

Texas Nameplate Company: All You Need Is Trust

Defects plummet when line employees make decisions, share rewards.

by
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WHAT IF TRUSTING YOUR PEOPLE WAS all it took to get quality results? And what if that trust ran so deep that elimination of the quality control department became part of your strategic plan? And what if you followed through on the plan, and your nonconformances dropped by 50% the first month?

What, exactly, is going on along South Ervay Street in Dallas? That's where Texas Nameplate Company (TNC) can be found, and it just might be the biggest quality success story you've never heard about.

TNC makes nameplates, the small metal tags with etched lettering that get riveted to refrigerators, computers, high-pressure valves, and military equipment. It has been making such products since 1946, when the company was started by Roy Crownover and two partners. The privately owned company is still overseen by members of the Crownover family; Roy's son Dale is the current president.

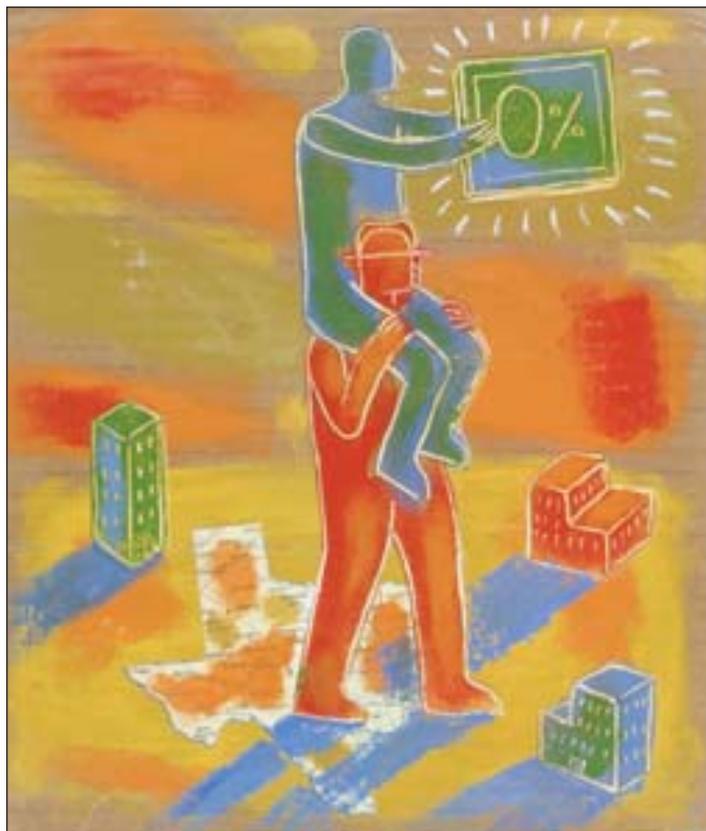
Formal quality improvement processes don't have a lengthy history at TNC. Like many companies that supplied products to larger organizations in the early 1990s, quality improvement wasn't a homegrown idea for TNC. It was more of a do-it-or-else proposal that came from General Dynamics-Fort Worth. TNC did it—well. It has gotten better ever since.

Significant lost profits

To see how far TNC has come with its quality improvement efforts, look at its nonconforming products as a percent-

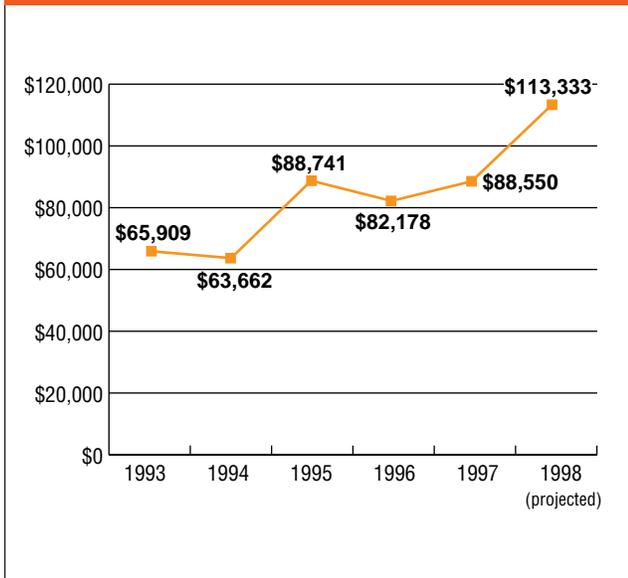
age of billing. When serious work started on reducing nonconformances through statistical process control in 1992, total nonconformances (defined as internal and external rejects) ranged from 15% to 18% of billing. It almost goes without saying that such percentages represented significant lost profits.

Through zero-defects training administered by Phil Crosby Associates, the Texas Nameplate staff learned the value of doing things right the first time, as the Crosby philosophy espouses. Improvement activities were able to drive that defect rate down to 3.7% by 1997. Considering that industry averages for defects are around 10%,



BRANT DAY

Figure 1. Revenue per Production Employee

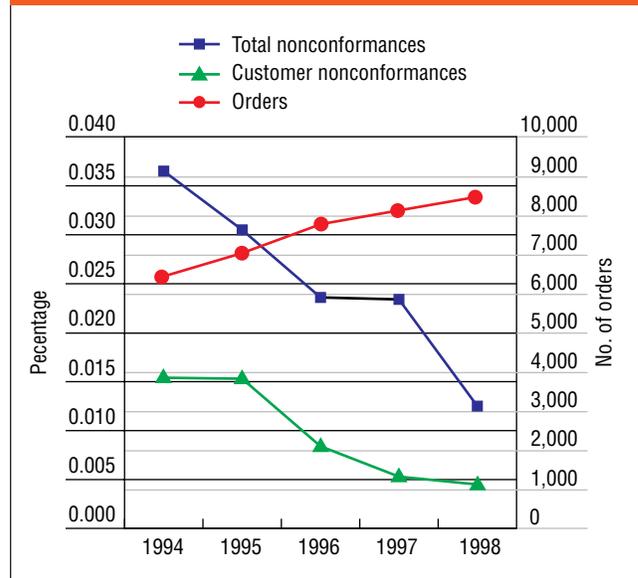


Crownover said Texas Nameplate was happy with the 3.7% rate.

Then TNC started a gain-sharing plan that distributed bonuses equally to all employees. Regardless of position or years with the company, all employees get the same share of the quarterly gain-sharing payout. Troy Knowlton, operations manager and a 41-year employee of TNC, said that when the nonconformance rate is less than 5%, gains start to be shared. Results are posted daily.

By the end of 1997, TNC employees whittled nonconformances down to 1%.

Figure 2. Nonconformances and Orders



Quality department eliminated

And in January 1998, in an attempt to further carve away at nonconformances, TNC did away with its quality control department. In the first month following that move, which Crownover said was part of the company's strategic plan, nonconformances were cut in half.

Direction for improving quality now comes through DOIT, the daily operation innovation team. It consists of supervisors and meets every other Monday to discuss accomplishments and opportunities for further improvements. Supervisors are charged with sharing information discussed at the meetings with people

GTE, TI, and TNC?

Texas Nameplate Company (TNC) lore includes the time in 1996 when officials from Pohang Iron & Steel, a \$10 billion Korean corporation and the world's second largest steel maker, included the then \$3 million TNC on a benchmarking tour of the United States.

Company President Dale Crownover is modest about the event, saying that TNC wasn't the only reason the Koreans came to Dallas. Two Malcolm Baldrige National Quality Award winners based in Dallas, GTE and Texas Instruments Defense, were already on Pohang's planned tour. TNC was added to the agenda when the university professor who was organizing the tour became intrigued by stories he had heard about TNC.

What did the Koreans learn from their visit to TNC? Crownover believes it was the understanding that "we really did perform the total quality management theory and that we live this [no defects or it's free] concept. I think they were impressed by our commitment."

TNC didn't come away from the experience empty-handed. "The main thing we got out of this was the excitement of knowing that this Baldrige process has international recognition," said Crownover. "They also gave us the idea to pursue the international market more than we have in the past. Since we are ISO 9002 certified, we have included in our strategic plan more emphasis on global markets." Considering TNC already has customers in all 50 states, the international goal is not out of reach—especially when one considers how far quality has carried this company.

in their departments.

Knowlton said it is what happens with the information once it gets into the hands of line employees that makes the biggest difference in driving down nonconformances. "People on the floor can figure out what's happening and make adjustments the fastest." People on the floor also are quick to help out when one person is having a problem, he added. They know what's at stake.

Crownover shows that TNC management understands a bit about human nature when he adds, "People listen to peers more than supervisors. We tried that for 45 years, and it didn't work. We have found the value of letting people do the work, with management providing guidance."

For the five quarters that gain sharing has been in place, employees have received \$200,000. Crownover calculates that works out to \$1.26 per hour for each employee.

There are qualification requirements for employees. Anyone with more than eight hours of unexcused time away from work for the quarter does not receive a bonus.

For TNC management, the bottom line of this approach is obvious. In 1993, the company had \$3 million in sales with 70 workers. In 1997, sales hit \$5 million with 60 employees. "People are working at higher performance levels," Crownover said.

Crownover said the gain-sharing plan was the result of careful calculation. "We took four years to get our measurements in place," he said. "If you start a gain-sharing plan without good measurements, you're going to give away money you don't have." He also said that any such plan should be simple to understand. That's why TNC focuses exclusively on defects.

No defects or it's free

TNC has a simple philosophy by which it stands: Products are shipped defect free and on time or the order is free. Over the last five years, only four orders have been free, and none of those has been to the company's best customers.

"The defect-free policy is a mindset," said Crownover. "It's a commit-

TNC's Seven Key Business Drivers

In 1998, Texas Nameplate Company is focusing on seven areas that it believes will lead to improved processes, products, and services. Many company ideals and philosophies are reflected by these seven points.

1. Employee satisfaction. By fulfilling employees' desires and expectations of the work environment, benefits, co-workers, and management, we can satisfy and retain the most important key to our success: our employees. These desires and expectations include job security, equal and fair compensation, respect, and appreciation for meeting requirements identified in the job description.

2. Fair profit. Fair profit can be described as the reasonable margin of money received in excess of costs that supports the requirements of the six other key business drivers. To remain fair, the profit must be acceptable to the customer while providing fair compensation to the company's employees and allowing ongoing investment into the company's future, thereby providing financial stability and growth.

3. Environmental consciousness. We address all areas in our manufacturing process that could pose a threat to the air we breathe, the water we drink, and the land that we depend on for food. We continuously look for ways to improve our manufacturing process to reduce or eliminate by-products that could threaten any of these areas.

4. Controlled growth. By establishing our short- and long-term requirements through our strategic planning process, we anticipate additional equipment needs, new business opportunities, and continued growth, while maintaining a fair profit for our stakeholders.

Through the management of our information and data collection, we enable control of our growth and processes. Controlled growth keeps us focused on continually improving the quality of our products and services without jeopardizing our current market and customer requirements. We evaluate our current capabilities to determine where we are, decide where we want to be at a future point, and execute a systematic plan that will get us there.

5. Customer satisfaction. We attain and maintain a loyal customer base by exceeding our customers' requirements in providing personal service and producing defect-free products on time. We use this key business driver as a barometer that gauges our future success based on our ability to satisfy customer requirements today, thereby proving a tool to continuously provide excellent service to both our internal and external customers.

6. Process organization. This is the systematic design and deployment of work processes following well-developed procedures using qualified people. Continuous improvement is part of the process optimization achieved by evaluating the results of our processes against expectations and measures established during strategic planning. Process optimization allows us to produce the very best product we can in the shortest cycle time while anticipating and proactively addressing outside influences that may affect our processes.

7. External interface. This key business driver will carry us forward to new levels of excellence. The early days of our journey were primarily inwardly focused—looking inside the organization to improve ourselves. As we mature, we begin looking outward to get new ideas and input into our organization, with the mutual benefit of improving those social and business communities in which we live and work and the supplier base upon which we depend.

Source: "Seven Key Business Drivers," Texas Nameplate Company, copyright 1998.

The Smallest Company Ever

The words "Texas" and "big" are often synonymous. Texas Nameplate Company (TNC) takes pride in being the smallest company ever to win the Texas Quality Award. When TNC earned the honor in 1996, it had 10 fewer employees than its current total of 65. Management was so pleased by the accomplishment that it shut down the business, rented two buses, and took the whole staff to Austin to accept the award.

The company has other results worth noting:

- At a time when the size of the nameplate industry has remained constant, TNC has gone from holding a 2.7% share of the market to a 5.1% share.
- It was recognized as the 1997 Texas Business of the Year in the private sector by the Texas Association of Business and Chambers of Commerce.
- Consulting giant Arthur Andersen recognized TNC with the 1997 Best Practices Award for Employee Satisfaction, Customer Satisfaction for the southwest region. It was a finalist in Arthur Andersen's international competition for customer satisfaction.

The company is sharing what it has learned along its quality journey by hosting monthly seminars, which started in mid-1998. The first two sessions were held in the company's training room, which has a capacity of 60 people. Both sessions were full. Future sessions were scheduled through October and might be held at a nearby hotel if interest grows. People with an interest in attending a future session should contact TNC at (214) 428-8341.

TNC, incidentally, hasn't rested on the laurels of its Texas Quality Award. This year, it applied for the Malcolm Baldrige National Quality Award.

ment we made to our people and our customers. It has proven to be a worthy goal for us."

Bob Mantle, sales manager and a 15-year TNC employee, said, "We don't lose customers, we lose orders." Any customer that doesn't purchase from TNC in a year gets at least a phone call and perhaps a personal visit from a TNC salesperson. So far in 1998, TNC has recovered 58 customers that had been gone longer than a year.

"We don't get into price wars," said Mantle. "We talk about on-time delivery, cycle times, and having product on their dock defect free."

Customers are classified by dollar volume and repeat business. Customers classified as A and B are TNC's largest and steadiest buyers and account for 73% of sales. Among these A and B customers are TNC's Partners for Success: customers that have made a long-term commitment to purchase specified numbers of nameplates from TNC over a set period in return for cost savings.

Staying on top of cycle times

For most orders handled by TNC, 10 days is the standard cycle time goal. Customers sometimes ask for a quicker turnaround. If such speed is possible, TNC does it—and doesn't charge an expediting fee.

Even though its competitors are a few days slower (TNC anonymously purchases products from competitors to learn the exact lengths of their cycle times), TNC wants to get faster. It knows it must first measure its own cycle times more precisely, which it is doing by switching the units measured from days to hours. Kenny Howard, customer service manager and a 12-year TNC employee, said if a job is finished at 8:30 in the morning, it isn't accurate to count the work as taking a full day. So the conversion is under way.

Crownover said days are the standard measurement in the nameplate industry, so it will report cycle times in both days and hours to customers to avoid confusion.

TNC is considering linking some of its gain-sharing payments to cycle time, but Crownover said the company wants to make sure it first knows and understands its true cycle time in hours. "We are very patient with our measurements," Crownover said.

To make the necessary adjustments to stay on schedule, TNC has seven multipurpose employees. "These people can go from process to process to fill in so an area can produce additional product," said Howard.

This type of training and job shifting improves morale by reducing boredom, according to Crownover. "Some people like the same environment every day and others like to move around. Knowing what people like improves employee satisfaction."

Finding the right employees

Ask Crownover what TNC looks for when filling a company vacancy and you won't receive an answer that is overly focused on classroom education. "People need to have desire, determination, and commitment, not a college degree," he said. "You don't need college graduates or Ph.D.s to understand the Baldrige criteria."

The Malcolm Baldrige National Quality Award criteria, incidentally, are of specific interest to Crownover and the TNC work force. Building on its past successes (see "The Smallest Company Ever" sidebar), the company applied for the prize in 1998. If the company has the same success at the national level as it has in its native state, TNC will soon become one of the biggest quality success stories everyone has heard about.

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