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## Malcolm Baldrige National Quality Award 1998 Recipient Texas Nameplate Company, Inc.

Founded in 1946, Texas Nameplate Company, Inc. manufactures and sells identification and information labels that are affixed to refrigerators, oil-field equipment, high-pressure valves, trucks, computer equipment, and other products made by its 1,000 customers. Located in Dallas, the family-owned business is the smallest company ever to receive the Malcolm Baldrige National Quality Award. In 1996, TNC won the Texas Quality Award.

Most TNC customers are located in Texas and nearby states. In recent years, the company's marketing reach has expanded, primarily to serve larger customers with nationally and globally distributed operations. TNC nameplates now are sold in all 50 states and in nine foreign countries. Revenues totaled \$4.66 million in 1997.

The company has a culturally diverse workforce (46 percent Caucasian, 32 percent Hispanic, and 22 percent African American). Key company documents are printed in Spanish and English, and translators are present at all meetings. One-third of its 66 employees have been with TNC for more than 10 years, and more than half have been with the company for at least five years.

### 'Star Quality'

TNC has honed the raw attributes inherent to its small size - from streamlined communications and rapid decision-making to shared goals and accessible leaders-into competitive advantages.

The result is a closely knit organization that is finely tuned to the requirements of its customers. TNC aims to create a continuous learning environment that enables empowered teams of workers to take charge of processes and to deliver products and services with a "star quality."

"Closely knit" also characterizes TNC's external relationships. Long-term partnerships with customers and suppliers are the rule. Sixty-two percent of customers have been purchasing TNC nameplates for 10 or more years. Of TNC's 140 suppliers, nearly two-thirds have been shipping materials to TNC for more than a decade. Sustained relationships with quality-minded suppliers have enabled TNC to nearly eliminate inspections of incoming materials.

### Key Business Drivers

Company President and Chief Executive Officer Dale Crownover and his seven top managers make up the Business Excellence Leadership Team. This team aligns the focus and direction of all employees with the company's vision to "become the recognized supplier of commercial nameplates in the United States." Each senior leader acts as a champion for one or more of the company's seven key business drivers (KBDs): customer satisfaction, employee satisfaction, process optimization, environmental consciousness, controlled growth, fair profit, and external interface-or the quality and effectiveness of TNC's interactions with suppliers and the community.

The seven KBDs form the nucleus of the company's participatory strategic planning process. At the start, workers are invited to submit proposals for new initiatives, which are evaluated for cost feasibility and their potential to contribute to company goals set for each KBD. The resulting strategic plan is captured in a comprehensive, easy-to-scan grid that integrates goals, action plans, targeted outcomes, and indicators. For each action plan-currently totaling 96-priorities, assigned leaders, and three-year goals are displayed. Progress is reviewed monthly by all employees. Results of an employee survey were impetus for the review. Responses indicated that workers wanted regular updates to give them deeper insight into production results and management activities.

### Teams, Naturally Supplier of Choice

Primary responsibility for accomplishing company goals rests with work teams-so much so that the company disbanded its Quality Control Department in 1998. And because teaming has become so engrained into its culture, TNC no longer needs formal procedures for rotating employee participation.

Processes and jobs are designed to allow flexibility so that employees can respond quickly to customer requirements and changing business needs. Customer-contact employees are empowered to resolve customer complaints without consulting management. Similarly, production workers are responsible for tailoring processes to optimize contributions to company goals and to meet team-set standards. To help workers identify opportunities for improvement, each process is mapped in a flow chart, which includes requirements, metrics, and cause-and-effect diagrams.

To foster continuous learning, TNC uses a variety of training methods, complemented by tuition reimbursement and other "back-to-school" incentives. The average employee receives 75 hours of training in their first two years. Much of it is delivered on a "just-in-time" basis. About one in 10 workers is a "multi-purpose employee," trained in three or more jobs, allowing them to be moved to any area of the company that needs

assistance to meet fluctuating customer and market demands.

Profit-sharing and gain-sharing incentives, along with higher-than-industry-average pay scales, serve to reinforce the workforce's commitment to quality and foster company loyalty. In TNC's 1997 employee survey, employee satisfaction rates ranged from 72 percent to almost 88 percent in the five areas that employees say are most important: fair pay, job content satisfaction, recognition, fairness/respect, and career development. A comparable national average shows rates of 50 percent to 57 percent on these same areas.

Technology also is a key strategic thrust. A new computer-aided design system enables electronic transfer of artwork for nameplates, helping to reduce cycle time, and a recently installed local area network provides workers with immediate access to process and business-related information, including profiles of all TNC customers. Upgraded capabilities for electronic data interchange make it easier for customers to request quotes and transmit purchase orders.

### **Goal: 100% Customer Loyalty**

To maintain its strong customer focus, TNC uses a wide range of listening and learning strategies to capture information from former, current, and potential customers. For example, through its "Customer Site Visit" program, a team of TNC employees visits customer facilities to identify opportunities for improving products and services. The results of these visits are shared with everyone at TNC.

In all customer contacts, workers and managers are instructed to ask, "What else could we be doing for you?" In addition, a "quick-response" survey card accompanies each TNC shipment, and an annual survey provides 70 different indicators of customer satisfaction.

In 1996, the company implemented a controlled growth strategy designed to deliver maximum benefits to both TNC and its customers. The focus shifted from the acquisition of more new customers to obtaining more of its current customers' business. TNC is pursuing sole-supplier alliances with its 50 largest customers, offering them a combination of innovative services that result in lower prices and faster turnaround. A new product consignment sales agreement and the company's "Partners for Success" program allow TNC to offer customers flexible product delivery arrangements and enable TNC to project its business volume with these customers, and thus, manage its workload, inventories, and suppliers more efficiently.

### **Results**

TNC is making good on its pledge to delight its customers. An independent, third-party survey shows TNC's customers consistently give the company an "excellent" rating (5 to 6 on a scale of 6) in 12 key business areas, including quality product, reliable performance, on-time delivery, and overall satisfaction.

Since 1995, the number of orders shipped has increased 16 percent, while TNC raised its on-time delivery record to 98 percent, up from 95 percent.

One of TNC's key business drivers is environmental consciousness. The company already exceeds regulatory requirements, and it is working toward eliminating all hazardous waste from its chemical etching process. Notable improvements since 1994 include a 14 percent reduction in chemical waste generated and a 30 percent reduction in emissions of volatile organic compounds. In key areas of financial performance, TNC has made significant gains. Gross profit as a percentage of sales increased from 50.5 percent in 1994 to 59 percent in 1998. Net profit (measured as a percent of net sales) more than doubled during the same time period. TNC has reduced its non-conformances (defects) from 3.65 percent to about one percent of billings in the last four years. This is attributed to the company's process improvements and gain-sharing program, which rewards employees for reducing non-conformances. Through this program, over \$145,000 was distributed to employees in one year as profit savings, which equates to a \$1.26 per hour raise for each employee. Nationally, its share of the nameplate market has grown from almost 3 percent in 1994 to 5 percent in 1997.

#### **Baldrige Website comments:**

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