

My Journey with Fast Fish from 2009 to 2013 – A China TOC Story

I have been living in Shanghai, China since 2005 and launched full time efforts on spreading the knowledge of ‘Theory of Constraints’ from 2006. My first act was to seek blessings from my ‘Guru’ whose books and “Jonah Upgrade Workshop” videos had been an invaluable source of learning for me throughout my years with P&G since 1990 and there after. I met Dr Goldratt first time at the Viable Vision introduction event in Shenzhen on June 13, 2006. I dedicate this story to his memory! He energized the thinking of ‘millions’ in an unprecedented way!



This story is of Fast Fish, an apparel distribution company in China. Starting with sales of little over 200 M Yuan (35M USD) in 2009 company has achieved 1.8 B Yuan in 2012 and is on track to achieve 3 B Yuan in 2013 and 4 B in 2014. This happened with the help of adopting TOC way in their business in daily management both for financial and operational management. Company uses T, I and OE as their base measures and is focused on a simple mission that is in synch with the purpose of the owners in leading this company. From a small size company it is already a large size company.

The strategy used for growing the sales was to address the constraints in way of expansion of stores without sacrificing the profitability. Company has now started implementing the strategies of other TOC methodologies and is confident of not only continue to increase the store outlets over next few years but also increase the profitability to deliver a significant impact on bottom line. The company is confident to turn itself into a ‘build to last’ enterprise that looks after the interests of employees, suppliers, customers, society simultaneously.



万店计划 10000 store plan

· 我们为什么能够开10000家店？我们有足够的市场！ Why will we be able to run 10000 stores? Because the market is big enough.

截至2012年底，全国共有直辖市4个，29个省，地级市283个，县2856个。根据地区人口数量以及经济发展水平的不同，可开店数量有所区别，测算国内可开店铺有8000-10000家的规模。

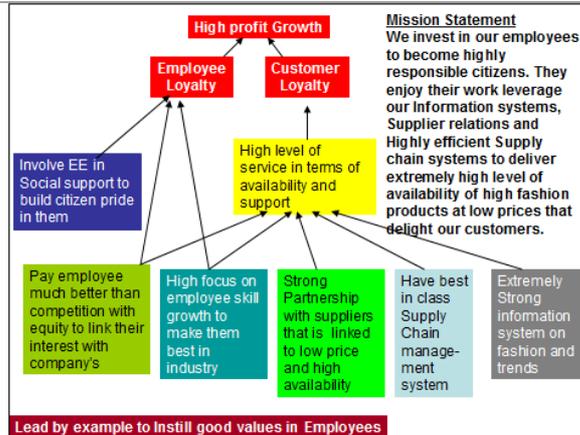
By the end of 2012, there are 4 directly governed city in China, 29 provinces, 283 cities, 2856 counties. And we can run different numbers of store based upon different population and economy level. Therefore we forecast that we can run stores as many as 8,000-10,000 stores.

When I met Mr Rao of FF in late 2008, he was already a successful businessman. He had learnt a lot about TOC and was keen to use it. But he was struggling with the question on why should he grow his company because he was quite satisfied with his success status. In discussions with me he found his noble purpose of “making his employees rich” and giving them a life they would have not otherwise enjoyed. His top team attended my vision workshop to define 5 year vision. Thus my journey with FF started on Feb 9, 2009 with that vision workshop.

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There were many elements to vision in terms of profit goals, employee, customer, supplier and society benefits. However, the most important thing we worked on was the articulation of a mission – the daily work of every one in the company that would take the company to its vision in 5 years. In the true TOC spirit it was a statement of inherent simplicity but highly meaningful. Mr Rao uses it at any opportunity when he speaks to his employees. He himself lives this mission in his day to day work.



The mission was further defined in high level strategy terms to articulate the broad focus areas for deploying the efforts of the company. This document has stayed relevant in the form it was defined and is used for course correction off and on by the company leadership. The individual elements of strategy were expanded for making different action plans around tactics that make contemporary sense. The values statement was parked at the bottom of the document to remind the leadership of the importance of this for effective delegation without compromising the intent of leadership.

Fast Fish knew how to buy apparels from whole sale market and sell them thru their own stores. They identified the best way to grow immediately was by expansion of number of stores. They also identified that there were limitations in way of expansion and wanted to learn what to change to deliver on this tactic. Mr Rao launched a program called “Eagle Rebirth” to enroll the organization with the story of 40 year old eagles when they go to the mountain top and pluck their old feathers to allow new feathers to grow. Mr Rao asked the organization to unlearn few things and learn new ones.



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Story of Eagles of Sahara Desert

- The thriving type were picking the bones of camels, and after flying high in sky they were dropping these bones on the rocks in the desert
- The broken pieces of bones were then eaten and eagles species were well fed

What is the difference

- The Second eagles copied the process of lifting the bone high in sky and dropping them
- This was the KNOW HOW part
- They did not understand why the dropping was to be on specific area (ROCKS)
- The KNOW WHY of dropping was missing
- That caused them the misery

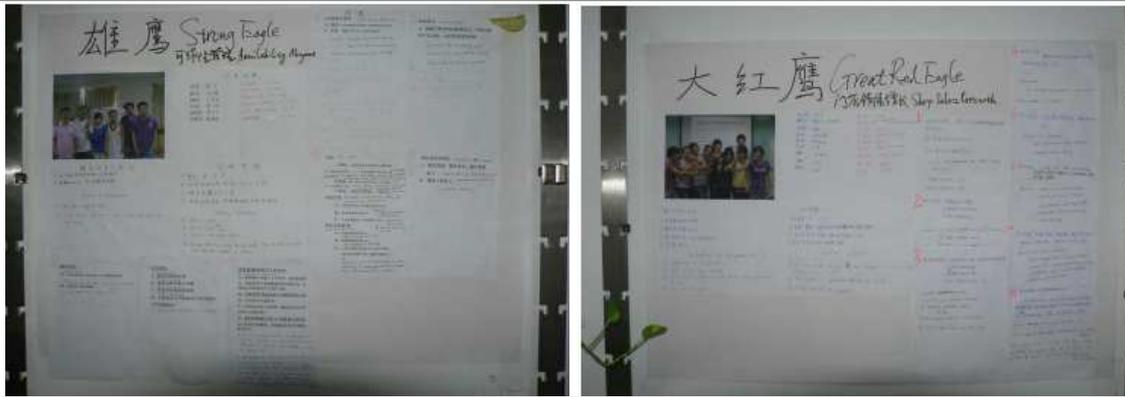
At the launch meeting I defined TOC in a simple way as the knowledge to understand the “know why” instead of only ‘know how’. Weekly knowledge sharing events started with clear focus on giving the ‘fishing hook’ instead of the ‘fish’ (some thing similar to the Socratic method).



Two constraints addressed in first year were the structure of managing the stores and compensation policy. This enabled the company to grow stores without any other major change. Many strong managers were promoted as Area managers to manage more than one store. Two of them later reached the levels of regional managers. Compensation system was edited to recognize group success instead of individual success and also bonus related to % target met was introduced. The small team management training was given to the top team and area managers to for identifying opportunities of improvement and then deploying TQ process of PDCA to manage the execution.

Training systems were improved, HR function was strengthened, Central Ware house processes were strengthened and Information accuracy was improved. These improvements did not reach the ideal state but were sufficient to give phase 1 improvement of almost doubling the sales in a year. This success in Eastern part of the business inspired the North and South Regions to reapply.

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Aug 2009 – Top team members led the learning process by becoming leader of the small teams



Company celebrated the first anniversary of Eagle Rebirth with great pomp and show



Company launched the “values” that it would follow and wanted the employees to follow. These were Respect, Sharing, Winning and Continuous Improvement.

Reapplication efforts in North and South started with restructuring in sales. Buffer management process improvement gathered momentum with addition of new senior leaders who were also TOC literate. New efforts were launched to bring suppliers into partnership roles.

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Sept 2010 – Area Managers and Mr Rao showing off their challenging annual plan. After one year of Eagle Rebirth launch the motivation and inspiration were really high



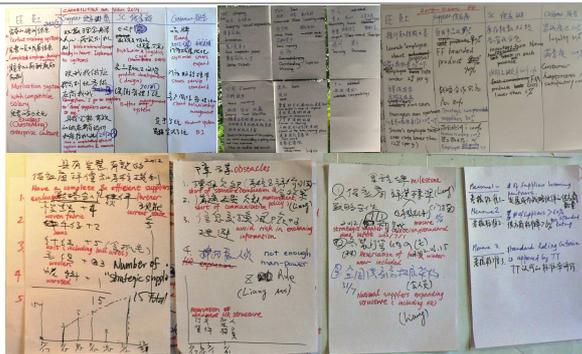
In Mar 2011 Company had opportunity to meet Dr Goldratt who offered to support the company with revised S&T tree to enhance the profitability before expanding the number of stores but FF leadership decided to continue the path they were pursuing.



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Second anniversary on 1 July 2011 was celebrated with a theme on sharing and partnership. I inspired the employees with story of Jessica Cox who despite having no arms became a pilot in US. The mantra that Mr Rao picked from this event was “Success is not some thing to wait for – it is some thing to work for”. He continues to use this as one of the slides in his presentations to employees.



In May 2012 All company leadership went to offsite at Mogan Shan and reflected on how to make course correction to stay on the sales growth path without sacrificing profitability. The meeting ended with revised firm targets for 2014 and resolution on focusing on fewer things. New very high profile HR director joined the company to strengthen the HR systems that were essential as the number of people in the company rose to above 4000. Company also trained middle management and coached senior management.



2012, July 1 Celebration on the third anniversary were attended by more than 500 employees



From July 2012 company started focusing on consolidation to protect what has been achieved and build on the successes. Attrition rate of store people needed attention and it was addressed suitably. The quality of stores that were not performing sufficiently well were either improved or closed. Company also opened new region in west under the leadership of a former area manager who was promoted to the level of GM. She performed exceedingly well by focusing on flow of products and keeping the slow moving low. Her region performed best amongst all four in terms of profitability and turns of inventory. This was heartening because new leadership was showing promise in the company. Company is now ready for consolidation in terms of top leadership structure. They have already registered as a new large organization and would be building the capability of next level of growth in coming months. It has started feeling confident that the growth will not stop at the 4 B yuan level in 2014. Next vision is to grow 10 times from currently 1000 stores before 2020. This step change requires new strategy in supply chain that is being developed and tested.

At the 2013 July 1, celebration of the fourth anniversary of Eagle Rebirth there were more than 900 employees and associates at Xian.

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PK (July 17, 2013)