

## MERRILL LYNCH CREDIT CORPORATION WINS MALCOLM BALDRIGE NATIONAL QUALITY AWARD

Merrill Lynch & Company, Inc.  
World Financial Center  
New York, NY

### THE COMPANY

Merrill Lynch Credit Corporation (MLCC), a subsidiary of Merrill Lynch & Co., Inc. headquartered in Jacksonville, Florida, has been awarded the 1997 Malcolm Baldrige Award. The business unit offers home financing, personal credit and commercial real estate lending programs throughout the U.S., Puerto Rico and the Virgin Islands.



MLCC is an affiliate of Merrill Lynch, Pierce, Fenner & Smith, Inc., the largest U.S. brokerage firm, with more than 13,000 Financial Consultants who provide investment financing and a full range of investment products and services.

In 1996, Merrill Lynch Credit Corporation (MLCC) was awarded the Malcolm Baldrige based Florida Governor's Sterling Award for Performance Excellence. With that momentum, in 1997 MLCC applied for, and was awarded, the Malcolm Baldrige Award on its first attempt. This achievement was driven by need – a need to survive, and not the desire for recognition.

"In 1993, we engaged corporate change-agent Bob Seemer and his team from Competitive Technologies", said MLCC CEO Mike Johnston. "His experience in large financial organizations was exactly what the doctor ordered," Johnston added. "Our Key Performance Indicators such as ROA, ROI and loan delinquencies were in the tank, clients were dissatisfied and we were losing money (net income). Merrill Lynch Corporate had us on the auction block. Seemer and his team developed a turnaround plan, put us on a fast track, and we just followed orders. I still am amazed at what we accomplished."

Following are the elements of Seemer's Turnaround Plan:

1. Conduct a Baldrige-based assessment and baseline all key performance indicators (KPIs). Benchmark those indicators against the best corporations in the United States.
2. Develop 3 and 5 year targets for every KPI and implement CTI's 10 Step Strategic Planning Process which will "close all the gaps".
3. Train every MLCC employee (partner) in CTI's six sigma tools and techniques which include process management and the Quality Improvement and Control (QIC) Story (7-step version of DMAIC).
4. Implement the CTI designed Power of Suggestion system to engage the workforce in improvement initiatives at all levels.
5. Rigorously review progress and celebrate success. Measure progress against process measures, KPIs, and the Baldrige Criteria.

Following is a summary of the MLCC Management System.

### **VALUES DRIVE SUCCESS**

MLCC's values are embraced, communicated and reinforced by all employees – called “partners”. These seven values provide a common framework to unite the company as a team and make MLCC an exciting and successful company.

|                       |  |
|-----------------------|--|
| Integrity             | Adhere firmly to a code of business ethics and demonstrate behavior consistent with corporate values and professional responsibility.                                  |
| Client-Focused        | Focus consistently on professionally and efficiently meeting client needs.   |
| Commitment            | Commit intellectually and emotionally to MLCC's goals and strategies.  |
| Partnership           | Cooperate with one another to help achieve corporate goals and to maximize client and partner satisfaction.  |
| Personal Satisfaction | Focus more on doing the job right than on getting the job done. Partners are committed to creating a work environment that is professionally and personally rewarding. |
| Innovation            | Be proactive rather than reactive. Look for ways to improve the work process and create new products to meet changing client needs.                                    |
| Quality               | Provide the highest level of client service and produce work that is unparalleled for excellence in the industry.  |

### **LEADERS COMMITTED TO EXCELLENCE**

MLCC's senior management team is fully committed to demonstrating and reinforcing quality principles and corporate values and is directly involved in identifying customer and partner issues. These findings are incorporated into a cohesive strategic planning structure that cascades throughout the organization.

MLCC managers use Baldrige and Sterling quality criteria to categorize Business Improvement Initiatives. A senior Leadership Team executive “owns” each Sterling category and serves as the champion for all improvement initiatives in that category. As improvement efforts are implemented and completed, managers share learning points and improvement results with all partners through formal communication forums, videos and written media.

### **PARTNERS ARE MLCC'S MOST VALUABLE RESOURCE**

MLCC believes that partner satisfaction is a key driver of client satisfaction. Partners are trained and supported to achieve high levels of performance and self-development, and their input is used to form strategic plans, as well as to make hiring, training and workplace improvements.

All partners understand the elements of what it means to be an MLCC partner:

- You have a stake in your company's success.
- You have accountability for your role.
- You are committed to the mission, goals and objectives of the company.

- You share in and constantly practice the company's principles.
- You believe the company's success is your success.
- Doing the job right is more important than getting the job done.
- Your performance will be measured. You will be accountable. You will be recognized.

MLCC provides an environment that fosters motivated and empowered partners who have a strong sense of pride and loyalty in the company while meeting client needs. To ensure that partners have the knowledge and skills they need to provide the highest quality client service, MLCC has implemented the CTi "Triple F" strategy for training – Foundational, Functional and Focused.

Foundational training begins with a three-day Partner Orientation Program that builds knowledge of the values, culture and proud tradition of MLCC and Merrill Lynch & Co., Inc. Orientation also builds basic quality and teamwork skills before partners begin their new jobs. Orientation Week concludes with a luncheon hosted by MLCC's president and an afternoon on the new job with an experienced mentor.

Functional training provides partners the technical knowledge and skills they will need to perform in their jobs. The length of functional training varies according to the amount of contact the partner will have with clients and the level of detail required for the job.

Focused training is provided on an ongoing basis to meet the specific needs of partners for new knowledge, skills and abilities, so they can continuously improve their work performance and develop their careers.

All three training programs exemplify MLCC's commitment to the "The Employer of Choice" and to provide partners a strong sense of pride and loyalty in the company, while meeting client needs and each partner's long-term career development requirements.

## **CLIENT FOCUS AND SATISFACTION**

Client satisfaction is MLCC's primary objective. All partners understand the high levels of service demanded by Merrill Lynch customers and place client-oriented priorities at the center of all business activities.

The CTi "Voice of the Client" process provides a continuous review of client needs and feedback for improvement opportunities, product enhancements and new products. The "Voice of the Client" process cycle ends with MLCC's annual client satisfaction and Financial Consultant survey results, when drivers of satisfaction and value for the primary client segments are reviewed and recommendations made.

Providing clients with easy access to MLCC partners is a cornerstone of our business. Whether they are waiting for the outcome of the loan decision, need assistance with an application, or need payment history information, clients value speed and ease of access. To provide this convenient access, MLCC maintains an integrated system of client contact vehicles for clients to reach partners who are empowered to make decisions and provide critical information. Clients can contact us through:

- Multiple 800 numbers
- Loan Administration voice response units
- Toll-free rate line
- TTY machines for hearing-impaired clients
- Internet home page
- Multiple fax machines
- Correspondence answered within three days by Quality Assurance

## **RESULTS**

MLCC has impressive results to show that its focus on quality management and performance excellence is a wise investment. Net income rose 100 percent from 1994 to 1996 and exceeds the industry's average. Return on Equity (ROE) increased approximately 74 percent and its Return on Assets (ROA) improved approximately 36 percent in that same period. Key indicators for loan delinquency rates and write-offs compare favorably with the rest of the industry and are clearly improving – as are the firm's total loan originations, market share in originations, wholesale volume as a percentage of first mortgages, and size of servicing portfolio.

## **THE LENDER OF CHOICE**

All MLCC partners feel tremendous pride in our company and its accomplishments. Each day our principles, culture and steadfast commitment to quality bring us closer to our vision, as well as Merrill Lynch and Co.'s vision, to be the premier, planning-based financial management firm of choice.

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