

# Family Business

THE GUIDE FOR  
FAMILY COMPANIES  
[www.familybusinessmagazine.com](http://www.familybusinessmagazine.com)

NOVEMBER/DECEMBER 2012

## The Tension equation

*The Tension Corporation has found a balance between its flagship product — the envelope — and new lines of business.*

**PLUS** • Emily Post's heirs keep etiquette alive  
• Managing behind-the-scenes power players

Chairman Bert Berkley  
(left) and his son  
Bill Berkley, the  
president and CEO.



# The Tension equation

*Kansas City's Tension Corporation, founded in 1886, has found a balance between its flagship product—the envelope—and new lines of business.*

BY KATHRYN LEVY FELDMAN

**T**HERE'S A GOOD CHANCE that your most unwanted mail arrives in an envelope manufactured by the Tension Corporation of Kansas City, Mo. The fourth-generation business, owned and operated by the Berkley family, makes envelopes for insurance, mortgage, telephone, utility and auto financing statements, plus direct-mail solicitations and advertising. If you've received an envelope with a peel-off sticker that resembles a yellow stick-on note (Hot Note) or a bill from Sprint in a two-way reusable envelope, you've seen an example of Tension's handiwork.

Tension, the third-largest envelope manufacturing company in the country, also makes specialty envelopes for X-rays, optical lenses, seeds, photographs and tickets, including those for the Beijing Olympics.

It all adds up to more than 12 billion envelopes annually. Tension's clients include Met Life, Habitat for Humanity and Book-of-the-Month Club. In 2011, the company generated \$211 million in revenues.

Yet envelopes, though plentiful, are only one segment of Tension's business. To emphasize the company's broader scope, upon its 125th anniversary in 2011, the name was changed from Tension Envelope to Tension Corporation. "Envelopes are our core business and a critical part of Tension's future. However, our new name reflects our broader scope," says Bill Berkley, 56, the president and CEO. "We rebranded to build on our reputation and to clarify in the marketplace that we had grown and diversified."

Bill and his 89-year-old father, Bert, the chairman of the board, emphasize that envelopes are in no immediate danger of becoming obsolete. ("A paper audit trail is absolutely

critical with all of the cyber-theft out there," Bill notes.) But there is no doubt that the demand for direct-mail envelopes has decreased from the industry peak in the mid-2000s.

Today Tension Corporation has three divisions: Tension Envelope, Tension Packaging & Automation and Tension

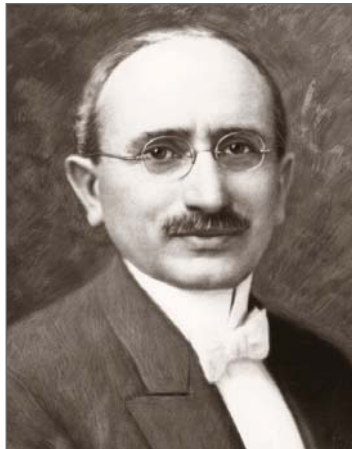
International. The company operates seven envelope manufacturing plants and one packaging and automation manufacturing facility in the U.S., plus facilities in China, Taiwan and Australia. It has designed more than 100 packaging and automation installation systems for customers around the country. "We are always looking at opportunities for diversification, but they have to be in markets in which there is potential for growth," Bert comments.

According to Bill, the company has always emphasized innovation and adaptability. "Our longevity and success is based upon the commitment and contributions of our associates, and our ability to innovate and respond as industries change and the market dictates," says Bill. "We are able to continue to grow our market share be-

cause of what we have always brought to our customers: quality, service and innovation."

**B**ROTHERS William and Maurice Berkowitz, Bert's grandfather and great-uncle, started the forerunner of Tension Corporation, Berkowitz & Company, in Kansas City in 1886. The original business sold advertising novelties. William eventually bought his brother out, and Maurice started his own business selling waxed paper, used at the time for wrapping bread.

In 1894, the company installed an envelope-folding machine. According to local historian Bill Worley, the compa-



William Berkowitz brought an envelope machine to Kansas City in the late 1800s.



**Bill Berkley (in foreground) with his father, Bert:**  
**'We see ourselves in a position of growth.'**

ny's location in Kansas City, a central railroad distribution point, attracted business from larger companies. Berkowitz's envelope machine was located at the farthest point west in the U.S. at the time.

By 1901, the company was focusing solely on manufacturing envelopes and changed its name to Berkowitz Envelope Company. Its first manufacturing patent was issued in 1909, for a shirt-packaging envelope made on custom-designed equipment.

In 1914, one of William's sons, E.B., became the company's vice president and general manager; the other son, Walter, became secretary. While visiting Germany in 1921, Walter saw a revolutionary new size-adjustable rotary folding machine, made by Winkler & Dunnebier. That same year, Baltimore Paper Company, a Berkowitz family business, received the North American distribution rights and brought the machine to the U.S.

Although he lacked a college degree, E.B. Berkowitz

(Bert's father) was "a mechanical genius," Bert says. E.B. developed and patented many machines and envelopes. According to the company, Tension has held more patents over the years than all other envelope manufacturers combined. "My great-grandfather believed that innovation solves customers' issues, and we continue to apply for patents to continue this legacy," notes Bill.

The company began expanding throughout the Midwest in the 1920s. In 1932, Berkowitz Envelope became the first envelope

company to have an in-house art and design department, which created custom envelopes for clients. "We have had a philosophy since the beginning of this company of manufacturing a quality product and then adding value to it to make it work even better for our customers," says Bill.

In 1937, Berkowitz Envelope acquired the assets of Tension Envelope, based in Brooklyn, N.Y. The name stems from the string-and-button closure that is familiar to anyone

***The company has diversified into emerging domestic and international markets while remaining true to its mission of quality, teamwork and creativity.***



**Berkowitz Envelope Company employees at work producing envelopes around the time of World War I.**

who used “interoffice envelopes” in the days before e-mail. That design, dubbed the “Tension Tie,” was invented by the New York company in the early 1900s. (Postal regulations at the time dictated that third- or fourth-class envelopes could not be sealed.) In 1944, building on the popularity of the Tension name, Berkowitz Envelope Manufacturing Company consolidated its manufacturing and sales divisions and officially became Tension Envelope Corporation.

Coincidentally, in 1941, the family changed their name from Berkowitz to Berkley. Walter’s son Dick Berkley

(Bert’s first cousin), who serves as treasurer and a member of Tension Corporation’s board of directors and was the mayor of Kansas City from 1979 to 1991, notes that E.B. and Walter never changed their names. “It was just for the kids,” Dick Berkley says. “They thought it would be easier for the next generation to have a less complicated name.” Dick’s view of the name change? “I am forever grateful,” he says. “It is easier to get Berkley on a bumper sticker than Berkowitz.”

In 1962, Bert was elected president by the board of directors. E.B., who was still in good health, was chairman and remained in charge of the engineering department; Walter continued as secretary/treasurer. Both E.B. and Walter died in 1966, three weeks apart. Bert then assumed his father’s position as chairman while continuing as president. Dick Berkley became secretary/treasurer. Bert’s first cousin Walt Hiersteiner became executive vice president.

Tension Envelope Company continued to grow through Bert’s tenure by adding more plants and literally pushing the envelope. “We continued to do things that were different, whether it was with the envelope or with the process,” Dick says. “We made photo envelopes, air mail envelopes, round-trip envelopes [that users could refold to return to the sender], as well as new kinds of adhesive. On the manufacturing side, we designed new ways of folding envelopes, cutting and patching a clear window, sealing the patch and applying the adhesive to seal the envelope.”

When Bert turned 65, he decided it was time to hand the reins to his son, Bill. By the time Bill took over in 1988, he had worked full-time for the company for seven years, learning all aspects of the industry. “One of the great things was to learn the business from the ground up from people who had been there for a while,” he reminisces.

Bill worked his way up the sales ladder; by 1987, he had risen to vice president responsible for sales nationally. He had also been general manager of the company’s manufacturing facility in Memphis for a year. “Our sales and production departments are very closely entwined, and it was important to know both segments to get a broad view



**Berkowitz & Co. originally sold advertising novelties.**



**Berkowitz Envelope Company began expanding throughout the Midwest in the 1920s.**



**Tension's executive team. From left, Dan Dubrava, director, Tension International; Bob Broadbear, COO and vice president, manufacturing; Dick Berkley, treasurer and board member; Bill Berkley, president and CEO; Bert Berkley, chairman; F. Edwin Cockrell, assistant treasurer and corporate controller; and Ken Myers, director, Tension Packaging & Automation.**

of the organization," he explains. "I needed to know the business firsthand to truly understand it and to have credibility with our associates."

It didn't hurt that he had two great mentors: his father as well as his cousin Walt Hiersteiner, who became vice chairman of the board when Bill became president and CEO in 1988. "Walt was very important in the industry as well

as in our business," Bill reminisces. "He probably had, on his own, at least 50 patents. He drove the sales side of our business and was an expert in postal affairs, among many things. He was considered an expert inventor."

Bert recalls that for "many months" before he stepped down, he and Bill would get together at the end of the day to discuss the day's events. Then he would ask Bill how he would have handled each situation. "As time went on, I was confident that he would make the right decisions," the patriarch notes. Bert says one of his greatest accomplishments is "having a son interested in coming into the business who has done so well in heading it."

Walt Hiersteiner died in 2009 at the age of 90. Bert's wife and Bill's mother, Joan Meinrath Berkley, died on Sept. 14, 2012, at age 84.



**Second-generation members E.B. Berkowitz (left) and Walter Berkowitz. E.B. was Bert Berkley's father.**

**A**N ENVELOPE begins life as a flat design. It passes on a roll through a high-speed machine, which scores, seals and folds it. Tension's equipment makes between 1,200 and 1,500 envelopes a minute. About 85% of the envelopes made by the company then go through the high-speed insertion machines of Tension's customers. These machines stuff approximately 30,000 envelopes

per hour. "Our product has to open, get sealed and have the integrity to withstand the insertion process without breaking the machines, which ultimately costs the customer," explains Bill.

Tension's reputation for quality helped it build a presence internationally. In Taiwan, the company entered into a relationship with Pitney Bowes in the mid-'90s, when Bert learned the postage meter and inserting machine maker had become frustrated by the quality of locally supplied envelopes. Tension Envelope Taiwan Corporation is now the leading envelope manufacturer in Taiwan.

"As the concept of automated insertion spread to the rest of the world, so did the demand for a quality envelope to withstand that insertion process," explains Dan Dubrava, 64, director of Tension International (and Bill's brother-in-law). "Bert is known all over the world, and he established many of our international contacts."

For nearly 20 years, Tension has had an equity stake in an Australian company, E.S. Wigg & Sons. The Davidson family, owners of E.S. Wigg, have had a close relationship with the Berkleys for 45 years.

And for the past nine years, Tension has had two manufacturing plants in China, where, according to Dubrava, "as recently as ten years ago, people were inserting envelopes by hand." The company's Chinese plants are located in Shanghai and Shao Xing.

The Tension Corporation logo, created by the company's in-house design group, features a red ball with the letter T

**Berkowitz & Co.**  
MANUFACTURERS OF  
EVERYTHING IN ENVELOPES  
KANSAS CITY, MO.



**TENSION ENVELOPE CORPORATION**

**TENSION** 

Changes in the logo reflect the company's evolution over its long history.

positioned far to the right. "The ball represents the globe, and the movement of the 'Tension T' propels us forward, even as it respects and honors our past," explains Bill.

**T**ENSION'S ENTRY into automated packaging is further evidence of the company's efforts to expand its reach. Tension Packaging & Automation builds automated fulfillment packaging systems and equipment for clients in the pharmaceutical and direct-to-consumer mail-order markets.

About ten years ago, Bill foresaw the increasing impact of electronic technology and the potential decline of postal volume, and he began to explore the packaging business. In the mid-1990s, Tension began manu-

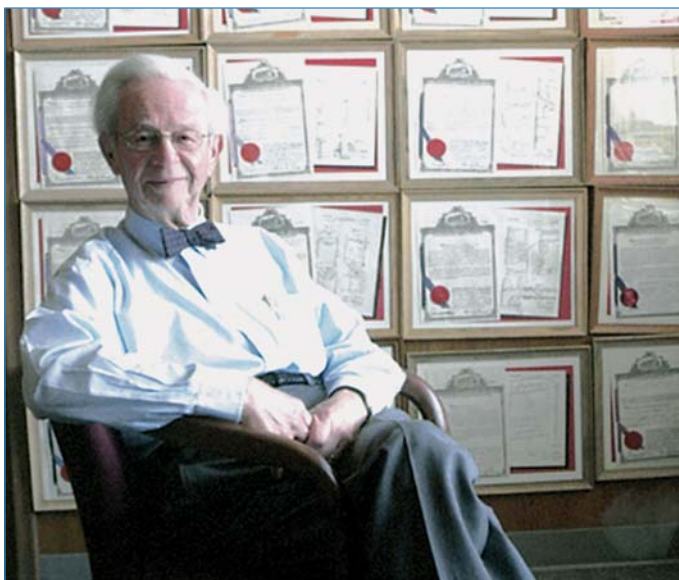
facturing packaging envelopes for non-mailables, such as compact discs and gift cards. Soon thereafter the company started producing large envelopes for mail-order fulfillment companies. "This was the infancy of online commerce, but we had always worked with a number of mail-order companies," Bill explains. The company realized that a natural extension of their business in supplying envelope products was to provide the automated machinery for packaging their customers' orders for delivery—and the consumables that go through the machinery, Bill says.

By early 2000, Tension was designing and installing manufacturing equipment to help fill orders for such companies as American Eagle, Amazon and Title Nine. "Our customers needed complete automated solutions, so we designed them," says Ken Myers, director of Tension Packaging & Automation. "The system processes your order, puts product into a bag, prints your name and address on a shipping label, places the label on the outside of the bag, sorts all the orders and sends them on their way."

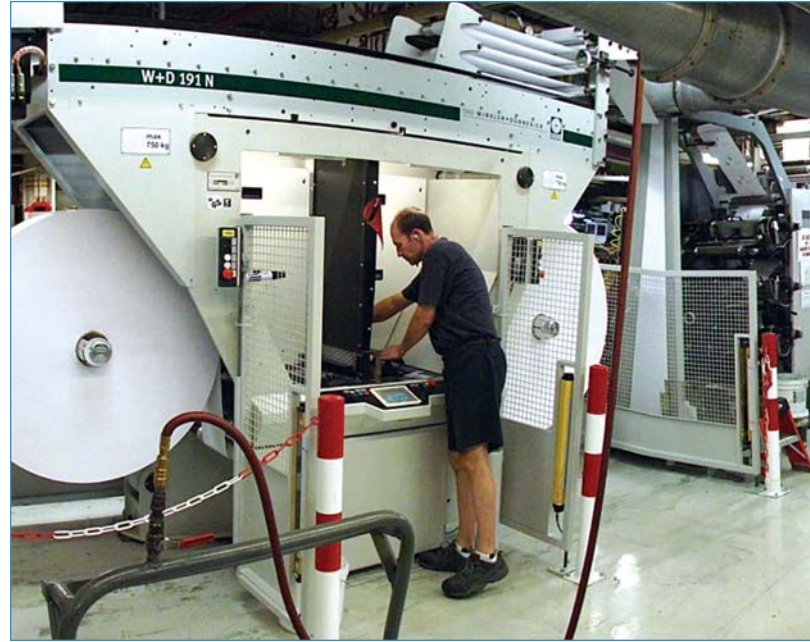
The process of automating the fulfillment process applied to consumer products as well as pharmaceuticals. The company soon began selling the equipment to package vitamins and herbs. About five years ago, it began sell-



**Susan Christie, vice president of sales and marketing.**



**Walt Hiersteiner, a cousin and mentor of Bill Berkley's, poses with some of the many patents he held. He died in 2009.**



The company's Lean Sigma initiative sets standards for continuous improvement, cost control and quality.

ing the systems for packaging mail-order and central-fill pharmaceuticals.

Last year, Tension acquired packaging equipment manufacturer Maverick Enterprises Inc. of Longmont, Colo. The acquisition gave Tension the capability to design, manufacture and market its own automated fulfillment equipment.

Myers projects that the packaging and automation division will continue to grow and contribute to the company's revenue stream. But he also emphasizes that it was the success of the envelope business that enabled the company to seek out new growth opportunities.

Throughout the company, Tension has implemented a Lean Sigma initiative, a process that sets standards for continuous improvement, cost control and quality. Bill credits Bob Broadbear, the company's chief operating officer, for his role in leading the Lean Sigma culture change.

Bill describes Lean Sigma as a "bottom-up way of solving problems" that empowers every employee to improve the business. Longtime employees of Tension just call it the culture of the place. "Improving the efficiency and the quality of what we do you gets into your blood," says production manager John Patrick, a 34-year employee.

A few years ago, for example, Joe Carrone, dayshift supervisor at Tension's South Hackensack, N.J., plant, was at a water park with his family. He noticed that every half-hour a series of lights would come on, signaling the lifeguards to perform safety checks corresponding to each light. The entire process took about a minute. Carrone was impressed enough to mention the procedure to Patrick, his immediate supervisor. "I told him we should see

if there was a way to incorporate the concept into our production quality control," says Patrick.

Sure enough, there is now a series of quality-control lights at each operator's station on the Hackensack plant's production floor. The lights illuminate every half-hour to initiate a series of inspections. "Just like [at] the water park, the operator has to complete certain functions and manually turn them off," explains Patrick. "If not, the supervisor is alerted that something is wrong."

"There is synergy across the company, not just across the plant," says Susan Christie, vice president of sales and marketing. "It comes from an attitude at the top, which emphasizes that there are no bad ideas."

The U.S. Post Office's financial difficulties have been well publicized, but, Bill asserts, "The mail is not going away. There is a real desire to create a long-term fix. They still deliver about 154 billion pieces a year, which indicates that people do want a choice as to whether they receive their statements electronically or as hard copies."

Throughout its 126-year history, Tension Corporation has remained relevant, vibrant and, above all, customer-centric. "Despite the downward trend of postal volume, we see ourselves in a position of growth," Bill notes. The company has diversified into emerging domestic and international markets while remaining true to its mission of quality, teamwork and creativity. "Every bill a company sends out is a monthly appointment with its customers," says Bill. "By maximizing the appearance of the envelope, a company can communicate its values. We are honored to be able to help convey those messages.

"In this respect, there truly is no junk mail."

*To emphasize the company's broader scope, its name was changed from Tension Envelope to Tension Corporation in 2011. But the Berkleys emphasize that envelopes are in no immediate danger of becoming obsolete.*

