionate about our partners and customers and fully capable of meeting their ever-increasing needs.

Through these approaches, we commit to the strength of existing partnerships, expend energy wisely on new partner development, and acquire understanding of partner and customer requirements, expectations and preferences. Our focus on quality and service differentiates us today and will allow us to successfully achieve our vision for the future.

3.1 CUSTOMER AND MARKET KNOWLEDGE

3.1a(1) The Goal Deployment process drives our approach to partner and customer segmentation through tools such as strategic studies, and market research, as shown in Figure 3.1-S1. Several of the inputs consider potential partners and customers beyond our existing base to broaden our knowledge and understanding of target markets. Annually, through Goal Deployment, we assess our structure to ensure segments accommodate changing partner, customer and business requirements. We refine our segmentation in alignment with strategic objectives and to address emerging or changing partner and customer requirements.

Today, we operate with three business divisions that are further segmented based on partner size, type and growth potential. Our partner and customer segmentation matured through many improvement cycles.

Figure 3.1-S1 Segmentation Process

- Listening Posts
- Define Segment Needs
- Review External Inputs
- Yes
- Segmentation Gaps?
- No
- Review Internal Business Requirements
- Yes
- Segmentation Gaps?
- No
- Final Segmentation

3.1a(2) Numerous listening posts gather and analyze partner and customer requirements and translate learning into decisions and actions, as shown in Figure 3.1-S3. Listening post data is analyzed until a new requirement becomes clearly definable. At that point the requirement is reviewed further for differentiation by segment, and is reviewed against our strategic objectives for alignment.
3.2 CUSTOMER RELATIONSHIPS AND SATISFACTION

3.2a(1) We recognize the value of long-term partner and customer relationships and strive to ensure success. Our partnership relationship model is built on a foundation of continually increasing value and reflects our efforts to build strategic partnerships, characterized by joint strategic planning, customer integration, and a high level of trust.

A key tool used to drive this evolution is the Partnership Scorecard. Scorecards are developed jointly with the partner and define partnership goals, measures, and targets.

Regular partnership meetings review the progress toward goal achievement. The first meetings, essentially “year in review” sessions, integrate strategic planning sessions. Partnership Scorecard reviews drive action plans for both Clarke American and our partners for improved performance.

3.2a(2) Our focus on continually adding value has driven an evolution in the requirements for customer contact associates, primarily our field sales team, Customer Service Consultants (CSCs) and broader Division support teams. We identify partner and customer contact requirements through listening posts.

Training and certification programs improve the effectiveness of our customer contact associates. Sales Excellence Training emphasizes the importance of relationship management and solution selling. The Tri-Star program in the Servicing process provides ongoing development for CSCs, progressing from Freshman to Senior levels, with graduates moving on to the Continuing Education Program. Partner and customer contact requirements are inputs to Goal Deployment, and appropriate goals and targets are established and deployed. Business Excellence Agreements, in place for every associate, link individual objectives to company goals.

We provide access to partners and customers through a variety of mechanisms, examples include:

- 24-hour support, seven days a week, through our customer contact centers.
- clarkeamerican.com provides information about our product offerings.
- Partner terminals provide online, real-time access for ordering and inquiry.
- Our Partner Relations team places outgoing calls to partner branches. Associates take orders for supplies, provide training and address other needs.
- Billing, Automated Order Entry and technology help desks are accessible via toll free numbers.
- Field systems engineers provide computer connectivity and technology support.

3.2a(3) VOC and the Clarke American Response Exercise (CARE) program combine to provide an effective complaint resolution process designed to provide quick response to individuals voicing concerns or complaints (Figure 3.2-S1). VOC logs all incoming complaints and issues received through our contact centers. Our goal is to resolve the majority of complaints at the initial point of contact, with all being fully addressed within 24-hours. More than 99 percent of complaints are resolved immediately by the CSC, with the remaining issues recorded on a CARE form, forwarded to the appropriate associate or process, and tracked to resolution.

VOC data are aggregated to provide a review of cross-cutting opportunities as well as allow drill-down analyses to the key word and partner level. VOC data are presented to the KLT at its weekly meeting and VOC review and action planning is a key agenda topic at monthly division steering team meetings. Processes review data by appropriate key word(s) and take action as needed.
We consistently monitor approaches to improving our partner and customer access to align technology and infrastructure with the access requirements addressed in 3.2a(2). Contact center access is kept up-to-date through constantly tracking call volumes, benchmarking other contact centers and technology partnerships with suppliers. Information systems access is kept up-to-date with partner and customer requirements through trade shows, technology partnerships with suppliers and by responding to direct partner requests.

3.2b(1) Partner and customer satisfaction is measured in a variety of ways and is consistently used to drive improvement in processes, product and service quality, reliability and cycle time. All satisfaction tools are comprised of actionable questions addressing areas of importance for the appropriate target group and include a numerical satisfaction rating, loyalty rating and open-ended comment section to encourage additional feedback. These quantitative ratings and qualitative comments allow the company to capture actionable information that is then prioritized and assigned to a specific division or process.

To demonstrate our commitment to satisfaction, all associates have a large percent of their annual bonus tied to partner and customer satisfaction results. VOC is available weekly to all associates through the VOC database, and Branch Telephone Survey (BTS) results are communicated each month to all associates during FIS meetings. Review of satisfaction information, including VOC and BTS, is a key agenda item at division steering team meetings. The KLT focuses on the top drivers of dissatisfaction and receives weekly updates from the appropriate division or process owner until the issue is resolved.

3.2b(2) We have multiple access mechanisms in place to provide formal and informal follow up with partners and customers. Examples include survey cards, customer service, and sales and executive calls. The CARE process shown in Figure 3.2-S1 ensures immediate follow-through and response to complaints. When our listening tools indicate a problem, the issue is prioritized, the process responsible is notified and corrective action is taken through our Quality Improvement Cycle shown in Figure P-S4 to prevent the problem from reoccurring.

3.2b(3) Clarke American uses both quantitative and qualitative tools to gather information regarding satisfaction relative to competitors. We use advanced survey mechanisms to gather satisfaction drivers and to assess performance against these drivers. Whether we get new business or retain existing business, we learn of areas for improvement. If our proposal is not accepted, we probe further to see what requirements were not met. If a partner chooses not to re-sign with us, we conduct a formal interview to identify areas of improvement.

3.2b(4) Our customer satisfaction measurement processes have evolved since the early 1990s and continue to improve. We evaluate and improve our approaches through 1) supplier partnerships with research firms; 2) participation in customer satisfaction measurement conferences; and 3) benchmarking studies with companies outside of the check printing industry; as well as 4) through our annual Business Excellence Assessment.

### Category 4 – Information Analysis – Application Summary

![Figure 4.1-S1 Data and Analysis](image)

1.1 Measurement and Analysis of Organizational Performance

Clarke American’s systematic process for selecting, gathering, analyzing and deploying information is linked from strategic planning to daily operations, (Figure 4.1-S1).

4.1a(1) We gather and integrate data and information through a system of organizational performance metrics to continually set goals, analyze performance and achieve deployment to the individual associate.

This process helps us reflect the company values of Knowledge Sharing, Measurement, and Integrity and Mutual Respect. Performance metrics are defined for both change the business and run the business perspectives, as described in Category 2.

- **Change the business.** In 1999, we incorporated the balanced stakeholder approach into our Balanced Business Plan (BBP) and Balanced Scorecard (BSC). We refined these tools with emphasis on changing the business.
Run the business. Our Key Process Indicators (KPIs) reflect our process view of the business and are used to constantly track the efficiency and effectiveness of our processes relative to our customer requirements, based upon their targets.

A Key Leadership Team (KLT) member owns each metric. The leader is responsible for formally and systematically insuring the relevance of the metric, as well as evaluating and improving the processes for gathering and reporting the information. These metrics are defined and deployed through all levels of the organization, providing for consistent and reliable analysis and decision making.

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

Metrics are further reviewed for change the business and run the business items. Using both predictive and diagnostic indicators provides the continual ability to test and understand the correlation between the various metrics (Figure 4.1-S2).

### Figure 4.1-S2 Examples of Leading and Lagging Indicators

<table>
<thead>
<tr>
<th>Change the Business</th>
<th>Run the Business</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Predictive Indicators (Leading)</strong></td>
<td><strong>Diagnostic Indicators (Lagging)</strong></td>
</tr>
<tr>
<td>• Customer satisfaction</td>
<td>• Retention of 2-year associates</td>
</tr>
<tr>
<td>• Implemented S.T.A.R. ideas</td>
<td>• Operating profit growth</td>
</tr>
<tr>
<td>• Total order cycle time</td>
<td>• Branch Telephone Survey</td>
</tr>
<tr>
<td>• Plant cycle time</td>
<td>• Waste</td>
</tr>
<tr>
<td>401(K) participation</td>
<td></td>
</tr>
</tbody>
</table>

4.1a(2) Selection and alignment of balanced organizational measures and indicators begins with and is driven through the strategic goal deployment process. This integrated approach ensures that metrics are systematically chosen, deployed and aligned with all company objectives. Metrics are evaluated for alignment with daily operations, as well as overall organizational performance and needs, based on a leadership review (Figure 4.1-S3).

### Figure 4.1-S3 Performance Measurement Selection Process and Criteria

- **Proposed Measure**
  - **Actionable?**
    - Yes
    - No
  - **Supports BBP Breakthrough?**
    - Yes
    - No
  - **Critical to Run the Business?**
    - Yes
    - No
  - **Stakeholder/Regulatory Requirement?**
    - Yes
    - No

- **Selected: BBP/BSC Change the Business**
- **Selected: KPIs Run the Business**

4.1a(3) Clarke American’s drive to achieve world class manufacturing and servicing processes leads us to select and effectively use a variety of comparative data to assess relative performance and establish targets. During annual goal deployment, we determine the type of comparative information needed (what we compare). This is based on three factors: 1) strategic importance, 2) degree of improvement, and 3) new measure definition. The gap analysis process identifies key areas requiring breakthrough improvement, and we often set performance measures with comparative indicators when establishing appropriate targets.

The Process Champion identifies the appropriate comparative measure, both within and outside our industry, using the criteria listed in Figure 4.1-S4, and is responsible for the effective use of that information.

### Figure 4.1-S4 Selection Criteria for Comparative Data

- World Class or High Performance Outside Industry
- Best Practice/Excellence within Industry
- Competitive Comparisons
- Internal Clarke American Best Practice/Benchmark

Clarke American seeks competitive comparisons from various sources (with whom we compare).

Benchmarking has played a key role in improvement at Clarke American for many years. The CEO and other KLT members have been personally involved in “study tours” from which numerous best practices have been adopted. A cycle of improvement is our move to a more systematic 10-step approach to process benchmarking.

4.1a(4) Clarke American’s performance measurement system is kept current with business needs and directions through a variety of reviews and processes, including our Business Excellence Assessment and the “evaluate and improve” step in Goal Deployment. Our measurement process has undergone numerous cycles of improvement.

Each year during Goal Deployment, the KLT assesses business risks and identifies key measures for the upcoming year. Each KPI is owned by a KLT member who leads the formal assessment of the KPI through the review of its value and its match with business requirements. The BBP and BSC are reviewed at this same time. A recent improvement added
an “impact” element to the BBP to better understand the implications of goal achievement. The number of measures included on the BSC and tracked as company KPIs has been reduced over time to ensure focus on the critical few.

Measurement systems in each division and process are evaluated during the Business Excellence Assessment. We use the strengths and opportunities identified in the assessment to create action plans for improving our measurement system.

A wide range of incremental improvements to the performance measurement system also come from S.T.A.R. ideas submitted by associates or teams.

4.1b(1) The KLT relies upon extensive performance analyses, developed throughout the organization and linked to the KPIs, BBP and BSC, to make well-informed decisions on how to both change and run the business. Following are samples of analyses senior management uses in organizational performance review and decision-making:

- Market Analyses
- Product Analyses
- Production Analyses
- Service Analyses
- Human Resources Analyses

These analyses link to key metrics supporting the BSC/BBP and company KPIs. They are routinely discussed in KLT meetings and provide very useful input in the organizational performance review meetings (Figure 1.1-S2).

Financial and performance analysts, deployed throughout the divisions and processes, provide assistance for these and other analyses. They also help senior and line managers analyze their area’s financial, human resources, and operational performance.

First in Service® (FIS) tools provided to every associate include the TQM Toolbox (our Fundamental Process Improvement Tools), which describes 18 analytical tools associated with the 13 steps of the extended PDCA cycle. Introductory tools and analytical skills are taught in FIS courses and are supported by trainers and facilitators after training is complete. A seven-step PDCA cycle is available for use with short duration or narrowly focused team activities.

4.1b(2) Two-way communication of organizational results and analyses among leaders, associates, teams and work groups enables effective decision making at all levels.

Goal deployment and our system of regular reviews and huddles (Figure 1.1-S2) assure ongoing communication of organizational-level analysis to work group and functional-level operations. Linkage of operations is assured annually through goal deployment, and the review process provides the linkage on a daily basis. We translate action items from the reviews into department and work group action plans. Work group leaders provide frequent status reports that allow the division and process leaders—sometimes the team leaders themselves—to respond to follow-up items on the review agendas. Our annual Associate Opinion Survey, S.T.A.R. ideas and team updates provide upward analysis.

Performance results are consistently and rapidly deployed to each associate by senior leaders and through divisions and processes, using tools such as the FIS Focus and vision updates, e-mail, voicemail, newsletters and bulletin boards.

4.1b(3) BSC and KPIs are the primary change the business and run the business indicators used to measure overall organizational performance. These are effectively linked to the key business results, the strategic objectives and to the detailed action plans. Movement of any of these measures can be clarified through drill-down to lower level or process measures. The KLT reviews performance monthly and, if a key measure is not at the desired performance level, the team reviews the performance enablers as well as the effectiveness of the metric itself.

4.2 INFORMATION MANAGEMENT

Clarke American uses both internal and external resources and strategic alliances with key suppliers to assure the continued integrity and efficient availability of data to all stakeholders. Data integrity and availability are the foundation of our fact-based management system.

4.2.a(1) Availability of data and information is a key component of our “knowledge sharing” value. Centralized, automated information collection and distribution systems ensure data and information availability (Figure 4.2-S1):

Partner Customer Access:

- Our Servicing process is the conduit for information access for our partners and customers, who have toll-free 24x7 access to trained Customer Service Consultants (CSCs). CSCs have direct access to Clarke American Information System (CAIS) files that contain current and historical account information.
- Our website, clarkeamerican.com, is a comprehensive source of information for our partners, customers and associates, and supplements the easy access afforded by our Servicing process.
- Our Voice of the Customer (VOC) system collects and categorizes partner and customer feedback received in our contact centers.
- Manufacturing and servicing information is available to associates at all contact centers and imprint plants.
- Our computing and network systems providers have real time performance information on our systems as part of their operational process.

Figure 4.2-S1 Clarke American’s Centralized Information Network

<table>
<thead>
<tr>
<th>Internet Portals</th>
<th>External Hosting Site</th>
<th>Partner/ Customer Contact Centers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public e-mail</td>
<td>Check Imprint Plants</td>
<td></td>
</tr>
<tr>
<td>Transactions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Field Sales</td>
<td>San Antonio Metro Campus Locations</td>
<td></td>
</tr>
<tr>
<td>Associates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAIS* Lotus Notes* SPIRIT CAIS* Lotus Notes* SPIRIT* AVENUE* AVENUE* ODIS* VOC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clarke American Technology Center (San Antonio)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Partner Access</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Associate Access:

- The Streamlined Processes, Integrated Resources Information Technology (SPIRIT) system is directly accessible to all processes and sites. SPIRIT provides real-time access to financial, accounts payable, asset management, inventory and other materials management data.
- Our voice mail system is integrated across all locations and our parent company.
- All corporate associates, and plant and service site associates to the supervisory level, have logon IDs to the Lotus Notes system. With its broad routing capabilities, automated forms, databases and e-mail, it is our prime tool to efficiently share general information, including, but not limited to, newsletters, general interest announcements, Team Excellence and S.T.A.R. Idea best practices, schedules, calendars and meetings. We also develop applications to streamline and automate certain administrative processes (e.g., salary planning and S.T.A.R. suggestion evaluation), significantly reducing their cycle time.
- For associates in plants and servicing sites who do not yet have Lotus Notes logon IDs, we provide general information through daily huddles, weekly team meetings and monthly FIS Focus, supplemented with informal discussions, special presentations, bulletin boards and newsletters.
- 4.2a(2) Data integrity, reliability, accuracy and timeliness are assured through direct, real-time data capture where possible in the CAIS system.

Where manual data capture is necessary, automated and manual quality control processes are in place to assure data accuracy and timeliness. These steps are reinforced through the cycles of systematic analysis and reviews described in 1.1 and 4.1, which assure that any faults and their root causes are quickly identified and eliminated.

Our Systems Assurance group controls access to all Clarke American systems by password and user ID assignment. When an associate leaves the company, the Termination Identification Process System (TIPS) automatically notifies Systems Assurance to remove access to all facilities and systems.

4.2a(3) Data and information availability mechanisms are kept current by continuously tracking the technology industry, through strong relationships with industry leading suppliers, and through our focus on partner and customer needs. As a part of the strategic planning process, we incorporate stakeholder information and data needs into the analysis and resulting action plans. Input on needs is provided by the Business Excellence Assessment and Associate Opinion Survey for internal stakeholders, the VP of Procurement for Suppliers, the GMs for partners and customers, and the CEO and CFO for shareholders. The SVP of Information Technologies provides technology solutions input derived from our partnerships with industry-leading suppliers or through the strategic planning and deployment process.

4.2b(1) We regularly upgrade software and hardware to ensure data reliability and improve ease of use. Partnerships with key suppliers assure hardware reliability and network connectivity for CAIS.

Using its supplier partnerships, the IT process researches, evaluates and pilots hardware and software, then trains the user communities before rollout, to help assure user friendliness and reliability.

The IT process uses the Standard Design Methodology, together with a system of IT User Requests, to enhance the integrity, reliability and performance of changes to our information systems.

4.2b(2) The same process referred to in 4.2a(3) and described in 2.1, provides the analysis, action plans and budgets necessary to keep our hardware and software systems current with business needs and directions. More immediate, non-strategic upgrades to hardware and software systems are identified and initiated through the system of regular reviews.

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**Category 5 – Human Resources Focus – Application Summary**

Clarke American’s culture, based upon First in Service (FIS) principles, engages, empowers and motivates our associates. We know that success is dependent upon our people, and we value the strength and diversity of our associates. We provide common language, tools, approaches, and flexible deployment methods to meet the requirements of geographically and organizationally distinct groups. Associates demonstrate initiative, innovation and teamwork in an energized, fun environment resulting in stellar performance.

5.1 WORK SYSTEMS

Our goal deployment process aligns all associate efforts with company strategies and goals.

5.1a(1) Clarke American organizes and manages activities through a matrix structure of divisions and processes that addresses differing partner and customer needs to provide focus, flexibility and responsiveness.

We systematically match the work to be done with a defined job to accomplish the work. We build a job description that articulates duties to be accomplished, decision-making required, levels of authority, knowledge and experience, and physical requirements required to accomplish the job. For manufacturing and servicing jobs, engineering standards define expected performance levels.

Through our High Performance Work System (Figure 5.1-S1) we perform work defined by the divisions and processes. All activities are led through our FIS Leadership System, aligned with our vision, mission, core purpose and goal deployment objectives. Aggressive company goals are established and deployed through divisions and processes to every associate. We ensure cooperation among associates and encourage innovation and initiative through Teamwork. Deeply ingrained at Clarke American, teamwork is a value that “allows each of us to participate in Clarke American’s success and shape our company’s future.”

We use both natural work teams and project teams to accomplish goals. All teams use established FIS disciplines and trained facilitators to maximize success. Natural work teams and improvement teams perform run the business
activities to meet internal and external customer requirements. These teams “huddle” regularly to review goals, set priorities and establish actions. Project teams complete significant initiatives and change the business through key company projects. Most project teams are cross-functional, enhancing knowledge sharing across the organization. Associate Opinion Survey (AOS) results show high levels of satisfaction with teamwork at Clarke American.

Our latest cycle of team improvement is a focus on High Performance Work Teams (HPWT), piloted in San Antonio. HPWTs increase associate fulfillment by transforming our organization into self-directed teams whose members are responsible for whole work processes with minimal supervision.

Defined tasks, responsibilities, required knowledge, skills and education guide all Individual Activity. Through performance evaluations and Business Excellence Agreements, (BEA), we assure goal alignment from the company level to the associate. Flexible, defined, Systematic Approaches, tailored to diverse associate needs, lead to effective communication, skill development and job knowledge. Our FIS, Value-Driven Culture provides an environment for success.

Our S.T.A.R. (Suggestions, Teams, Actions and Results) Program provides a proactive way for associates to demonstrate initiative and innovation. Through S.T.A.R., associates and teams submit process improvement ideas that may be implemented at an individual, work group or team level. Implementation of ideas is dependent upon an alignment with goals and the projected benefits versus costs.

Effective communication among associates and teams is critical to our success. We added Knowledge Sharing to our values to reinforce our commitment to communication across the company. Figure 5.1-S2 lists examples of knowledge sharing tools we use to ensure consistent, timely communication of best practices and organizational learning.

Team learning is communicated through our annual Team Excellence Award process. Nominated project teams are evaluated and receive feedback on strengths and opportunities for improvement. Overall learning is shared across the company and integrated into training updates for best practice dissemination.

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**Figure 5.1-S1 High Performance Work System**

**Figure 5.1-S2 Knowledge Sharing Examples**

<table>
<thead>
<tr>
<th>Method</th>
<th>Audience</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>e-mail</td>
<td>All associates</td>
<td>Daily</td>
</tr>
<tr>
<td>S.T.A.R. database</td>
<td>All associates</td>
<td>Daily</td>
</tr>
<tr>
<td>Bulletin boards</td>
<td>All associates</td>
<td>Daily</td>
</tr>
<tr>
<td>Process home pages</td>
<td>All associates</td>
<td>Daily</td>
</tr>
<tr>
<td>Team meetings (huddles)</td>
<td>All associates</td>
<td>Weekly</td>
</tr>
<tr>
<td>Electronic message boards</td>
<td>All associates</td>
<td>Weekly</td>
</tr>
<tr>
<td>VOC database</td>
<td>All management</td>
<td>Weekly</td>
</tr>
<tr>
<td>FIS meetings</td>
<td>All associates</td>
<td>Monthly</td>
</tr>
<tr>
<td>FIS conference calls</td>
<td>FIS coordinators</td>
<td>Monthly</td>
</tr>
<tr>
<td>Newsletters</td>
<td>All associates</td>
<td>Quarterly</td>
</tr>
<tr>
<td>Plant/Center tours</td>
<td>Mgmt. groups</td>
<td>Periodically</td>
</tr>
</tbody>
</table>

The Clarke American Way: All stakeholders 3 per year

5.1a(2) Our “Start Anywhere, Go Anywhere” advancement philosophy motivates associates to excel. Through systematic approaches to develop, measure, provide feedback, and celebrate success, our leaders encourage and motivate associates to develop their full potential. Our Measurement value reflects Clarke American’s fact-based means of expressing and recognizing goals and achievements. Our reward structure is linked to achievement of personal and team goals. Many programs and processes support associates in job and career-related development. We provide extensive internal and external learning and development opportunities for all associates.

5.1a(3) Our performance management process (Figure 5.1-S3) drives high performance by aligning goals and objectives, addressing development needs and providing feedback on performance and leadership competencies. All individual Goals and Objectives are jointly developed by associates and supervisors and documented on BEAs. This tool aligns individual
goals and objectives with the BBP. A PDP is prepared jointly to help associates obtain additional knowledge and skills to meet their personal, professional and career goals/objectives. Throughout the year, supervisors provide Performance Feedback through standardized processes and tools to monitor and manage progress.

Leaders are assessed against ten competencies and use results to develop their PDP and action plans to enhance team performance. We use performance evaluation results to Reward, Recognize and Compensate associates for their contributions toward company goals. Clarke American has a comprehensive approach to recognition of desired behaviors and performance. We begin with the clear expectation that leaders at all levels are responsible for acknowledging and reinforcing success, achievement and value-based behavior (Figure P-S2).

Various recognition programs are deployed from the company, division, process, local and work-group levels to motivate and reward team and individual performance. Associates at all levels are encouraged to recognize others to promote teamwork and to say “thank you.” We provide a wide range of recognition programs, a few of which are shown in Figure 5.1-S4. Leaders customize these programs to address diverse associate needs.

Our recognition processes have gone through multiple improvement cycles. The addition of our Team Excellence Award process in 1996 was a significant improvement to our recognition program and supports a more team-based work environment. In 1999, we further enhanced our recognition program to better align the process with short- and long-term company goals, ensure consistent application of company-wide programs, and allow greater flexibility to customize programs.

Clarke American practices a “pay for performance” compensation philosophy designed to reward teams and individuals for customer-focused high performance. All associates share in the company’s success through our annual bonus, which is based on overall attainment of customer satisfaction, partner satisfaction, and revenue and profitability goals. Associates share the company’s success through both 401(k) matching contributions and profit sharing contributions.

5.1.a(4) Succession Planning for senior leaders is accomplished through our annual Organizational and Management Development Review (OMDR). Through this systematic process, candidates for each leadership position

(5) Our systematic approach to associate recruiting and selection significantly increases our success in placing the right associate in the right position. Clarke American’s unique culture appeals to and fosters growth in accomplishment-oriented people. Our recruiting process begins by developing key competency profiles for major job groups to facilitate selection of the right person. We co-develop these profiles with an external consultant and validate them against the profiles of successful associates. All profiles are regularly reviewed and updated.

5.2 EMPLOYEE EDUCATION, TRAINING, AND DEVELOPMENT

Associate and Team Development, a quadrant of our BBP, is key to our continued success in a changing industry. Our commitment to associate and team development empowers associates with the knowledge and skills needed for success. Our FIS culture and values serve as a training foundation. Line managers are ultimately responsible to ensure associates have the skills needed for current requirements and future opportunities. The Learning and Development (L&D) subprocess is a key enabler to develop or identify high quality, effective education and training programs.

5.2a(1) Accomplishment of our action plans depends upon the continual development and growth of our associates’ skills and knowledge. Our education and training
approach (Figure 5.2-S1) balances both company and individual needs for achieving short- and long-term goals.

During Goal Deployment, we develop a training plan by comparing the core competencies of existing personnel to skill sets needed to execute both change the business and run the business objectives.

5.2a(2) PDPs identify training needs for all associates, incorporating input from both associates and supervisors. PDPs are reviewed at least annually in conjunction with performance reviews and goal setting. Associates and supervisors provide input regarding new training courses or major course modifications through surveys, team meetings, interviews and focus groups to drive improvements in course content and delivery methods.

5.2a(3) Our education design process (Figure 5.2-S2) combines in-house and external programs tailored to meet specific individual and business needs. We use cross-functional resources and subject matter experts to ensure content integrity. L&D professionals integrate innovative methods to effectively transfer learning.

Following is a summary of key training by development need:
- **Technology** – Clarke American’s associates must have the necessary skills to use these new technologies.
- **Management/Leadership Development** – We offer a wide range of internal and external development opportunities for leaders at all levels. Quality Leadership Development (QLD) was created in 1997 in response to AOS results. Targeting front-line supervisors and new managers, QLD supports attainment of personal and business objectives with modules such as Working with Teams, Making Change Happen, and Time Management.

New Associate Orientation – Our Orientation Express program (Figure 5.2-S3), introduced in 1998 as a result of associate feedback, acclimates new associates to our culture. The program can be tailored for each area of the business. **Buddies** – associates at a comparable level assist the new associate with questions and support. The process includes **Passport** destinations that serve as a road map for activities, recognition and feedback.

Safety – Clarke American requires all associates to attend safety training: Fire Prevention (annually); Means of Egress (1-time); Hazardous Communication (1-time); and Ergonomics (every 3 years). Our Safety, Environment and Security Manager defines additional training as appropriate. Beyond standard courses, training is developed for position specific needs (e.g., forklift, personal protective, hearing conservation, tag out/lock out, CPR and first aid).

**Performance Measurement** – **FIS Introductory Training**, introduced in 1992 and refined to **FIS Basics** in 1999, is the foundation of our FIS program. This class, mandatory for all associates, is traditionally completed within six months of employment. The class now includes an on-the-job simulation where associates learn and practice FIS behaviors and principles. A panel of KLT members (or senior leadership in manufacturing and servicing locations) participates in the training to answer questions posed by class participants. Advanced FIS training meets specific needs as shown in Figure 5.2-S4. As a result, associates gain a common understanding of our company, culture and its FIS Business Excellence model. FIS tools are used daily by associates in teams, meetings, and at their workstations.

### Figure 5.2-S1 Education and Training Approach

**Company**
- **Associate**
  - **Short Term**
    - Annual Goal Deployment
    - Performance Management
  - **Long Term**
    - Core Competency Analysis
    - Career Goals

### Figure 5.2-S2 Education Design Process

1. **Start**
2. **Conduct Needs Analysis**
3. **Define Training Requirements**
4. **Develop Lesson Plans**
5. **Evaluate and Improve**
   - **Improve**
   - **Implement Recommendations, Deploy Training**
   - **Deliver Pilot, Assess and Improve**

### Figure 5.2-S3 Orientation Express Process

**Pre-arrival:**
- Welcome packet
- Orientation liaison

**First Week:**
- CEO welcome
- Culture presentation
- Facility tours
- Safety/security training
- FIS orientation
- In-processing
- Passport
- Job skills
- Orientation survey

**First 3 Months:**
- Job skills
- Performance feedback
- Orientation survey

**First Year:**
- Passport destinations

**Annually:**
- Evaluate and improve

### Figure 5.2-S4 First in Service Training

<table>
<thead>
<tr>
<th>Course</th>
<th>Objective</th>
<th>Who</th>
</tr>
</thead>
<tbody>
<tr>
<td>FIS Basics</td>
<td>Understand skills, techniques and tools to embed FIS principles in daily activities</td>
<td>All associates</td>
</tr>
<tr>
<td>FIS Orientation</td>
<td>New associates’ introduction to FIS principles (Orientation Express)</td>
<td>All associates</td>
</tr>
<tr>
<td>Facilitator Training</td>
<td>Prepare for team facilitator and FIS trainer roles</td>
<td>Facilitator candidates</td>
</tr>
<tr>
<td>Team Leader Training</td>
<td>Develop knowledge and skills to lead quality improvement teams</td>
<td>Supervisors, new managers; team leaders</td>
</tr>
<tr>
<td>Baldridge Basics</td>
<td>Develop familiarity with Baldridge criteria and scoring methodology</td>
<td>All associates</td>
</tr>
<tr>
<td>Project Management</td>
<td>Develop knowledge/skills to manage complex teams/projects</td>
<td>Project managers, team leaders, facilitators</td>
</tr>
<tr>
<td>FIS Train the Trainer</td>
<td>Develop skills to effectively deliver FIS Basics training</td>
<td>Line managers</td>
</tr>
<tr>
<td>Business Excellence Assessor</td>
<td>Understand Baldridge criteria and develop skills for Business Excellence assessor role</td>
<td>Senior managers</td>
</tr>
</tbody>
</table>

Clarke American
Diversity – In 1999, we introduced training on the legal aspects of supervisory responsibilities, including affirmative action planning, harassment and employment issues. The KLT is aware of current opportunities to broaden diversity within our organization and is taking effective action. A new, more extensive diversity course is also being developed for mandatory management training.

5.2a(4) We use various delivery platforms for formal training, such as traditional classroom, CBT, and online real-time virtual classrooms, and offer supplementary training through on-the-job training, cross-training and a Learning Library. In 2000, we recognized the need to more efficiently deliver learning to our field associates. Our solution combines web- and Computer-Based Training (CBT) with live classroom instruction, so that knowledge reaches associates more quickly. Our Learning Library contains resources in numerous categories aligned with our ten leadership competencies.

Training is evaluated on various levels based on a modified Kirkpatrick model (Figure 5.2-S5). To improve our evaluation processes, in 1999 we introduced testing and certification criteria in many key courses.

5.2a(5) Clarke American uses various methods and tools to reinforce on the job use of knowledge and skills obtained through training. Team leaders, supervisors and managers use feedback, recognition and coaching to reinforce desired skills and behaviors. The Orientation Express Passport and S.T.A.R. are two examples of programs that provide feedback and recognition to continuously reinforce appropriate actions. We solicit Orientation Express feedback regarding the process after an associate’s first week and again after 60 days. Region Sales Managers use partner visits and weekly conference calls to coach Account Executives with performance feedback.

5.3 Employee Well-Being and Satisfaction
Clarke American’s Quality Workplace value emphasizes our commitment to “maintaining a stimulating and rewarding work environment.” AOS results indicate high levels of satisfaction with our Work Environment.

5.3a We recognize the need to systematically improve workplace safety through a common approach to safety and well-being. Our Safety and Environmental Policy is shown in Figure 5.3-S1: Clarke American utilizes technological advances to greatly improve workplace safety. The safety improvement process is shown in Figure 5.3-S2.

A cross-functional safety team at each location is responsible for safety inspections, injury analysis, hazard correction and safety meetings. Quarterly safety and environmental audits ensure alignment with federal and state standards. Each audit covers applicable sections of OSHA regulation 29 CFR 1910 and EPA rules covering waste disposal, stormwater runoff and other relevant items. If an audit identifies any potential violations, the safety team takes action as necessary to eliminate risks.

We are a low-impact manufacturing company. Safety activities vary by location. Ergonomic risks in corporate offices and contact centers are greatest, and workstations are properly designed. Contact centers include specially designed ergonomic workstations to improve overall workplace health. In our base stock manufacturing plant, a dedicated safety department manages unique safety risks. In addition to safety and security training provided to new associates through Orientation Express, all associates receive additional safety training on a regular basis.

Our S.T.A.R. program provides a tool for associates to proactively suggest and implement process improvement ideas related to safety. This comprehensive approach to workplace safety, a focus on prevention, and a strong leadership commitment to providing a safe environment have resulted in excellent safety performance. AOS shows high satisfaction levels with workplace safety.

5.3b We use multiple tools to assess associate well-being, satisfaction and motivation, including the AOS, exit interviews, turnover statistics and an open door policy. These processes and tools identify key factors affecting satisfaction and well-being, measure satisfaction levels and prioritize improvement activity.

5.3b(1) The AOS is our primary tool for identifying key factors affecting satisfaction and well-being. Our AOS
process (Figure 5.3-S4) begins with a review of the previous year’s survey results and questions. The KLT ensures the survey targets those issues most important to associate satisfaction, motivation and productivity. Focus groups help clarify questions and identify areas not sufficiently addressed. Questions are then refined as needed. Reporting levels are updated to allow results analysis at company, location and work group levels.

5.3b(2) We provide an excellent array of benefits and services (Figure 5.3-S5) to meet the diverse needs of our associates. We regularly evaluate and improve our offerings through processes such as the AOS and Business Excellence Assessment. We form teams and develop action plans to respond to feedback, address specific issues and recommend program or policy improvements. In 2000, we extended medical benefits to all part-time associates as a result of business need and AOS feedback. We also benchmark world-class organizations to ensure current programs are competitive.

We tailor benefit programs for specific associate groups such as a variety of tuition reimbursement programs for associates and their children. Flexible work schedules consider the individual needs of associates.

5.3b(3) We use multiple formal and informal methods and tools to assess associate well-being, satisfaction and motivation. Processes (e.g., AOS, exit interviews, turnover statistics and an open door policy) identify key factors affecting satisfaction and well-being, assess satisfaction levels and prioritize improvement activity.

AOS is our primary formal approach. We openly share survey results with all associates. The KLT reviews the results and initiates company-wide improvement actions targeting satisfaction opportunities. Opportunities are identified and action plans are developed at each level and work group. Associates participate in prioritizing improvement opportunities at the local level. This process has gone through several improvement cycles, including the development of location-specific approaches to encouraging participation, refinement of the satisfaction measurement scale, and the inclusion of additional open-ended comment fields to the survey document.

5.3b(4) We are fully aware of the correlation between high associate satisfaction and superior performance. Division, process and location leaders regularly review satisfaction results to identify opportunities for improvement. AOS results are benchmarked against world-class companies.

Recent actions taken to improve two-year associate retention, a BBP objective, is one example of how we link satisfaction results to financial performance and drive improvement. Turnover and exit interviews indicated a lack of focused benefits for this group. Benefits were improved to include earlier eligibility for vacation and vesting in our 401(k) plan. Financial analysis shows that a significant portion of the cost of these benefits will be recovered through lower associate turnover.

<table>
<thead>
<tr>
<th>Program</th>
<th>Offerings</th>
</tr>
</thead>
</table>
| Benefits | • Paid vacation and flexible holidays  
• Paid sick and personal leave  
• Paid and unpaid leaves of absence  
• Associate tuition assistance  
• Dependent tuition assistance  
• Military leave reimbursement  
• Tiered medical, dental, and vision coverage  
• 401(k) profit sharing  
• Day care subsidy |
| Services | • Free check orders  
• Associate Assistance Program (emotional or financial problems, substance abuse, tax or legal advice, child- or elder-care issues)  
• Relocation assistance  
• Associates’ Club |
| Policies | • Open Door Policy  
• Relaxed dress code  
• Smoking/tobacco cessation  
• Affirmative Action/Equal Employment Opportunity  
• Flexible spending accounts |

Turnover data are collected and analyzed to assess satisfaction/improvement opportunities. Data review occurs at an organizational, process and site level to determine trends, correlation, and common factors. Targets are established and results are reported monthly. Exit interviews are conducted to better understand why associates leave Clarke American.

Other methods used to assess associate satisfaction include Business Excellence Assessment focus groups, our Open Door policy and a grievance process.

Data from all these methods serve as inputs to improving selection methods and enhancing programs and policies to improve associate satisfaction, well-being, and motivation.
6.1 PRODUCT AND SERVICE PROCESSES

Our processes, aimed at satisfying partners and customers, provide a unique competitive advantage through innovation, speed, and quality. Central to our customer-focused structure are the divisions, which are responsible for understanding their respective business segment needs and defining the company’s change the business and run the business process improvement priorities. We accomplish this through Goal Deployment and Division Steering Teams. Associates within the core and enabling processes translate these priorities into action plans. This structure provides a flexible organization that ensures continuous improvement and full alignment with partner and customer requirements. As we have matured in management of our processes, we have established consistency across all key processes in terms of approach to documentation, measurement and improvement.

Core and enabling processes are defined and documented through process management workshops beginning in 1996 and continuing today. Facilitated by outside consultants, the workshops consider process inputs, outputs, and critical linkages to divisions and to other processes.

Our product and service development process evolved from a focus on introducing new check designs to an emphasis on redesigning product and service offerings in alignment with our strategy of adding value to the partner and customer. As a result, we have successfully developed and launched many innovative products.

6.1a(1) Our Marketing Process champions the design of new products and services. They follow a defined procedure that begins with a clear understanding of partner and customer requirements. Our team approach ensures all critical areas of the organization, often including partners and suppliers, are involved early in the design and development process. Teams also incorporate learning from past projects.

Figure 6.1-S1 shows the macro steps of our Product Development Process. The Order Fulfillment and Servicing processes are responsible for production, fulfillment and delivery of products and services to our partners and customers.

6.1a(2) During ① Idea Evaluation and ② Product Concept Definition of the Product/Service Development Process (Figure 6.1-S1), we collect and incorporate information early in the design process to ensure our products and services meet or exceed partners’ and customers’ current and emerging needs.

Examples of information sources include:
- Strategic studies
- Voice of the Customer
- Market and research
- Customer surveys

During Merchandising Plan Development, the Product/Service Development Process considers optimum delivery channels. Partner and customer input is further integrated throughout the process.

6.1a(3) We use multiple approaches to lead us to new dimensions of performance. These approaches enable us to lead the industry innovative solutions and are a crucial element of our competitive advantage. Technology requirements are considered in the Product Development Process during ② Product Concept Definition and delivery channels are considered during the ③ Merchandising Plan Development phase.

6.1a(4) Clarke American’s strong team culture and project disciplines ensure product design quality and cycle time, as well as transfer of learning from past projects. Teams are formed, with necessary process representation, experience levels and skill sets. The structured project team discipline ensures that projects are managed in a consistent manner with appropriate tools and review steps. Elements included in our team discipline requirements for design, development and improvement projects are noted in Figure 6.1-S2.

Figure 6.1-S2 Clarke American Project Disciplines

Each project team develops a Project Brief to document the membership, mission, timing, and expected benefits. The Milestones form consists of key deliverable dates and is used to manage the overall project timeline and critical path. The Storyboard guides the team through the steps of the Quality Improvement Cycle, requiring documentation of key dates, events and decisions along the way. Project team discipline ensures that projects are managed in a consistent manner with appropriate tools and review steps.
First in Service™ (FIS) tools and disciplines, introduced to associates during FIS Basics, are frequently updated and refined to meet the changing needs of the organization. The team approach is fundamental to the transfer of key learning throughout the organization. Cost control is managed through the Authorization for Expenditure (AFE) process, which requires senior manager approval and documentation of projected returns for all capital spending.

6.1a(5) Assurance of optimal process performance begins with a clear understanding of requirements, incorporating them into the process design. We use a number of approaches to ensure production and delivery processes accommodate key operational requirements, including extensive process mapping, engineering time studies to establish standards, production simulation, and materials testing prior to any significant materials change. The Product Authorization Process requires cross-functional approval prior to implementation of new products or major changes to existing products.

6.1a(6) Our proactive approach to quality allows us to “build in” quality to our design, production and delivery processes.

6.1b(1) We define our key production and delivery processes as our core processes. Key performance requirements are based on partner, customer, and organizational requirements as defined through Goal Deployment and the Balanced Business Plan (BBP). Change the business measures and targets are documented on the Balanced Scorecard (BSC). Run the business requirements are captured as company or process Key Performance Indicators (KPIs).

6.1b(2) Our measurement culture and environment of fact-based decision making, supported by an integrated and empowered organization, are the keys to consistently achieving performance requirements. The BSC, KPIs and Voice of the Customer (VOC) data are reviewed at weekly and monthly Key Leadership Team (KLT) meetings and deployed through the organization.

The key processes track and report performance daily and take corrective action where necessary. Division steering teams meet monthly to discuss progress toward strategic objectives and agree upon the actions to address performance gaps.

6.1b(3) We document key processes through the subprocess level to facilitate measurement of in-process performance. Examples of KPIs within our processes appear in Figure 6.1-S3. Real time customer input regarding process performance is gathered through VOC and other survey tools. Key suppliers provide real-time input through multiple points of contact.

6.1b(4) We emphasize a preventive approach to process control through technology, simplification and adherence to our Quality Improvement Cycle. In addition to traditional inspection and audit methods, we use technology to ensure quality is built in to all processes.

Associates use FIS improvement tools and team disciplines to identify and implement a minimum of seven process improvement suggestions each year through the S.T.A.R. program. Engineering standards are documented for all key process positions to reduce variability and ensure maximum efficiencies. Daily quality and productivity measures are in place for these positions to track performance levels.

6.1b(5) Clarke American uses the Quality Improvement Cycle, described in Figure P-S4, to manage all process improvement activity. We follow the 13-step cycle for significant process change and a streamlined 7-step cycle for smaller improvements.

We refined the Quality Improvement Cycle in 2001 to integrate past learning in the ‘Collect Data’ step of the Plan stage and document learning points in the ‘Standardize the Process’ step of the Act stage.

Innovative technology is a driver to improve and simplify our key processes, as described in the Organizational Profile.

Sharing of best practices is accomplished through networked associates, the S.T.A.R. Program, our system of reviews (Figure 1.1-S2), Business Excellence Assessments, various publications and newsletters, and multiple knowledge sharing tools.

The monthly reporting process requires updates from all divisions and processes regarding key accomplishments and opportunities, financial results, progress toward KPIs, associate development activity and key project status. S.T.A.R. ideas are maintained in a database that all locations can query by idea type, subject, associate or location.
6.2 BUSINESS PROCESSES

6.2a(1) Our key business processes are those considered most critical to successfully implementing our strategic vision.

6.2a(2) Business process performance requirements are determined through Goal Deployment and are based on partner, customer and organizational needs.

Linkage among the divisions and processes is further defined through Customer Supplier Agreements and the Process Support Requirements document, introduced in 2000. Business process representatives participate on division steering teams to facilitate ongoing linkage and understanding of customer requirements and priorities. The cross-functional structure of the divisions ensures linkage with all processes to provide a mutual accountability for key requirements. Business process requirements are shown in Figure 6.1-S3.

6.2a(3) Our business processes are flexible to support continuous improvement and meet the requirements of internal and external customers. All business processes are documented and KPIs are defined through the sub-process level to facilitate continuous measurement of in-process performance. Process performance is reviewed regularly, and processes are revised or reengineered as needed.

6.2a(4) Our business processes define change the business measures and targets through Goal Deployment and document them on the BBP and BSC. Run the business requirements are captured as company or process KPIs. The KLT, divisions and processes regularly review these measures of process performance. When performance gaps are identified, improvement action plans are developed.

Customer and supplier input is used in managing our business processes described in 6.1b(3). All levels of the organization, including all key processes, systematically review Voice of the Customer (VOC) data.

6.2a(5) Costs associated with inspection and tests are minimized for business processes in the same manner as for product and service processes. The Procurement process defines supplier quality standards and shifting additional responsibility for incoming inspection from Clarke American to our suppliers.

6.2a(6) Business processes are improved in the same manner as key processes. Improvements are shared through the S.T.A.R. program, formal reviews, Business Excellence Assessments, publications, and knowledge sharing tools.

6.3 SUPPORT PROCESSES

In the early years of our FIS journey, we managed support processes differently from core processes. We have evolved to the point that, since 1998, we manage support processes with the same discipline and rigor as core processes. As such, the description of process management in Item 6.1 also applies to the support processes reported in this Item.

6.3a(1) Our support processes are those key processes that provide the infrastructure for critical run the business activities.

6.3a(2) We define all Support process requirements through Goal Deployment, in the same manner as all other key process requirements.

6.3a(3) Support processes are designed through Process Management Workshops. The support processes are documented and the KPIs defined through the sub-process level, as are the other key processes.

6.3a(4) We ensure support processes meet performance requirements in the same manner described for production and delivery processes. We document support process change the business and run the business requirements through the BSC and KPIs. Day-to-day operations are supported by tracking the KPIs. When we identify a performance gap, we develop an action plan to address the gap.

6.3a(5) Support processes are documented through the sub-process level to facilitate measurement of in-process performance. Internal customers provide feedback through our system of linked reviews.

6.3a(6) Costs associated with inspection and tests are minimized for support processes in the same manner as other key processes.

6.3a(7) Support processes are improved and improvements are shared in the same manner as other key processes as described in 6.1b(5).

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Category 7 – Business Results – Application Summary

The ultimate test of the effectiveness of our approaches, deployment and processes is the strength of our business results.

7.1 CUSTOMER FOCUSED RESULTS

7.1a(1) Partner and customer input drive action and results, and multiple tools gather both quantitative and qualitative data on a regular basis. Key partner and customer satisfaction indicators each fulfill a unique information need.

The Branch Telephone Survey (BTS) (Figure 7.1-S1), in place since 1992, includes outgoing telephone surveys with partner branch personnel and consistently delivers high satisfaction results. In Q1 1999, we updated survey questions, and in Q3 1999, we changed the rating scale from a five-point to a seven-point scale, resulting in a transitional quarter.

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![Figure 7.1-S1 Partner Branch Satisfaction](image-url)

All associates have a portion of their annual incentive tied to BTS results.
Household customer satisfaction results consistently outperform the banking industry servicing satisfaction levels, confirming the value our solutions offer both partners and customers.

7.1a(2) MICR Reject levels show the quality and readability of MICR line print. A rejected check document is costly to the financial institution in terms of processing costs and delays. We outperform the industry in MICR readability.

MICR Readability is also monitored through external studies to provide direct performance comparisons to competitors (Figure 7.1-S2). The implementation of InTouch® technology has driven significant improvements in MICR Readability for Clarke American.

Figure 7.1-S2 MICR Rejects
Tremendous improvements to MICR line readability have improved reject levels by 77% since 1996.

Research and listening tools indicate timely product delivery is a priority to our partners and customers. Several measurements drive cycle time improvement.

On-Time Service Level (Figure 7.1-S3) tracks service performance. We are performing well compared to our benchmarks, Industry Week’s average for America’s Best Plants and average for World Class Plants.

"We are committed to quality and will reprint any incorrectly produced check order, regardless of fault."

Reducing all types of errors is always a company-wide priority. Partner error rates directly correlate with new partner growth. A number of process improvements regarding partner error reduction prevent incorrect data from being entered by the partner.

Key measures and indicators of Servicing process performance include Call Answer Rate and Average Speed of Answer.

Call Answer Rate documents the percentage of incoming calls answered by a servicing representative and is reported for both partner calls and customer calls. Average Speed of Answer is also measured and managed by partner and customer for each Servicing location. Increased answer speed in both 1999 and 2000 result from better alignment with the industry benchmark and more efficient use of resources.

7.2 FINANCIAL AND MARKET RESULTS

We use a large amount of financial information – representing the past, present and future – to manage our business and review overall financial health. During the past five years, revenue and operating income have steadily increased in a mature market, Figure 7.2-S1.

Figure 7.2-S1 Revenue Trend and Growth Rate
Growth in 1999 and 2000 far exceeds the five-year average industry growth rate.

Inventory Turns (Figure 7.2-S2) improved significantly over the last three years. We realized significant inventory improvement within six months of implementing an integrated materials planning solution.

Figure 7.2-S2 Inventory Turns
We continue to improve and outperform Industry Week’s average for World Class Plants.

7.3 HUMAN RESOURCE RESULTS

7.3a(1) We track and report human resource results through both the Human Resources Management Process and KPIs. The primary tool to measure associate well being and satisfaction is the annual Associate Opinion Survey (AOS). An independent firm compiles the responses and reports results for the total company (Figure 7.3-S1), by category, by area, by location, and often to the specific manager level.
Figure 7.3-S1  Associate Satisfaction
Satisfaction levels exceed benchmarks, with a record 84% in 2000.

We emphasize increased involvement in the associate survey. AOS participation levels (Figure 7.3-S2) reached 97 percent in 1999.

Figure 7.3-S2  Associate Survey Participation
We achieve high levels of participation in the associate survey, exceeding world-class comparison.

Associate Turnover is reported monthly for total company. Overall results demonstrate significant improvement in turnover levels, surpassing the Society of Human Resources Management (SHRM) averages for like organizations.

Our profit sharing and bonus plans allow associates to share in the success of the organization. Based on AOS input, we recently improved the bonus plan by: 1) consolidating and standardizing multiple salary plans; 2) emphasizing focused attainment criteria; and 3) communicating performance to plan. Annual Bonus and Profit Sharing Payout levels are shown in Figure 7.3-S3.

Figure 7.3-S3  Bonus and Profit Sharing Payout per Associate
Company bonus and profit sharing levels are increasing with total contributions exceeding $16M in 2000, double the 1995 contribution.

We strongly encourage all associates to participate in our 401(k) profit sharing program. We offer annual education sessions hosted by plan administrator and regular communication regarding program performance. To increase participation levels, in 2001 we began providing a company contribution to participants every pay period, a significant enhancement over the annual contribution previously made. Program participation increased almost 10 percent in Q1 2001, approaching our benchmark, the Profit Sharing Council of America (PSCA) average (Figure 7.3-S4).

Figure 7.3-S4  401(k) Plan Participation
Program enhancements have resulted in a 29% increase in associate participation since 1999.

Associate safety is a priority, and we have a number of measures to track performance. The Accident Frequency Rating (Figure 7.3-S5) is a standard insurance industry measurement of accident frequency related to total man-hours. Investments in safer technology, increased safety awareness and training programs have driven a low rating for the past two years and reversed a negative trend. We now perform better than our benchmark, Industry Week’s (IW) average for Best Plants.

Figure 7.3-S5  Accident Frequency Rating
We are getting safer, with a favorable trend and 61% improvement since 1998.

The Department of Labor OSHA Rating (Figure 7.3-S6) assesses accident severity. Rating reduction over the past five years illustrates that training, protective equipment and general awareness within our facilities favorably impacts associate health and welfare.

Figure 7.3-S6  OSHA Rating
We have improved 84% since 1996 and recorded our lowest rating in Q1 2001.

Declining Lost Work Days demonstrates several favorable insights to our safety program, including impact of the training system introduced in 1999 and the occurrence of less severe accidents compared to past years. We are
outperforming our benchmark, IW’s average for Best Plants. Lost work days are significantly below Industry Week Best Plant average.

The Career Opportunity Program (COP) offers all associates the opportunity to apply for open positions throughout the company. Organizational growth and focus on associate development programs continue to improve internal placement rates. Figure 7.3-S7 shows the percent of successful internal placements through COP.

Figure 7.3-S7 Internal Placement Rate (COP)
In just the past two years, over 1000 associates have been promoted through the Career Opportunity Program.

The S.T.A.R. program, introduced in 1995, allows associates to capture, implement and share process improvements made to their work areas. Our 2001 target is seven implemented S.T.A.R. suggestions per associate. Figure 7.3-S8 demonstrates the increase in the number of Implemented Suggestions per Associate. We outperform our benchmarks, the average level reported by the Employee Involvement Association (EIA). Figure 7.3-S9 shows the S.T.A.R. idea implementation rate over the same period, approaching levels achieved by our benchmark.

Figure 7.3-S8 Implemented Ideas per Associate
Implemented ideas per associate have improved each year, achieving world class levels.

Figure 7.3-S9 S.T.A.R. Idea Implementation Rate
Idea implementation rates have improved significantly since program inception.

Figure 7.3-S10 S.T.A.R. Savings
Significant and increasing levels of savings have resulted from associate ideas.

The Team Excellence Process recognizes high performing teams and helps us understand our teaming strengths and improvement opportunities. Nominees are reviewed by an evaluation panel of facilitators and managers and are scored on both the process followed and the benefits achieved. Winners are selected based on the overall score. Figure 7.3-S11 shows the cumulative number of teams that have won this prestigious award.

Figure 7.3-S11 Team Excellence Nominees and Winners
Winning teams (1996-2000) are responsible for over $15M in cost reductions and over $103M in increased revenue.

We track training hours by location, by course and by individual associate. Average Training Hours per Associate (Figure 7.3-S12) continue to increase and consistently exceed our internal goal and external benchmarks, the American Society for Training and Development (ASTD). Our 2001 goal is 72 training hours per associate.
Figure 7.3-S12 Training Hours per Associate
2000 performance of 76.1 hours per associate exceeds ASTD national Best in Class level.

We measure training effectiveness through impact on business results as shown for Quality Leadership Development (QLD).

QLD Training Effectiveness is measured through the impact on associate satisfaction in the category of “Managerial/Associate Relations” in the annual AOS. We developed QLD in response to survey feedback, and satisfaction in this category has improved in correlation with the number of managers attending the course.

7.4 Organizational Effectiveness Results

We are proud of our successful transition over the past ten years to a true First in Service® (FIS) organization. We focus on building life-long relationships with partners and customers through the deployment of value-added products and services, as well as increased efficiency and achievement of high levels of associate satisfaction. Our focus on innovation, speed, quality and a well-deployed team culture are the drivers of strong organizational effectiveness.

7.4a(1) We have achieved significant improvements in productivity, cycle time (Figure 7.4-S1), quality and associate satisfaction, while reducing costs. Improvement in overall effectiveness is evidence by increased Revenue per Associate (Figure 7.4-S2).

Clarke American has established several cycle time measurements to better understand and drive cycle time improvement. Manufacturing Cycle Time (Figure 7.4-S1), measured in hours, demonstrates reduction in in-plant production time.

Figure 7.4-S1 Manufacturing Cycle Time
In plant cycle time has improved by over 44% since 1995, outperforming our best competitor.

Process improvement and innovative technology have led to significant reduction in Manufacturing Cost per Unit produced.

Check Manufacturing Units per Hour (UPH) (Figure 7.4-S3) measures manufacturing productivity and demonstrates the favorable impact of breakthrough and continuous improvement on the manufacturing process over the past eleven years. We strive for double-digit productivity improvement each year.

Figure 7.4-S3 Check Manufacturing Units per Hour
Overall Units per Hour has improved over 150% since 1991, exceeding levels of our best competitor.

A key metric of operation efficiency is waste levels (Figure 7.4-S4). Clarke American is performing well compared to our benchmark, Industry Week’s average for Best Plants.

Figure 7.4-S4 Total Waste
Waste levels have decreased since 1995.

We maintain a real-time system that connects all our locations and AOE partners. Indicators of information system performance include system availability, response time and system throughput. All these directly impact partner and customer satisfaction and order cycle time performance.

7.4a(2) The KLT is committed to leadership development and assesses leadership effectiveness each year. We review
results by individual and in total to identify common strengths and opportunities across our leadership team.

Our annual AOS is another tool that drives leadership development. This survey includes a series of questions, the Managerial/Associate Relations category, to evaluate management effectiveness.

Our annual Business Excellence Assessment evaluates our progress in implementing total quality management throughout the organization. We review results of the assessment in total and by location, then incorporate actions into our strategic planning process. The assessment model evolved to a Baldrige-based model in 1998. Our 2000 assessment results are based on the average score of two external senior Baldrige examiners. In 2001, we were awarded the Texas Award for Performance Excellence. Quality Assessment Results are shown in Figure 7.4-S5.

Figure 7.4-S5  Quality Assessment Results
Clarke American was awarded the 2001 Texas Award for Performance Excellence.

Figure 7.4-S6 illustrates increased usage of our sales force automation system, Avenue. This is attributable to ongoing enhancements to the information available through the system, based on internal customer input.

The installation of digital printing technology throughout our production locations has dramatically reduced the levels of volatile organic chemicals and plate material utilized in our manufacturing process. Volatile Organic Chemical Usage in gallons is shown in Figure 7.4-S7. Plate material, which contains silver oxide and other compounds, has been reduced by over 85 percent since 1995. Plate Material Usage is shown in Figure 7.4-S8. As much as possible, we use recycled paper in the production of our check products. Figure 7.4-S9 shows Recycled Paper Usage for Check Products.

Charitable Donations (Figure 7.4-S10) include contributions to the three key company-sponsored charities (United Way, Juvenile Diabetes Foundation and Junior Achievement), cause-related check donations, and other donations (e.g., local sponsorships and contributions to partner events).

We support community organizations through cause-related check products, such as the American Treasures product (supports the National Park Foundation) and the Save the Children check (supports the Save the Children Foundation), as seen in Figure 7.4-S11.

Associates are encouraged to actively participate in community events. The United Way campaign is Clarke American’s largest single community event and associate support levels are measured by location through participation rates and per capita contribution. Participation levels of the National Campaign are shown in Figure 7.4-S12. We are significantly outperforming our benchmark, the United Way national average for corporations.
Putting people first is one important key to our success. When we invest in and train our associates, giving them the opportunity to learn new skills, they apply these broader skills in a wider range of areas. The better we perform in satisfying the customers’ needs, the more we excel—which leads to new opportunities and achievements in our business. The profits that come as a result fuel our continued growth, leading to the need for even more valued associates...And the cycle goes on. We appreciate that our people are the essential cog in this wheel—driving our journey to world class.”

President and CEO
Clarke American