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The need, power and motive to change

How TCI became a market leader and created an 'economic moat'

In 1995, a customer representing a significant portion of TCI's business announced that it intended to raise its customer service performance levels. As a result, TCI had six months to:

- » Reduce its lead time by 75 percent, from four weeks to one week.
- » Improve its on-time delivery from 40 percent to greater than 90 percent.

The customer offered to share the best practice changes that it was planning to make to its operations with TCI.

As background, TCI (previously known as Trans-Coil Inc.) provides power quality products and system solutions for any industrial and commercial application using a low voltage variable frequency drive powering an electric motor. Typical installations include: manufacturing operations, HVAC, oil and gas

pumping stations, water and wastewater systems, and elevators and escalators.

At the time, TCI's production facility used a traditional sequential batch processing manufacturing methodology. This meant customer orders accumulated into a single large unit volume batch before being released to production. Once released, the work performed at each step had to be fully completed before the batch moved on to the next step. This approach often resulted in product sitting idle for hours creating a pinch point or bottleneck in the manufacturing process.

With uncanny timing, TCI's owner attended a TEC meeting where he was introduced to an emerging new manufacturing approach called QRM (Quick Response Manufacturing). He invited the speaker, Dr. Rajan Suri, creator of the QRM process, to present to the TCI team charged with meeting the new customer service standards. Once the business impact was understood, there was unanimous agreement by the team to move forward and implement the central element – cellular manufacturing.

Within three months, TCI had developed eight production cells



and completed the basic conversion to cellular manufacturing practices. By month six, most of the process bugs had been worked out, and all of the employees working in the cells were trained on how to work in each of the eight units.

As a result of the new cellular manufacturing methodologies, production lead times decreased between 63-90 percent, on-time delivery increased to greater than 98 percent, and TCI retained its customer. A new standard for operational velocity was established for TCI.

Sales quickly realized they had a new compelling differentiator to offer. This value-added proposition delighted their existing customers, won new customers and stole business from their competitors.

Over the next several years, TCI's level of service excellence became the industry benchmark for quality and on-time delivery. Although the competition had come close at times, TCI was just that much better. Unknowingly, they created what Warren Buffett calls an "economic moat" – a competitive advantage so distinct, that it creates a barrier preventing the competition from penetrating their customers. It was at that point when TCI became a speed junky.

But as TCI increased speed in the production facility, the causative pressure emerged – it was now taking up to four times longer to generate an order than to produce it!

Frustration within the leadership team escalated until one day the question was asked at a weekly managers meeting,



Kong Lor, an employee of TCI.

“Could the same methodology that we used to improve manufacturing be applied to the office?”

It was the pivotal question. Could they create an office cell, similar in function to the production cell, where everyone worked multiple functions to dramatically improve customer response time?

Intuitively, everyone wanted to say “yes,” but they didn’t have case studies to refer to, or other companies to learn from, so it took two years to validate the potential benefits of this radical idea.

The leadership team delivered their presentation to TCI’s owners, detailing how the proposed office cell would work. Benefits were laid out and discussion followed. It took some time, but the owners agreed to begin with the assessment phase. A team comprised of the VP of operations, quality manager and operations manager was formed, and over the next several months, they analyzed all of the functions involved in processing a customer transaction. This gave them the intricate details needed to develop their recommended plan of action. A final presentation was then delivered to the owners, who immediately approved the implementation phase.

They created the “Customer Response Team” (CRT) comprised of the Customer Service, Technical Support, Purchasing, and Production Scheduling departments. It was explained that each member of the CRT would retain his or her primary job responsibilities and also be cross-trained in at least one additional CRT task. A customer needing technical assistance could call into customer service, obtain the performance or application information, and could place an order for a product with that same person, who would then schedule the production time and confirm the order ship date. This would reduce the number of people in the process from four down to one, and significantly reduce order time by as much as a full day.

As you might imagine, engineers, production schedulers and purchasers who learned that they would now have to interface with customers directly about non-technical topics responded with comments like, “You don’t want me talking to customers!” “I didn’t go to college to enter orders!” “You want me to do WHAT?”

Fear also spread through the customer service team. The idea that they would now be responsible for answering basic engineering questions and scheduling production time was intimidating.

TCI alleviated some of their fears by providing excellent training and giving them time to settle into their new and expanded responsibilities. Confidence grew. In the months that followed, each team member experienced his or her own personal breakthrough moment. Once they became comfortable with what to do and say, fear slowly transmuted into function, and then the magic started to happen. Customer compliments replaced customer complaints. It became (and still is today) commonplace for customers to say, “Thank you. I really appreciate your assistance! You’ve helped us so much!”

Since then, TCI has never looked back. The commitment to business velocity continues and with stunning results: from 2000-’12, sales increased by 325 percent with only a 48 percent increase in head count and no significant capital investment.

Business velocity has not only become TCI’s corporate mantra, but the launch pad for a new standard of industry excellence. They’ve successfully created an economic moat so wide, that the competition is still striving to play catch-up. ■

Christine McMahon is a business strategist who offers sales and leadership training/coaching and is a co-founder of the Leadership Institute at WCTC’s Center for Business Performance Solutions. She can be reached at: (414) 290-3344 or by email at: ccm@christinemcmahon.com