



MALCOLM BALDRIGE NATIONAL QUALITY AWARD

Next Level Leadership

by **Kristen Johnson**, assistant editor

Should a company rest on its laurels after it wins a Malcolm Baldrige National Quality Award? Isn't such a company already performing at a superior level? Wouldn't it be nearly impossible for a company to improve

upon its already winning formula? Not if said company is Texas Nameplate Co. (TNC) in Dallas.

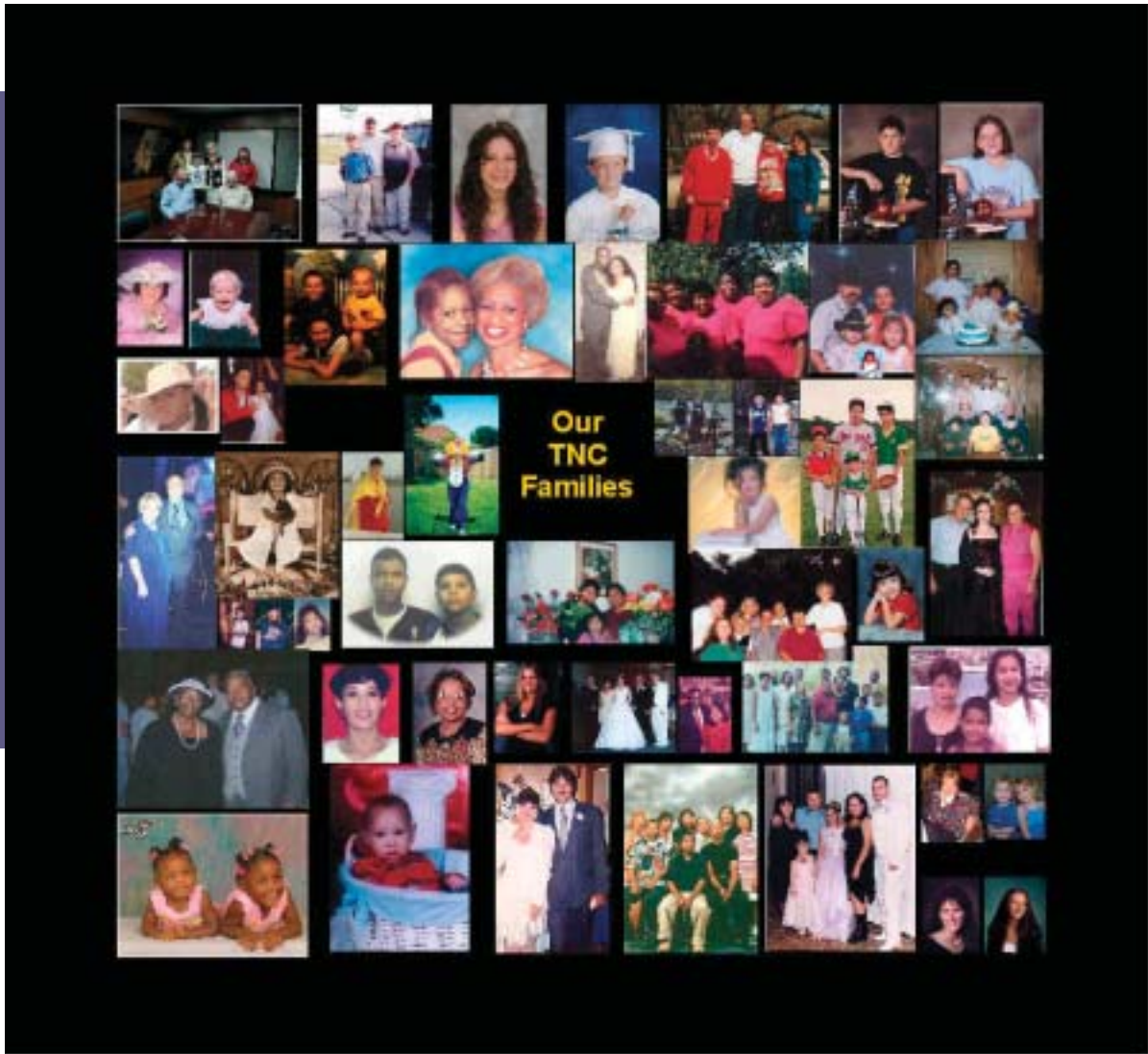
TNC is a small, privately held family business that produces nameplates, identification tags and labels for a variety of products, including high pressure valves, oil field equipment and computers. Through its chemical etching, screen printing and photo engraving processes, the company places information such as vendor names, model numbers, pressure limits, installation procedures and safety warnings on nameplates.

With guidance from its president and CEO, Dale Crownover, TNC applied for and won its first Baldrige award in 1998. That's enough to satisfy any company president for years to come, but not Crownover. When he met with TNC's soon to be vice president and general counsel, John Darrouzet, at what they like to call the Texas Burger meeting in 2000, Crownover was already discussing how to improve TNC in a Baldrige way and said he wanted to reapply for the award as soon as the company was eligible, which was after six years.

Well, he did just that in 2004, and now not only is TNC the smallest company to have received a Baldrige award, it is also the only small business to have received the award twice. So what makes TNC so special? How did Crownover and his 43

In 50 Words Or Less

- **Texas Nameplate Co. (TNC) is the first small business to win the Malcolm Baldrige National Quality Award twice.**
- **TNC improved upon its winning formula by embedding the Baldrige criteria into the way it does business and using technology to make data instantly available to employees, customers and suppliers.**



WHY WE WORK: This collage of TNC’s employees’ families appears on the opening page of the company’s intranet.

employees pump things up and turn TNC into an even more exceptional company?¹

The Baldrige Way

Quality is everyone’s responsibility at TNC. Sure, you’ve heard that before, but at TNC it’s just the way things are done—no buts about it. Besides using ISO 9000 to make quality decisions, TNC has a very transparent management system. About 15 of its 43 employees are involved in making the business decisions.

This is possible because TNC shuns the traditional, hierarchical approach to leadership in favor of a more flat approach. The company is not

organized into a typical command structure of delegated authority or power. Rather, its senior leaders respect each other’s contributions as equally necessary, desirable and valuable. They work together as one team, with a structure like a sphere instead of a pyramid.

According to Darrouzet, the traditional leadership structure is based on the military model of leadership and breeds a silo mentality. “We’re too few to be treating each other that way,” he says. “We all have a role to play, so it’s become a more flat organization. We call it next level leadership that’s built on mutual respect. We guide the business based on a quote from the New Testament,

‘Fear is useless; what is needed is trust.’” In the end, says Darrouzet, fear is useless if that’s a company’s only motivating force. Leaders need to trust their people and ensure their people trust them.

Now TNC is united as one team, working for the same purpose: “to provide present and future generations of employees with a reasonable way to make a living to support their families.”

So how does TNC know whether its method is successful? Profits are important, but other things are even more meaningful. To understand the significance of its results, TNC defines success in operational terms. While others may look at success only in terms of bottom-line financials, TNC bases its definition on fulfillment of a set of Baldrige based conditions throughout the year. It essentially embedded the Baldrige criteria into the way it conducts business.

TNC calls it the Baldrige way, and so entrenched is that way, the company’s definition of success deliberately follows the Baldrige scoring guidelines. “Dale and I are completely committed to the Baldrige approach to conducting business,” says Darrouzet. “It’s a way to focus everyone on improvement.”

New Hotrod, Dashboards And Smart TVs

Though many things have changed since TNC won its first Baldrige award, one of its greatest achievements is its ever increasing use of technology. In an effort to deploy information visually, TNC has moved from selectively distributed paper reports to companywide, instantaneous data displays.

TNC developed several intranet based programs—the New Hotrod, the Real-Time Dashboard and the Pipeline Dashboard—to collect and aggregate data for decision making and make data and information readily available to employees, customers and suppliers. TNC also developed Simon, a pricing software program that allows the company to consider its customers’ requirements with respect to cost in conjunction with its own revenue and profit goals.

The New Hotrod is the name of TNC’s intranet. Besides hosting each employee’s personal web page, this site helps make company meetings transparent. The site is projected onto a meeting room wall, and the group uses Microsoft Front Page to take minutes, which become immediately available to everyone in the company. There’s no paper involved, which has helped TNC become an almost paperless company.

The Real-Time Dashboard and Pipeline Dashboard are also housed on TNC’s intranet. The Real-Time Dashboard highlights the company’s nine key measures, and the Pipeline Dashboard shows product flowing through the company. Both sites are refreshed every 30 seconds so “everyone knows if we’re doing OK on a daily basis,” says Darrouzet.

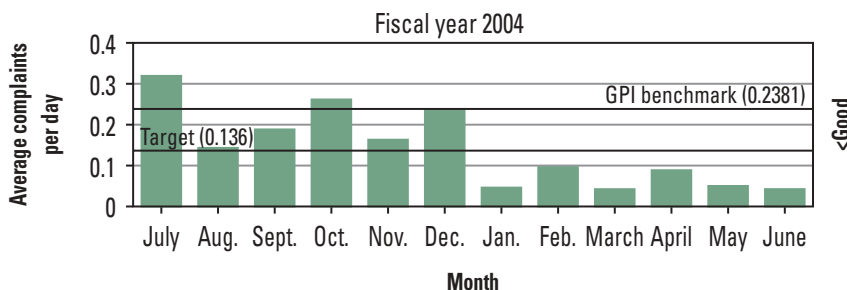
For those employees who don’t have access to a computer, the company provides what it calls Smart TVs. These TVs act like an internal cable company and project the dashboards at various locations throughout the plant.

“Using built-in business logic, our dashboards transform raw data into actionable information,” says Crownover. For example, 80% of TNC’s work-

force is cross trained, so employees can glance at the Pipeline Dashboard and see whether another department needs help. “With heads-up information, we have the ability to work proactively, not reactively,” Crownover continues.

When asked how TNC ensures the Real-Time Dashboard measures what matters, Darrouzet says he worked backward in determining what to measure. “In

FIGURE 1 Customer Complaints



GPI = National Assn. of Graphic and Product Identification Manufacturers

1998, we were using a ton of spreadsheets to measure results. After we bought a server, we took a look at all the measures and picked a set to keep," he explains. "I knew where I was going with the measures and needed ... at least one chart for each Baldrige criterion. So we developed a set of 24 measures and picked nine to operate the company on and highlight on the dashboard." TNC's nine key measures are:

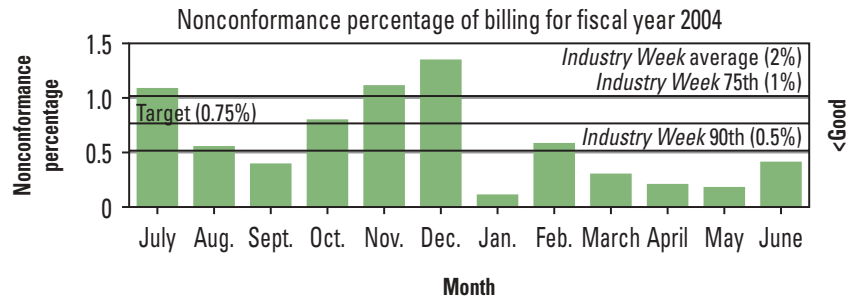
1. On-time delivery.
2. Production cycle time.
3. Sales.
4. Shipped revenue.
5. Nonconformances.
6. Customer complaints.
7. Hit ratio.
8. Quote response time.
9. Revenue in pipeline.

A Customer Friendly Approach

According to Darrouzet, about 50% of TNC's customers have been with the company for more than 20 years. To ensure its customers stay loyal, TNC made several improvements to the way it handles its relationships with them:

- TNC uses e-mail and the internet to transmit customer documents, drawings and purchase orders and confirmations.
- In 1998, TNC's main phone operator passed out handwritten phone messages. By 2004, the company had purchased a new phone system that ties into its e-mail system and captures every call, notes responses and files them electronically.
- In 1998, TNC's customer service representative was several layers deep in the phone extension hierarchy and kept most transaction data to himself. By 2004, all employees had effectively become phone operators who can quickly respond to customers. The company's primary customer service representative now answers the company's main line and maintains a database of customer interactions that all can view on the New Hotrod.

FIGURE 2 Nonconformances



This customer friendly approach must be working because, according to a third-party customer survey, TNC raised customer satisfaction from about 81% in 2000 to approximately 86% in 2003. Quick response cards sent with each order also help determine customer satisfaction with product quality, proper documents, package condition and product packaging. In 2003, satisfaction ranged from 5.61 to 5.81 on a 6-point scale, and the percentage of complaints per order has remained at or below 1% from 2001 through 2004 (see Figure 1).

TNC has also succeeded in reducing nonconformances to product specifications, a measure it believes drives all its customer relationships because it has a direct impact on cycle time, customer loyalty and customer recapture. The company's nonconformance as a percentage of sales has gone from approximately 1.4% in 1998 to about 0.5% in 2004 (see Figure 2).

From 1998 to 2004, TNC's time to respond to quotes also declined from six hours to less than two hours, and its production cycle time dropped from 14 days to slightly less than eight days. When asked how the company managed to do this, Darrouzet says it was just a matter of focus and believes Crownover's sitting with a couple of departments for an entire day to observe what was going on played an important role in reducing cycle time. "Upper management must get out of the office and down on the floor," says Darrouzet.

Dignity and Camaraderie

Unlike most companies, TNC has a separate mission and purpose. Its mission focuses on serving its customers and suppliers, while its purpose

focuses on the employees and their families (see “TNC Wisdom”). “I explicitly distinguish the company purpose from the mission,” says Darrouzet. “The mission relates to the company as a legal entity, and the purpose is what we elicited from our employees as their reason for coming to work.”

“They work for a sense of dignity and camaraderie, and they work for their children and fami-

lies. I think it’s hard to have an extended family at work,” he continues. “Even if some people are here just to make money, it’s not good if they’re not happy.”

Responses from TNC’s annual employee satisfaction survey show satisfaction increased from 75% in 2001 to 83% in 2003. One reason for this increase is the company’s innovative just earning

TNC Wisdom

Texas Nameplate Co. (TNC) has a separate vision, mission, purpose and goal:

- **Vision:** We want to be the best.
- **Mission:** The employees of TNC are committed to meeting or exceeding requirements, communicating with our customers and suppliers to continuously provide quality products and services that offer best value, while achieving a reasonable return for the employees and owners.
- **Purpose:** To help each other make a reasonable living in support of our families.
- **Goal:** To embed a culture of quality in every aspect of how we conduct our business.

To achieve its vision, mission, purpose and goal, TNC uses a living strategy in which it embeds what it calls “TNC Wisdom.” One part of TNC Wisdom consists of a list of common questions and answers provided by Roy Crownover, chairman of the board, and Dale Crownover, president and CEO. For example:

- **Is it better to take an order for a small quantity of product or a large quantity?** You need to analyze it in terms of profitability. We can make more money by making things in small quantity.
- **Should we ever be afraid to sever our relationship with a customer?** No. The customer will realize we really knew how to take care of them and will eventually come back to us.
- **Should we worry about sales?** No, but we should do something about it. If a company does good work, it should expect customers to come to it, but that’s a passive approach. Instead, we need to find the people who are interested in buying our product. They will become loyal customers. We also need to help our customers mature by reinventing ourselves and being at the ready. For example, when our customers upgrade their technology, we need to be able to meet their technological needs.

TNC Wisdom also includes embedding the Baldrige criteria into everything the company does on a daily basis, being certified by Underwriters Laboratory under ISO 9001 for its quality management system and under ISO 14001 for its environmental management system, establishing a Baldrige conference room within its administrative offices and making a commitment to serve the Baldrige community.



WHAT'S GOING ON: TNC's senior leaders review the Real-Time Dashboard at a PROP, or process and review operational performance, meeting.

time and saving resources (JETS) program. In 1998, TNC was using an incentive program called gain-share to motivate workers to make nameplates without defects. Soon leadership began to realize that as nonconformances got closer to zero defects, they had less and less cost savings to share, especially in the slowing economy.

That's when the JETS program was born. Employees who can complete a 40-hour quota of work in less than 40 hours earn paid time off. In effect, employees are earning extra holidays. According to Darrouzet, in the first six months after implementation, employees earned six extra holidays. Both the company and the employees win with this program because people are motivated to work at a high rate of speed to get extra time off to be with their families.

Can We Expect a Three-Peat?

What's next for a company that's already demonstrated its superiority on so many levels? "We will be shooting to be more than significant,"

says Darrouzet. "We want to be exemplary. We are at our best when we use this quality stuff on a daily basis—embedding the Baldrige way."

So will TNC apply for the award a third time? You bet. "We're already thinking about it," confirms Darrouzet. "As soon as we're eligible in 2010."

NOTE

1. To view an online video about TNC or to order a copy of Dale Crownover's book *Take It to the Next Level: a Story of the Quest for Quality and the Malcolm Baldrige Award*, visit www.nameplate.com.

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