Forbes
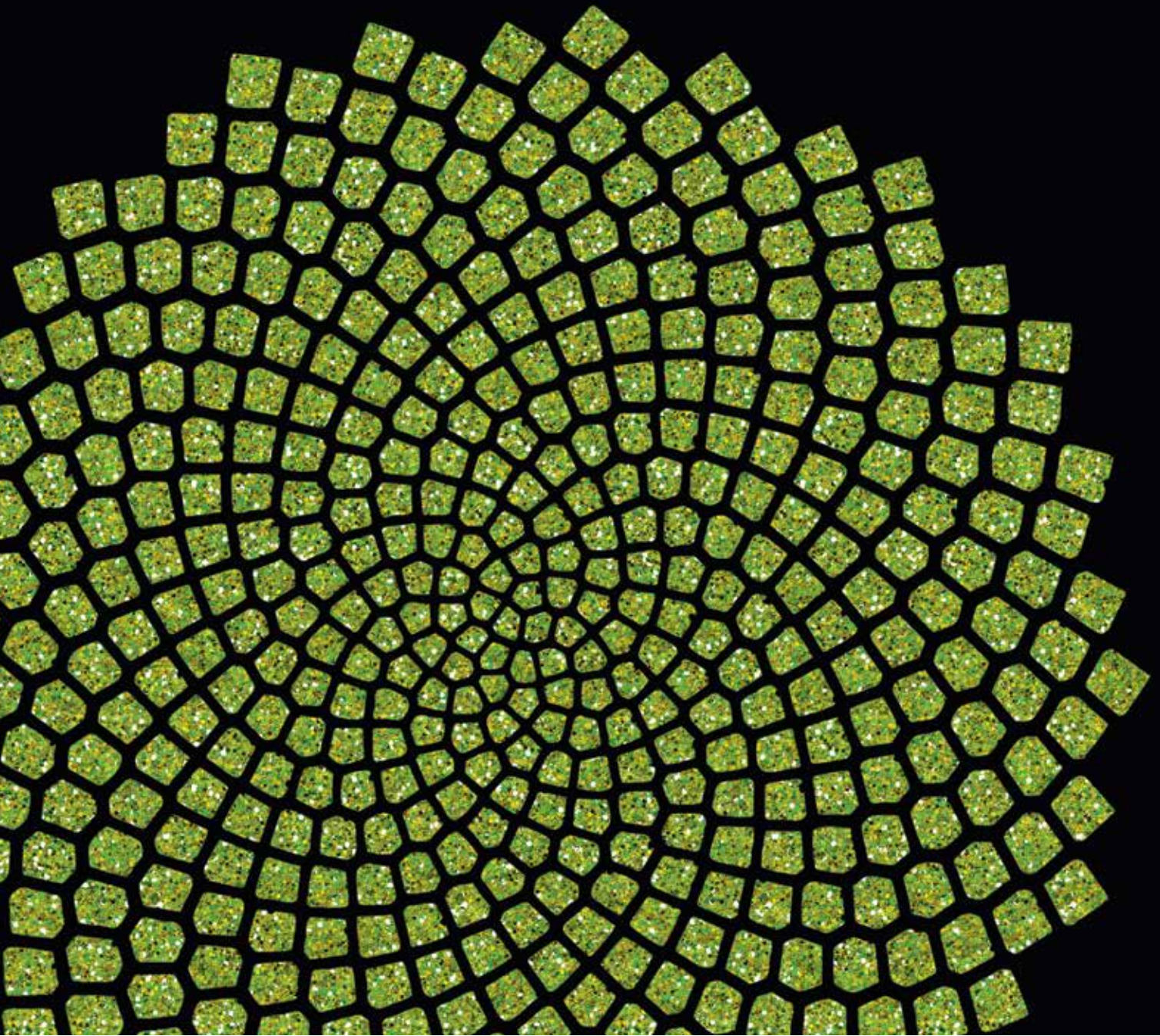## INSIGHTS

CULTURE OF QUALITY

ACCELERATING GROWTH AND PERFORMANCE IN THE ENTERPRISE

IN ASSOCIATION WITH:

ASQ

CONTENTS

FOREWORD

To what degree is yours a culture of quality?

Think of a continuum. At one end are organizations where the quality program is perceived as no more than a set of slogans. At the other end, each and every employee from entry level to the seat of the chief executive embraces the company's quality vision, values and goals as a way of life. Where would you place your organization on this continuum? Where must it go to achieve your organization's objectives and results?

A true culture of quality exhibits an array of easily recognizable attributes. Consider examples from companies displaying world-class quality. These organizations can demonstrate that their leadership unwaveringly and visibly supports quality objectives. They are also passionate in their drive to continually identify and address customer needs—often taking extraordinary steps to engage the voice of the customer.

From there, the organization's vision and values are clearly and compellingly stated as well as disseminated throughout the enterprise in everything from formal training to informal conversations in hallways and break rooms. Quality-driven goals are translated into clear performance expectations, all of which are supported by regular organizational performance reviews and expressed in business performance reports. World-class organizations also work hard to develop the right mix of incentives, including both recognition and awards as well as, in the right circumstances, direct compensation and promotion.

Ethical and collaborative behavior become second nature, as does the willingness to pursue innovation and continuous improvement. From top to bottom and bottom to top, the company becomes a quality-driven ecosystem—from the C-suite to senior leaders, from middle-level managers to all departments, from the supply chain to customers—all working in concert to achieve mutual objectives and improve operations.

So where is your organization on the continuum from superficial support to quality as a way of life? Now the question becomes: how much more effective could your organization become if it were to take steps to enhance its culture of quality? Where to from here?

Stephen Hacker
Board of Directors Chair, ASQ

KEY FINDINGS

Nearly three out of five survey respondents (59%) say their organization exhibits "a comprehensive, group-wide culture of quality." But there is often a disconnect—while 75% of senior or C-suite titles believe this, responses drop to less than half among those with quality job titles. In other words, the further from the C-suite, the less favorable the view of the culture of quality (a tendency that remains relatively consistent throughout the survey results).

Twelve percent of respondents self-describe their overall quality programs as world class (they believe their quality programs are among the strongest and most advanced in the world). Throughout the survey, these companies also tend to score significantly higher in areas that typically drive a culture of quality. Meanwhile, 42% consider theirs advanced; 36% describe their quality programs as average.

Sixty percent say their quality vision—the business case showing how the pursuit of quality advances an organization's objectives and elicits buy-in from senior executives—is clearly stated. Half say their quality vision is not understood throughout the organization and only one-third view their quality vision as compelling. These numbers drop even lower for European and Asia/Pacific companies. For self-described world-class organizations, these numbers are significantly higher, with 82% reporting a well-communicated quality vision.

An organization's "values" can help individuals at all levels make better and more responsible decisions relating to issues of quality. Here, only 61% describe their quality values as clearly stated. However, the figure rises to 76% among self-described world-class organizations and again falls for both Europe- and Asia/Pacific-based companies to 50%. Finally, only half, 50%, say such values are clearly understood throughout the organization.

Strong leadership is essential to developing and sustaining a culture of quality. But here, only 60% say their management supports the quality vision and values unequivocally. The numbers increase to 81% among world-class businesses but again fall to 52% among those based in Europe. Note that overall, only 47% of respondents say their leaders lead by example or otherwise "live" the values, and only 50% say support for the company's quality vision is apparent among middle management.

Though 48% overall say that customer needs are the key driver of their quality programs, the figure rises to 71% for world-class companies. In addition, though only 24% overall say their organizations are highly effective in identifying customer needs and expectations for quality, the figure more than doubles to 52% for world-class companies, highlighting another area where attention may be needed.

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Only 24% overall strongly agree that they actively involve customers in formal quality discussions, rising to 47% among world-class businesses.

....

Only 16% overall strongly agree that they use big data to gauge customer sentiment, compared with 41% of world-class organizations. Only 12% overall strongly agree that they use social media to gauge customer sentiment, rising to 30% among world-class organizations.

....

Eighty-one percent of world-class companies say that all KPIs can be tracked directly to an overall business vision compared with only 64% of the overall respondents. Similarly, 79% of world-class organizations say their KPIs are effective in promoting cooperation among business units versus only 52% among others in the survey. What this highlights, again, is a gap between those that are world class in terms of establishing and maintaining a culture of quality and those for whom this is mere ambition.

....

Most companies—world class and otherwise—include quality as a component of regular performance reviews. But world-class companies are significantly more likely than others to use internal awards or recognition tied to quality metrics. Companies that do not describe themselves as world class are also significantly less likely to tie personal compensation, cash bonuses or promotions to quality metrics. They are also less likely to employ more unusual programs such as those allowing customers to nominate an employee for an award or recognition.

....

The survey also shows that 60% of respondents overall and 72% at world-class organizations use explicit customer input (in the form of surveys, etc.) to evaluate performance against quality metrics. Seventy-nine percent rate such an approach as effective (63%) or highly effective (17%). Moreover, 71% believe their organizations need to do more to involve customers in evaluating quality performance, though in this regard, world-class firms are significantly less inclined to believe so, apparently feeling more satisfied with their current approach.

....

Fifty-three percent plan to increase investment in quality programs over the next 18 months—with 17% describing the increase as substantial. And surprisingly, those already describing their quality programs as world class are leading the investment charge. Or put another way, their lead on other companies is about to grow.

....

Key drivers behind such investment include quality's positive impact on effectiveness and profitability, quality's ability to serve as a key competitive differentiator and the view that high quality represents a barrier to entry to competitors. Quality is also viewed as a vital tool in risk management and the drive for innovation.

....

METHODOLOGY

The insights and commentary found in this report are derived from both a survey and qualitative interviews. Partnering with ASQ, Forbes Insights conducted a global survey of 2,291 executives and managers in April 2014.

Of particular note, the survey was executed across two major segments, one featuring Forbes Insights panelists and a second featuring ASQ members. Key corporate demographics such as company size, industry and location of headquarters were broadly similar in both cases. However, the samples differed significantly in terms of titles, with the Forbes Insights sample much more heavily weighted toward the C-suite and the ASQ sample more heavily weighted toward mid-level, quality-focused executives, managers and engineers.

Specifically:

Forbes Insights
Title:
CEO (22%), CIO (12%), COO (5%), "other" C-level executive (11%), EVP/SVP/VP (18%), senior director, managing director or director (33%)
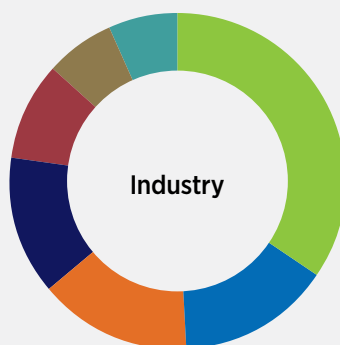
ASQ
Title:
CEO (3%), CQO (5%), "other" C-level executive (2%), senior director, managing director or director (19%), "other" (64%)

Demographics related to the combined samples include:
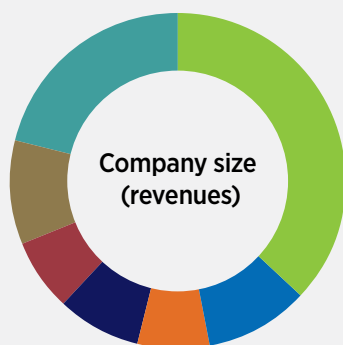
Company size (revenues)
- 37% Under $100 million
- 10% $100 million to $249 million
- 7% $250 million to $499 million
- 8% $500 million to $749 million
- 7% $750 million to $999 million
- 10% $1 billion to $2 billion
- 21% Over $2 billion

Industry
- 26% Manufacturing
- 11% Financial services
- 11% Technology
- 10% Healthcare
- 7% Consumer goods
- 5% Industrial products
- 5% Transportation
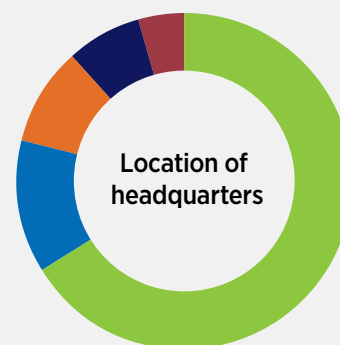
Location of headquarters
- 63% U.S.
- 12% Europe
- 9% Canada/Mexico
- 7% Asia/Pacific
- 4% BRICs

ACKNOWLEDGMENTS

In developing the survey instrument, discussions were held with over 20 senior executives and consultants. For the report itself, on-the-record interviewees include:

- **Dan Afseth**, Software Development Leader, Intuit
- **Aleksandra Djordjevic**, Innovation Catalyst, Intuit
- **Rodney Donaville**, Senior Director, Customer Experience, Quality and Culture, HP
- **Edwin Garro**, General Director, Performance Excellence Solutions
- **Rudy Hacker**, Senior Manager of Enterprise Quality and Reliability, Intel
- **Elizabeth Keim**, Managing Partner, Integrated Quality Resources LLC
- **James Lawther**, Principal, Squawkpoint.com
- **Stan Miller**, Director of Quality and Reliability Capabilities, Intel
- **Jagdish Ramaswamy**, President, Corporate Business Excellence, Aditya Birla
- **Jeffrey Ray**, Director of Operations and Quality, Strategic Missile & Defense Systems, Boeing Defense, Space & Security
- **Paulo Sampaio**, Professor of Quality Engineering and Management, Universidade do Minho
- **Ken Shead**, VP of Integrated Quality, Boeing Defense, Space & Security
- **Soon-Sun Shim**, Senior Vice President and Leader of CS [Customer Satisfaction] & Environment Center, Samsung Electronics
- **Sunil Sinha**, Resident Director, Middle East and North Africa Region, Tata Sons, formerly Chief Executive, Tata Quality Management Services
- **Bharat Wakhlu**, Resident Director for Public Affairs, Tata Services
- **Rebecca Yeung**, Managing Director, Service Experience Leadership, FedEx

Forbes Insights and ASQ extend their gratitude to our survey respondents, interviewees and panel of advisors.

DESCRIBING THE CULTURE (OF QUALITY)

Nearly three out of five respondents (59%) say their organizations exhibit "a comprehensive, group-wide culture of quality." But what is a culture of quality? What is group-wide? And how can these respondents be so certain their organizations exhibit such a culture?
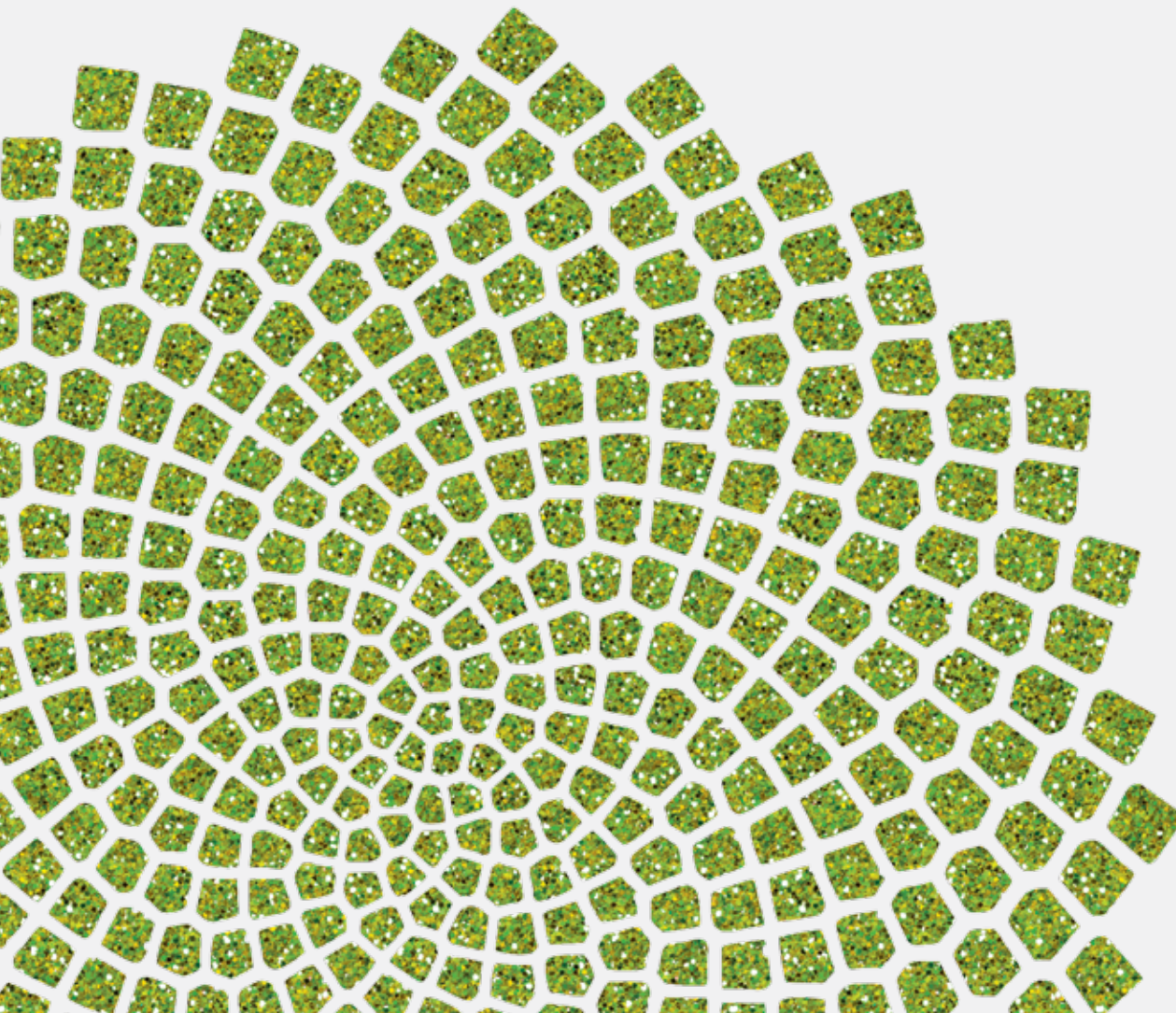
M any organizations state quality goals. But true effectiveness requires an accompanying commitment to various cultural elements such as leadership, a compelling vision, companywide shared values, pervasive behaviors, and complementary performance metrics and incentives. It is only when an organization exhibits these and related components that it can be said to exhibit a true culture of quality.

For perspective, think what can happen absent a culture of quality. Paulo Sampaio is a professor of quality engineering and management, Universidade do Minho, Portugal. According to Sampaio, "We find cases where a company will be using the tools and the methodologies of quality, but there's no true culture of quality."

Companies, will, for example, "say they have adopted ISO 9000 standards because someone above them in the supply chain demands it," says Sampaio. "They're using these tools because someone told them they have to." So these companies "put some procedures in place and then, once a year, just before their audit, they clean up the factory." And because there is no sustained commitment to quality, there is no culture of quality, so "they do not attain anything close to the full value of the standard," says Sampaio.

Never letting up

Alternatively, consider the case of an organization seeking to build and sustain a more comprehensively quality-focused organization, Boeing Defense, Space & Security (BDS). Ken Shead, vice president of integrated quality, describes a key strategy in pursuit of a culture of quality as ensuring all employees:

- Know their product or deliverable.
- Know their customer.
- Know their customer's quality expectations.
- Have a metric to measure that quality.

A related effort, says Shead, is to institutionalize a proven "root cause corrective action process to have an organization in constant quest for problem prevention." Getting it done, says Shead, means "we must first address our culture because culture always trumps strategy."

Jeffrey Ray, director of operations and quality, Strategic Missile & Defense Systems, Boeing Defense, Space & Security, says that companies need a top-to-bottom culture of quality. "Our perspective is that leadership sets the tone, clearly articulates the vision and the expectations." From there, says Ray, "you need

> "You need to define what quality means, define quality goals, disseminate these objectives, measure group and individual performance and then reward those who are making it happen."

Jeffrey Ray
Director of Operations and Quality,
Strategic Missile & Defense Systems,
Boeing Defense, Space & Security

to define what quality means, define quality goals, disseminate these objectives, measure group and individual performance and then reward those who are making it happen."

One thing that's notable, adds Ray, is that "you cannot simply mandate the culture." Instead, says Ray, "it takes leadership—visibly unqualified support and commitment at the top." Only then, says Ray, "will the rest of the organization take the cue to develop the definitions, objectives and tools needed for quality to take root and to really succeed."

Overall, says Shead, though his company is making progress toward the achievement of a culture of quality, "there will always be room for significant improvement." Such a state is less a destination and more of a never-ending improvement opportunity. So Boeing is at all times working to raise awareness, maintain gains and continuously improve. Creating and sustaining a culture of quality, says Shead, "is the responsibility of all leadership of all organizations from the beginning to the end of our value stream."

Statistically speaking, opinions vary (significantly)

Three out of five respondents, as stated above, believe their organizations exhibit a culture of quality. Meanwhile, 90% of respondents describe their overall quality programs as at least average (36%), advanced (42%) or even world class (12%). That's seemingly good news. (The survey allows us to examine what sets apart those companies

with quality programs perceived as among the strongest in the world by their own employees. To elicit honest answers, the survey is anonymous, so "world-class" programs are by necessity self-identified.)

But there are divergent perspectives. Two distinct pools of respondents were sampled by the survey: ASQ members ("Quality Professionals") and Forbes panelists ("Senior Executives"). While the ASQ pool features significantly greater numbers of quality titles, the Forbes segment includes a much broader swath of executive focuses with significantly more senior titles such as CEO, CIO or senior or managing director.

And while 59% overall say their organizations exhibit a culture of quality, the figure falls to less than half, 47%, among ASQ members while rising to 75% in the Forbes sample. In other words, those with quality-focused titles are significantly less likely than broader-gauge or "elsewhere-assigned" executives to believe their organizations exhibit such a culture (Fig. 1).

The differences continue. Overall, 12% of respondents describe their quality programs as world class or state-of-the-art. What this indicates is that these companies believe their quality programs are among the strongest and most advanced in the world.

However, the number falls to 5% for quality professionals. Senior executives are also significantly more likely to view quality operations as advanced, while quality professionals are significantly more likely to view capabilities as average.

All of which raises the question: why are those with non-quality, corporate executive titles so much more likely to view their cultures as quality focused? Or put another way, what do quality-focused managers see that other managers do not?

Elizabeth Keim is managing partner at Integrated Quality Resources, a quality-management tools, practices and strategy-focused consultancy. According to Keim, "CEOs and the C-suite tend to receive filtered, big-picture material that has been 'prettied up' for management." So when quality improvement projects and results are presented, "the 'dirty secrets' of the process are often excluded from the short, summary presentations." As a result, says Keim, senior executives "often do not realize how badly some of their processes are performing."

Dan Afseth, software development leader at Intuit, suspects the disconnect is a function of relative visibility and expectations. "I think the deeper you dive into an organizational chart, the closer those people are to

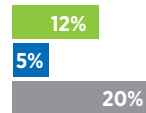**Figure 1**

A difference in perspective

■ **Overall** ■ **Quality Professionals** ■ **Senior Executives**
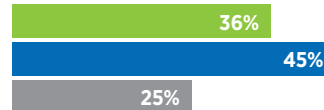
Our organization exhibits a culture of quality
- 59%
- 47%
- 75%
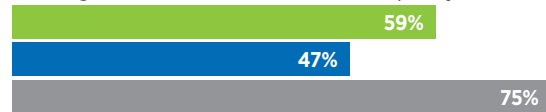
Our pursuit of quality is:
State-of-the-art/world class
- 12%
- 5%
- 20%

Advanced
- 42%
- 35%
- 51%

Average
- 36%
- 45%
- 25%

the details of what is happening," says Afseth. A good way to think about this, he continues, is to consider a flight to the North Pole, simultaneously polling the navigator (a quality manager) and the passenger (in this case the CEO) regarding progress.

"If I'm the CEO, I see the big picture but not always all of the details. I see we're moving north, it's getting a lot colder and there's a ton of snow on the ground. To [a CEO], that looks like great progress," says Afseth. Meanwhile, the navigator is noting the flight is "0.53 degrees off course, and if something isn't done soon, the mission will miss its mark." So the differences between the viewpoints, says Afseth, "is probably nothing more than the degree of separation between precision and accuracy. If you're close to the challenge, you see the precise changes still needing to be made—and there are a lot of them. Whereas from the top, you see great progress."

INTEL

INTEL CLOSES THE PERCEPTION GAP

The survey shows that the C-suite tends to view quality performance differently and generally more favorably than other respondents—particularly those with a quality focus. One way to close the gap between perception and reality is to poll the organization on quality performance. Intel, says Rudy Hacker, senior manager of enterprise quality and reliability, does so "proactively and consistently."

One means of gathering organizational insight, adds Stan Miller, director of quality and reliability capabilities at Intel, is the process behind the Intel Quality Award (IQA). Presented annually by the CEO, the process for awarding the IQA begins with an evaluation from employees. As Miller explains, "we ask the employees to use a classic Baldrige scale to tell us how the organization is performing. Start at a rating of 50 and go up or down. Is there a clear process? Is the process complete and effective or are there gaps?" So to win the award, "employees have to be willing to say, as a team, that they really believe their group is doing the right things the right way."

Approaches such as these, says Hacker, can go a long way "toward closing the gap between perception and reality."
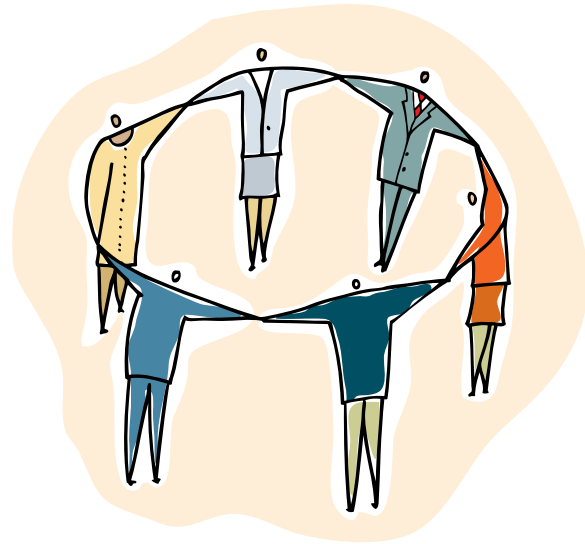
> "Employees have to be willing to say, as a team, that they really believe their group is doing the right things the right way."

Stan Miller
Director of Quality and Reliability Capabilities,
Intel

A STILL CLOSER LOOK POINTS TO SHORTCOMINGS

So what are the most vital components of a true, comprehensive culture of quality? And how successfully are companies and institutions—really—instilling these elements?

We've already noted that relative to the broader and more senior Forbes sample, the more quality-focused managers from the ASQ sample tend to form harsher assessments of progress toward a culture of quality. That said, by asking all survey respondents to speak in greater detail about specific elements that combine to form a culture of quality, even more fault lines are revealed. Consider what the survey has to say about quality vision, values and leadership:

Quality vision

A quality "vision" is a clearly articulated business case—a strategy—mandating how the pursuit of quality advances an organization's objectives and elicits buy-in from senior executives.

However, only 60% say their quality vision is clearly stated, with comparable findings for both quality professionals and senior executives (Fig. 2). The figure, meanwhile, descends to 52% for European companies and to 51% for Asia/Pacific companies.

But by comparison, the figure reaches 82% among those who self-describe their quality programs as world class. This highlights a key shortfall for non-world-class programs (and an even brighter red flag for European and Asia/Pacific companies).

Two more areas for greater focus include the fact that only 50% say their quality vision is clearly understood throughout the organization, and only 32% view their quality statement as compelling.

Quality values

An organization's "values" can help individuals at all levels make better and more responsible decisions relating to issues of quality.

Here, only 61% describe their quality values as clearly stated, with again roughly equivalent findings for both senior executives and quality professionals. However, the figure rises to 76% among self-described world-class organizations and again falls for both Europe- and Asia/Pacific-based companies to 50%. Finally, only half, 50%, say such values are clearly understood throughout the organization.

Leadership

Strong leadership, it has already been suggested, is essential to developing and sustaining a culture of quality. But here, only 60% say their management supports the quality vision and values unequivocally. Meanwhile, the gulf between senior executives and quality professionals reappears here. Specifically, only 54% of quality professionals say their management is unequivocal in its support of quality vision and values compared with 67% of senior executives.

The numbers increase to 81% among world-class businesses but again fall to 52% among those based in Europe. Note, however, that the figure stays at 61% for Asia/Pacific respondents, an indication of relatively strong leadership (though still well behind world class).
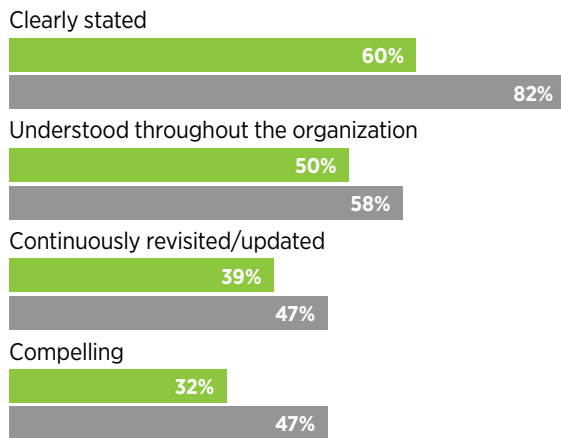
Note also that overall, only 47% say their leaders lead by example or otherwise "live" the values, and that only 50% say support for the company's quality vision is apparent among middle management.
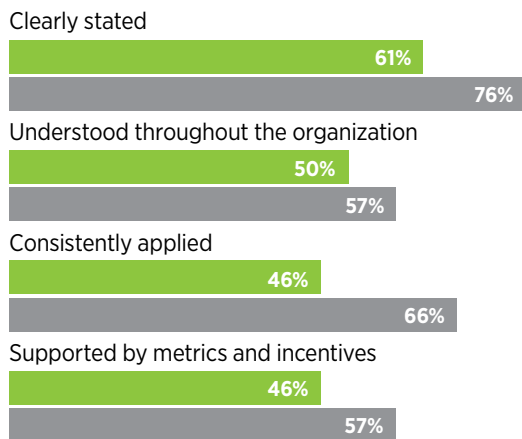
Figure 2

Dissecting key components reveals fault lines
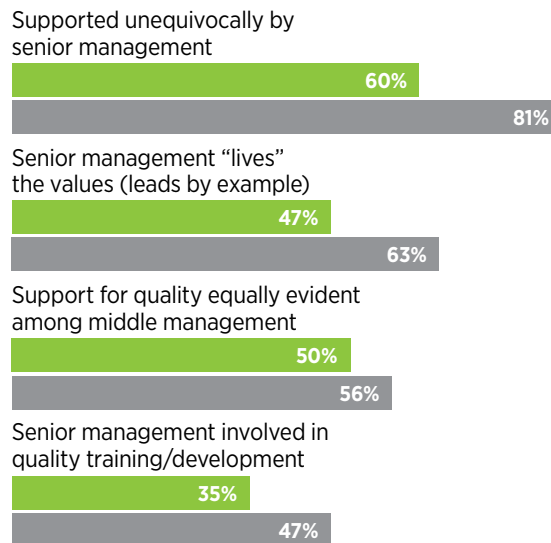
■ **Overall**   ■ **World Class***

QUALITY VISION

Clearly stated
Overall: 60%
World Class: 82%

Understood throughout the organization
Overall: 50%
World Class: 58%

Continuously revisited/updated
Overall: 39%
World Class: 47%

Compelling
Overall: 32%
World Class: 47%

QUALITY VALUES

Clearly stated
Overall: 61%
World Class: 76%

Understood throughout the organization
Overall: 50%
World Class: 57%

Consistently applied
Overall: 46%
World Class: 66%

Supported by metrics and incentives
Overall: 46%
World Class: 57%

LEADERSHIP

Supported unequivocally by senior management
Overall: 60%
World Class: 81%

Senior management "lives" the values (leads by example)
Overall: 47%
World Class: 63%

Support for quality equally evident among middle management
Overall: 50%
World Class: 56%

Senior management involved in quality training/development
Overall: 35%
World Class: 47%

*Respondents believe their company's quality programs are among the strongest and most advanced in the world.

In summary, the above findings show that if an organization is seeking to improve its culture of quality, a closer look at the three areas above—vision, values and leadership—is likely a good place to begin. But be warned, says James Lawther, a long-time quality-focused executive and now the principal blogger at Squawkpoint.com: leaders hoping to set a strong quality example should avoid overcomplicating matters. "Quality isn't about statements," says Lawther. "It is about getting out of your office, finding something that doesn't work the way it should and fixing it. Then fix something that customers or employees say doesn't work, then fix something else, then fix another thing." Walking the walk, says Lawther, "really isn't so hard."

Easier said than done:
the push for a culture of quality

Companies and institutions face differing challenges, depending on the relative maturity of their quality programs. For some the challenge is establishing a culture of quality. For others, the focus is more on broadening, strengthening and improving such a culture.

As for establishing a culture of quality, "this is something that must be accomplished at multiple levels," says Jagdish Ramaswamy, president of the corporate business excellence group at India's Aditya Birla. "It must include the participation of not only those on the front lines, the operators, but those in the middle and those at the top." Gaining initial "buy-in" from senior executives "is not all that difficult," says Ramaswamy, "as the benefits of quality are very compelling—quality today is a business necessity." At the same time, gaining cooperation at the "operating level" is also relatively easy, "as this group typically falls right into line once they are shown the expectation," says Ramaswamy.

But the real trouble, where a culture of quality meets its greatest resistance, "is in the middle layers of the organization," says Ramaswamy. Such managers may not be senior enough to see the "big picture" and so they focus "on what is right in front of them each day," says Ramaswamy. These managers are often very comfortable in their positions and are resistant to change. Overall, "it is in the middle where the quality drive most often fails," and as a result, says Ramaswamy, this is where his group "focuses a great deal of our efforts to build understanding," consensus and ultimately "cooperation."

At HP, Rodney Donaville, senior director, customer experience, quality and culture, says his group is focusing on a handful of steps to take an already strong program still deeper. For example, "we believe it is important to draw a line in the sand so that every employee in our company understands where HP stands on quality," says Donaville. And to that end, the company has created a formal quality policy "that our CEO personally delivered to all employees."

A similarly comprehensive, five-step approach is evident at Boeing's Strategic Missile & Defense Systems. As Ray explains, "The first element is leadership commitment and expectations." Essentially, the tone is set from the top. The second element is

KEY MESSAGES

1. **At HP, quality matters—and it's everyone's responsibility.**

2. **We are committed to continually improving our products and services.**

3. **And we deliver an exceptional customer experience by meeting requirements and embedding quality in everything we do.**

integrating accountability into job descriptions for every employee regardless of their role, "so that quality is part of their day-to-day work," says Ray.

Third, says Ray, "is improving our recognition programs." Across the enterprise, there is already quite a bit of recognition, "such as our division level award we call 'Direct Hit,' which is awarded by our general manager and is highly coveted," says Ray. But "there's room to do more" along these lines, adds Ray, and such incentives "are highly effective at driving behavior."

The fourth piece is the development of a communication plan. Here, says Ray, "it's important for people to understand what they're contributing to." Ray's division works heavily with the U.S. Department of Defense. So here, "we emphasize what the work they do means for the nation."

The final element concerns employee empowerment. "You need a culture that empowers an employee that has any kind of concern—quality or safety—to stop whatever the process is and get the right stakeholders involved to get it right," says Ray. In short, if there are deficiencies in the quality environment, "we want people to speak up."

Overall, says Ray, "what we're trying to do is make quality relevant to everyone, every day. This is not something we'll be looking at once in a while, it's who we are. And we want to make it personal, relevant and ongoing."

ADAPTING THE CULTURE ACROSS CULTURES

According to Jagdish Ramaswamy, president of the Corporate Business Excellence Group at Aditya Birla, instilling a culture of quality is "essential to the success of any quality program." However, he adds, "when you have companies all over the world, you quickly learn that you must tailor your quality messages and practices to each audience."

A good example, says Ramaswamy, relates to equipment maintenance. In Aditya Birla's fiber business, "it is very important for a worker to take ownership of their workplace." And one of the responsibilities here might be "to make sure you are tightening the screws of your machine from all angles to keep it running as it should," says Ramaswamy.

But in some situations, this basic requirement is more difficult than in others. "In the U.S., by design, almost any nut or screw is easily accessible, so it doesn't take a lot of time or effort to do the mission." But in India, "where each factory manager spends great effort trying to fit the most equipment in the least space," says Ramaswamy, "maintenance tasks require significantly more effort."

The lesson, says Ramaswamy, "is that one-size-fits-all quality programs do not work. You must tailor your message and your emphasis based on each individual situation."

Sampaio is in full agreement. As for some of the cultural differences he's noticed, some of the most significant are between U.S.- and European-based businesses. "In the U.S., they are very quantitatively based and use a lot of tools," such as those within the Malcolm Baldrige National Quality Award Program framework or Six-Sigma approaches. By comparison, European companies "rely much more on the softer side of quality management," leaning more toward approaches such as ISO 9000. And companies "from Asia/Pacific and Japan," says Sampaio, "are much more into a TQM philosophy"—you choose the guru. What Sampaio views as an ideal scenario "is if companies could blend the three approaches."
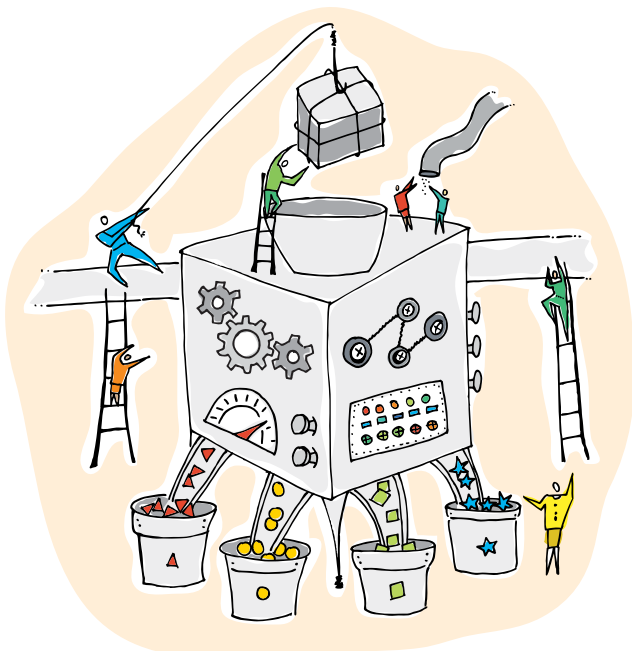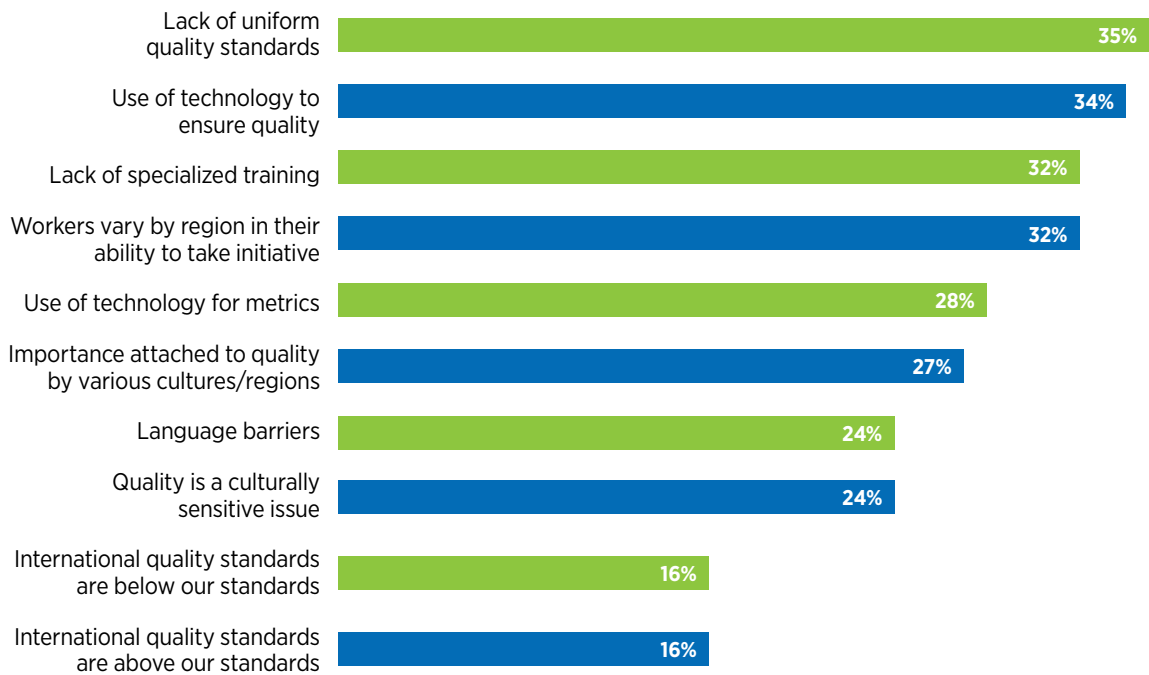

> "When you have companies all over the world, you quickly learn that you must tailor your quality messages and practices to each audience."

Jagdish Ramaswamy
President of the Corporate Business Excellence Group,
Aditya Birla

Figure 3

What are the challenges faced by your organization in adapting quality programs (training, metrics, supervision) to meet the needs of an international workforce?

Challenge	%
Lack of uniform quality standards	35%
Use of technology to ensure quality	34%
Lack of specialized training	32%
Workers vary by region in their ability to take initiative	32%
Use of technology for metrics	28%
Importance attached to quality by various cultures/regions	27%
Language barriers	24%
Quality is a culturally sensitive issue	24%
International quality standards are below our standards	16%
International quality standards are above our standards	16%

Respondents to the survey point to a range of challenges that exist in adopting quality programs to meet the needs of an international workforce. For example, over a third point to a lack of uniform, global quality standards as a challenge. However, this challenge is actually more involved than managers might realize on first pass. Edwin Garro is general director of Performance Excellence Solutions, a Costa-Rica-based management consulting firm. According to Garro, this issue depends on the precise kind of standard being considered. "A house built strictly under [a] New York construction code wouldn't [survive] a mild earthquake in Costa Rica," says Garro. Meanwhile, a home built to Costa Rican standards "would not protect its dwellers from the winter cold in New York." Accordingly, says Garro, it is vital to understand the context of any standard. The question becomes, says Garro: "What will it take to establish world-class [quality] standards that satisfy all stakeholders?"

Similar numbers point to the use of technology to ensure quality as a challenge. And just under a third of respondents cite a lack of specialized training alongside the relative willingness of regional workers to take the initiative as important challenges.

CUSTOMERS DEFINE QUALITY

Elements such as vision, values and leadership help establish and guide a culture of quality. But there is yet another critical component of a quality-focused culture—a commitment to customers—deserving closer examination.

The Universidade do Minho's Sampaio says that a commitment to customers should be at the heart of any quality program. And as a result, "I believe the best definition of quality is to say, give the customers what they want." But this in turn, says Sampaio, outlines a fundamental, ongoing challenge for any organization: continually and accurately discerning true customer needs.

This resonates with Intel's Stan Miller, director of quality and reliability capabilities. According to Miller, Intel "enshrines" a set of core quality values, "all of which can be traced to a customer focus." The values include:

- Achieve the highest standards of excellence.
- Do the right things right.
- Continuously learn, develop and improve.
- Take pride in our work.

Followed to their logical conclusion, says Miller, "the customer wins." And in evidence of the company's commitment to these values, "they're at the core of the Intel Quality Award, one of the most prestigious awards that can be attained at Intel," says Miller.

But there's one value that may require more attention, says Intel's Rudy Hacker, senior manager of enterprise quality and reliability. "Each of those values speaks to how we treat our customers," however, continues Hacker, "where companies need to play closer attention is in choosing which things to do right." There can be a tendency in a quality-focused culture for workers to pursue the highest quality in all things.

And yet, says Hacker, this can be a mistake. "You don't want to do anything poorly. But at the same time, you should not try and polish things that the customer doesn't need or notice. You want to do the right things right—and that means a focus on the things that create value for the customer." In the end, concludes Sampaio, "doing the right things right requires a very close understanding of your customer."

There are additional customer-related performance gaps between world-class organizations and others in the survey. First, world-class organizations assert that they are more effective across a range of essential customer-related quality challenges. For example, only 24% of non-world-class companies say they are highly effective at identifying customer needs and expectations

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Figure 4

How applicable are the following statements? (On a scale of 1-5)

	HIGHLY applicable ('5' only)			
	Overall	Qual. Prof.	Senior Execs	WClass*
Customer needs are the key driver of our quality programs	48%	44%	53%	71%
Customer needs dictate our quality objectives	34%	28%	33%	55%
Our most visible metrics focus on customer needs	28%	24%	33%	47%

*Respondents believe their company's quality programs are among the strongest and most advanced in the world.

for quality compared with 52% of world-class organizations. Closely related, only 17% of non-world-class companies say they are highly effective at balancing value perceived by customers versus delivery costs, compared with 41% of world-class companies (Fig. 5).

Finally, world-class organizations are also significantly more likely than the overall sample to be using a broad set of strategies for gathering customer insight. These include traditional approaches, such as involving customers in formal quality discussions and focus groups, as well as more technology-based strategies, including the tracking and analysis of big data and social media (Fig. 6).

So why the consistent gap between world-class companies and others? One issue could be the pressure sometimes placed on quality initiatives by investors. Bharat Wakhlu is the resident director for public affairs at Tata Services, a division responsible for helping to build compliance programs throughout India-based Tata Group. According to Wakhlu, "Very often, upper management at a company is forced to respond to the

> ## "The best definition of quality is to say, give the customers what they want."
>
> **Paulo Sampaio**
> Professor of Quality Engineering and Management,
> Universidade do Minho

concerns or metrics placed upon it by investors." And investors, says Wakhlu, "are less concerned about quality than they are about financial performance."

So the challenge here, says Wakhlu, is helping such stakeholders to see "a clearer connection between quality and financial performance." Quality, says Wakhlu, "is the language that translates the voice of the customer into long-term organizational performance."

Figure 5

How effective is your organization in the following areas? (On a scale of 1-5)

	HIGHLY applicable ('5' only)	
	Overall	World Class*
Identifying customer needs and expectations for quality	24%	52%
Balancing value perceived by customers vs. delivery costs	17%	41%

Figure 6

How applicable are the following statements? (On a scale of 1-5)

	HIGHLY applicable ('5' only)	
	Overall	World Class*
We actively involve customers in formal quality discussions	24%	47%
We use big data to gauge customer needs	16%	41%
We use customer focus groups to gauge needs	14%	35%
We use social media to gauge customer sentiment	12%	30%

*Respondents believe their company's quality programs are among the strongest and most advanced in the world.

Q&A

Rodney Donaville
Senior Director, Customer Experience, Quality and Culture, HP

What does the term "quality" mean to HP?
At HP, quality is defined by our customers. This means we strive to deliver solutions, products and services that meet customer expectations and provide an exceptional experience.

How important is it to build/sustain a culture of quality?
Building a culture of quality is essential to enabling exceptional customer experiences, accelerating growth and improving performance. At HP, we know that quality is the most important driver of our customer's experience, so we are taking concrete steps to strengthen our culture throughout the company.

What steps have you taken?
We are aggressively deploying mechanisms to strengthen our company's culture of customer-centricity and quality. First, we developed a formal quality policy, which in its simplest form states quality is everyone's responsibility, we continually improve and we deliver an exceptional customer experience. At HP, our quality policy is well understood, and you find it coming up in conversations all over the company. It has become the anchor point for keeping the customer at the center of everything we do at HP.

Second, to make the expectations for quality meaningful for HP employees, we created a set of specific quality behaviors that are aligned to our company's HP Way Now. At HP, everyone is a leader. We strive to behave and act in a way that embodies each of these five attributes as we continue to be leaders for each other, our customers and in the world. The quality behaviors translate the leader attributes into quality expectations for all employees.

What additional steps have you taken?
We believe it is critical to measure the strength of our quality culture, so we created a mechanism to do so. Since our quality principles establish the behaviors we expect, then it is important to measure them. For several of the principles we had existing metrics in place, but for others we had no way to measure. Therefore, we created five questions to add to the company's annual "Voice of the Workforce (VoW) Survey" to measure employee perceptions about quality across the company.

Including five additional questions in the annual VoW was no easy feat. However, since quality is such an impor-

tant imperative at HP, the top executives in the company agreed it was necessary to do so. An added benefit of including a dedicated section on quality in VoW is it signals to employees that quality is taken seriously and their opinions about quality matter.

Additionally, we deployed a single measure of the customer's experience within our company, the Net Promoter Score (NPS). NPS is a customer loyalty metric used to track customers' willingness to recommend our brand based on experiences across their entire customer

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LEADER ATTRIBUTES AND CORRESPONDING QUALITY BEHAVIORS

1. Always Accountable
   a. Communicate openly and frequently about quality
   b. Own quality issues through to resolution

2. Will to Win
   a. Set audacious quality and continual improvement goals
   b. Partner to deliver market-defining quality

3. Passion for Customers
   a. Advocate for the customer at every opportunity
   b. Customers are first priority when considering tradeoffs

4. Highly Capable and Innovative
   a. Demand quality excellence throughout the business lifecycle
   b. Empower, encourage quality innovation, challenge the status quo

5. People & Team Developer
   a. Invest in quality talent, tools and processes
   b. Reward and recognize quality excellence

journey. Due to the fact that in our industry quality is one of the most important drivers of NPS, we correlate our customer NPS scores against internal quality metrics to ensure we remain focused on what matters—again, our focus is to improve what matters. And to help our employees understand how our customers perceive us, we trained over 200,000 employees in the NPS methodology. NPS training has been the most popular training course in our company. Furthermore, industry data proves that customer experiences directly correlate to employee satisfaction, so we created mechanisms to measure employee NPS (eNPS) to identify opportunities to improve employee engagement.
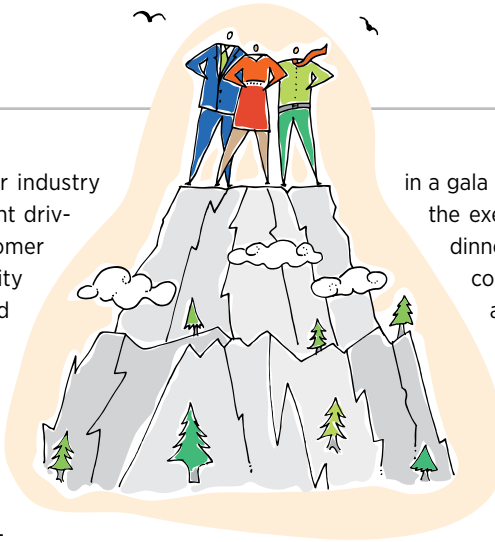
We made additional investments in training and created a class that all existing and new-hire employees in the company take called "Quality@hp." Quality@hp baselines all employees on:

- What is quality—so we can to have a common language and understanding about quality.
- Why is it important—so we ensure employees understand why quality is important to our customers, our business and our employees.
- What is my obligation to deliver quality—so every employee taking this course will understand quality is everyone's responsibility.

And the final steps?

We established a "common language" for continual improvement across all of HP: Lean Six Sigma. This way we build a culture where decision making is informed with data and we have a common approach to driving improvement. We ensure our belts[1] are working on meaningful projects, and belts that do not work consistently on projects lose certification.

Finally, we created an annual President's Quality Award (PQA) to recognize the highest levels of quality excellence in our company. Each July 1, a call for nominations opens for groups, global functions and teams to apply for the PQA. The bar is extremely high, and the winners are celebrated in a gala ceremony, hosted by our CEO and the executive staff in an elegant awards dinner that is broadcast throughout the company. Winners of the PQA have an obligation to share best practices across the company.

Do you have any recent success stories/achievements?

Many of our products are achieving five nines quality (99.999%)—uptime for servers, for example. Meanwhile, the PQA is one of the most popular events in our company, and the quality of nominations is exceptional.

What future investments do you expect to be making in your quality programs?

We are evolving our quality systems to be catalysts for innovation. Innovation must happen everywhere and in everything we do. From our products and services to our systems and processes—our quality systems must encourage innovation at the speed of the Internet. Second, our quality systems must enable what we at HP call, "the new style of IT." We are defining what it means to have quality in the cloud, in mobility, big data and security. And, we are investing in our talent. We believe the new paradigm for quality professionals is data science. Quality professionals must be experts at harnessing the power of big data, not only through statistical analysis of structured data but, just as important, leveraging powerful tools to analyze unstructured data. Data science (or big data analysis) has enabled us to anticipate issues much earlier than previously and to detect what we otherwise may not have seen. Fortunately, we create the tools for analyzing unstructured data, so we have an advantage, for example, in analyzing social media, where we're able to detect sentiment and respond with speed. We are investing to strengthen our capability in this area. Most important, we are focused on ensuring our quality systems help to make it easier to sell, buy and work at HP.

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[1] Lean Six Sigma is a quality discipline whose practitioners are awarded various "belts" depending on their experience and capability. Belts range from yellow (for beginner) to master black belt (for the most experienced practitioners/teachers).

SAMSUNG

Q&A

Soon-Sun Shim
Senior Vice President and Leader of CS [Customer Satisfaction]
& Environment Center at Samsung Electronics

What does the term "quality" mean to Samsung? How do you define it? Why is it important?

Samsung's management philosophy is to "devote our talent and technology to create superior products and services, thereby contributing to a better global society." Superior products and services mean that quality and customer satisfaction are paramount.

Samsung Electronics defines quality not only based on the product, but also by the caliber of Samsung's employees and management. Our customer-centric approach to quality assurance is what differentiates Samsung around the world.

What does having a "culture of quality" mean to you?

At Samsung Electronics, quality is an absolute value that can't be conceded.

Samsung's vision is "perfection in quality beyond your imagination." It is a fundamental principle that the CEO instills in the mindset of all executives and staff members. We recognize that a product is representative of the entire Samsung brand, and even one defect can have an adverse effect.

Moreover, in 2009, Samsung Electronics refreshed its quality charter, in which all executives and staff members share the same vision for quality [and assert that they] will execute our codes of conduct for customer satisfaction.

When it comes to quality strategies and practices, are you aware of any cultural challenges or advantages between your company and others from Europe, North America or other regions or countries?

Samsung Electronics sets the global standard for quality through unrivaled customer satisfaction processes and systems. These are established by the motto "One Global Samsung." Samsung also offers various products and services that take into account local differences and cultural variations based on customers' expectations, needs, uses and varying global regulations.

Do you have any recent quality-related success stories/achievements?

Based on unprecedented quality and technology, Samsung has maintained a first-place position in several industries including: memory semiconductor (22 years), TV (eight years), and cell phones (three years). In addition, more than 20 of our major products received awards from *Consumer Reports* in the U.S. Several of our new products have also been distinguished by major consumer reports in Europe.

What future investments will you be making in your quality programs?

To be the global leader and outpace the competition, Samsung is training international quality specialists[2] continuously. Samsung is also investing considerable energy and resources in areas such as education to improve both manufacturing and sales to meet new global standards of quality. We are continuously investing to accelerate quality above and beyond what is typically required.

> "Samsung also offers various products and services that take into account local differences and cultural variations based on customers' expectations, needs, uses and varying global regulations."

Soon-Sun Shim
SVP and Leader, CS & Environment Center, Samsung Electronics

[2] Such as Certified Quality Engineers (CQE) or International Organization for Standardization (ISO) experts.

INCENTIVES—AN ESSENTIAL COMPONENT OF A CULTURE OF QUALITY

There can be no question that incentives are an essential component of a quality culture. As Boeing's Ray explains, "Whatever their role, everyone needs to be held accountable for the quality of their performance." Where questions arise is in the form of such "accountability."
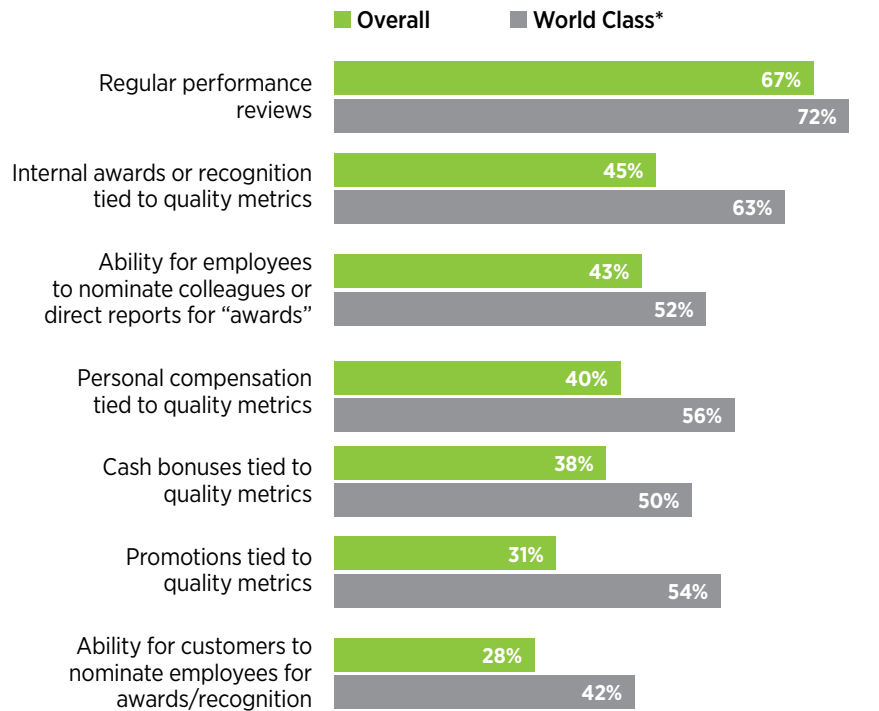
Companies need to decide: should this mean a promotion or, for weak performance, demotion or a failure to advance? Does this mean cash bonuses or raises for meeting or exceeding quality expectations, or is an official-sounding award enough to keep the culture pulling in the right direction?

Again, the survey highlights significant gaps between the levels of current practice at world-class companies relative to others in the survey. Most companies—world class and otherwise—include quality as a component of regular performance reviews. But world-class companies are significantly more likely than others to use internal awards or recognition tied to quality metrics. Non-world-class companies are also significantly less likely to tie personal compensation, cash bonuses or promotions to quality metrics. They are also less likely to employ more unusual programs such as those allowing customers to nominate an employee for an award or recognition (Fig. 7).

Figure 7

Quality-focused incentives currently in use include:

■ Overall ■ World Class*

Regular performance reviews	67% / 72%
Internal awards or recognition tied to quality metrics	45% / 63%
Ability for employees to nominate colleagues or direct reports for "awards"	43% / 52%
Personal compensation tied to quality metrics	40% / 56%
Cash bonuses tied to quality metrics	38% / 50%
Promotions tied to quality metrics	31% / 54%
Ability for customers to nominate employees for awards/recognition	28% / 42%

*Respondents believe their company's quality programs are among the strongest and most advanced in the world.

Where questions arise is in the determination of what types of incentives are the most effective in driving a culture of quality. Here, the survey offers conflicting evidence. For example, the most frequently cited as effective incentives for driving increased quality include personal compensation (19%) and cash bonuses (18%), followed by regular performance reviews (18%). But at the same time, the incentives most commonly cited for being the least effective were regular performance reviews (22%), ability for employees to nominate one another for awards (15%) and internal recognition (11%). Ultimately, says Sampaio, "companies need to experiment with their cultures to find the incentive programs that are most effective in their specific circumstances."

Employee-driven awards

For a good example of a non-traditional but effective recognition program, consider Intuit. As Intuit's Afseth explains, the company has a recognition program named "Spotlight." Spotlight enables any employee to recognize outstanding performance by any other employee by sending a digital "thank you" to the employee, with a copy to the recipient's manager. Spotlight awards, one of the most well-known and widely used forms of recognition at Intuit, range from $10 to $1,000 and can be redeemed for gift certificates from hundreds of merchants such as Bloomingdale's or Best Buy (or can be used as a donation to a favorite charity). The versatility of Spotlight awards makes them ideal for recognizing achievements both large and small.

Figure 8

Incentives found to be the most effective in driving increased quality include:

• Personal compensation tied to quality metrics	19%
• Cash bonuses tied to quality metrics	18%
• Regular performance reviews	18%
• Internal awards or recognition tied to quality metrics	15%

Incentives found to be the least effective in driving increased quality include:

• Regular performance reviews	22%
• Ability for employees to nominate colleagues or direct reports for awards/ recognition for outstanding work	15%
• Internal awards or recognition tied to quality metrics	11%

Customer-driven evaluation

The survey also shows that 60% of respondents overall and 72% at world-class organizations use explicit customer input (in the form of surveys, etc.) to evaluate performance against quality metrics—with 79% rating this approach as effective (63%) or highly effective (17%). Moreover, 71% believe their organizations need to do more to involve customers in evaluating quality performance, though in this regard, world-class firms are significantly less inclined to believe so, apparently feeling more satisfied with their current approach (Fig. 9).

According to BDS's Shead, "Quality is defined by the customer, and while meeting the needs of external customers is our organization's primary goal, getting there requires executing a series of handoffs between internal suppliers and customers." One of the cultural goals at BDS, explains Shead, "is that we're encouraging people to engage in a dialogue—a constant dialogue—to get a clear understanding of each downstream customer's needs." It is the customer, says Shead, "who has the clearest understanding of what they need to do their job right the first time and every time."

Figure 9

Do you use explicit customer input such as direct ratings or customer satisfaction surveys in evaluating performance against quality metrics?

	Overall	World Class*
Yes	60%	72%
No	27%	17%
Not certain	13%	11%

How effective is this use of customer input in evaluating performance against quality metrics?

	Overall	World Class*
Highly effective	16%	29%
Effective	60%	58%
Say customer input is effective or highly effective	**76%**	**87%**

What should your company be doing in terms of involving customers?

	Overall	World Class*
Significantly increase customer involvement	27%	15%
Increase customer involvement	44%	44%
Say they should increase or significantly increase customer involvement	**71%**	**59%**
No change	29%	41%

*Respondents believe their company's quality programs are among the strongest and most advanced in the world.
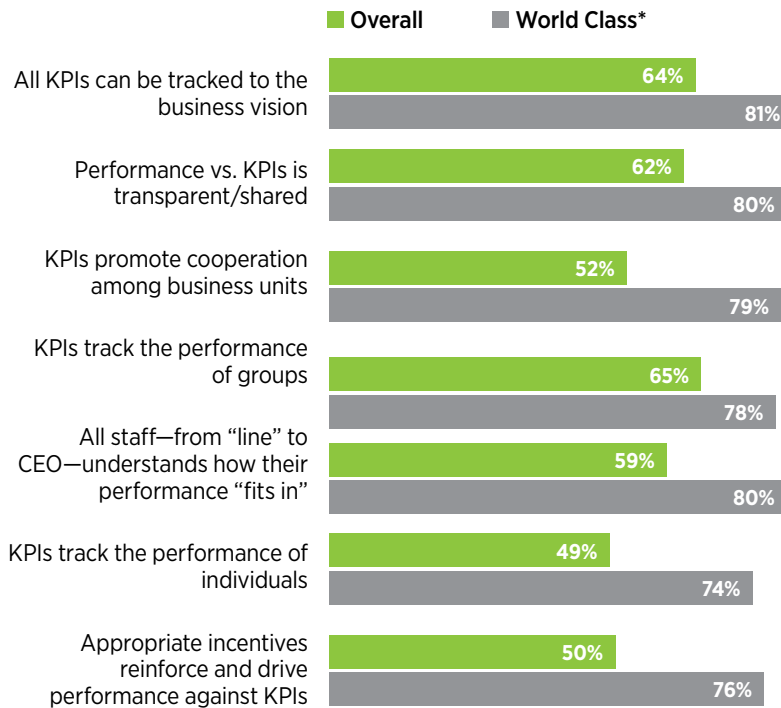
A focus on KPIs (key performance indicators)

One final element of incentives deserves special focus—the degree to which organizations link specific KPIs to the quality vision. Again, world-class organizations tend to devote significantly more effort in identifying and tracking a wide range of quality-focused KPIs. For example, 81% of world-class companies say that all KPIs can be tracked directly to an overall business vision compared with only 64% of the overall respondents. Similarly, 79% of world-class organizations say their KPIs are effective in promoting cooperation among business units versus only 52% among others in the survey. What this highlights, again, is a gap between those that are world class in terms of establishing and maintaining a culture of quality and those for whom this is mere ambition (Fig. 10).

Figure 10

The measurement gap: World-class organizations are far more likely to pay close attention to quality-focused KPIs—and incentives

Legend: ■ Overall   ■ World Class*

	Overall	World Class*
All KPIs can be tracked to the business vision	64%	81%
Performance vs. KPIs is transparent/shared	62%	80%
KPIs promote cooperation among business units	52%	79%
KPIs track the performance of groups	65%	78%
All staff—from "line" to CEO—understands how their performance "fits in"	59%	80%
KPIs track the performance of individuals	49%	74%
Appropriate incentives reinforce and drive performance against KPIs	50%	76%

*Respondents believe their company's quality programs are among the strongest and most advanced in the world.

Q&A

Rebecca Yeung
Managing Director, Service Experience Leadership, FedEx

> "Quality means exceeding our customers' expectations, and it's at the heart of everything we do."

Rebecca Yeung
Managing Director,
Service Experience Leadership,
FedEx

What does the term "quality" mean to FedEx?

The term quality at FedEx means delighting our customers by providing the highest service level. It's ingrained in everyone's job, from the front line all the way up to the chairman. It is manifested in what we call the Purple Promise, the commitment "to make every FedEx experience outstanding." Our customers have high expectations, and we firmly believe that our quality standards are not set by us, they are determined by our customers. Our customers demand that their shipments arrive on time and with the visibility of precision tracking. Customer experience metrics drive continuous improvement all the time. We use voice of the customer data and analytics to home in on our opportunities and drive our innovations and improvements. Quality means exceeding our customers' expectations, and it's at the heart of everything we do.

What do the terms "quality driven management" and "culture of quality" mean for your firm?

Quality Driven Management (QDM) is our quality management system at FedEx, and it is deeply integrated into our culture and the way we manage our business. It is unique in that it was built by FedEx and provides a shared language and set of processes that all 300,000 team members worldwide can use to drive improvement. It is intended for all employees and is how we deliver the Purple Promise every day. It is both a method for systematically approaching challenges and a philosophy to affect how we think about the service quality we provide all customers, both internal and external. Additionally, QDM has two interrelated goals that help further define the program and culture: to deliver the superior experiences that customers require and expect, and to deliver superior business performance by minimizing waste, cost and effort.

What challenges/opportunities do your programs address?

In our business, FedEx delivers over 9 million shipments to over 220 countries and territories daily—and every single experience counts. To deliver the highest service quality, we rely on everyone. QDM enables us to do so by tapping into the insights of those closest to the work,

leading to improved customer experience and business results. Using a set of six principles to guide your thoughts and decisions really ensures that one small group of quality experts isn't left leading all the charges. For example, when opportunities arise in one of our call centers or facilities, we believe the front-line team members closest to the work are the key to getting to the root cause.

How did you build and how do you sustain these initiatives?

Successful QDM cultural integration hinges on a combined "top down" (driven by leadership) and "bottom up" (initiated by employees) approach. At FedEx, QDM has been integrated in "Manager's Guides," leadership programs, rewards/recognitions, employee surveys, performance evaluation, etc.

Reward and recognition are a big part of maintaining a positive work environment. Honoring people, even in small ways, for their contribution is extremely important. Communication is really the other main element of building and sustaining the enthusiasm for solving longer-term challenges. When people feel like they are personally making a difference, that's the distinction between getting the job done and delighting the customer. A tagline used in our communications campaign to promote the six QDM principles was "Work Smarter. Achieve More." It really drove home the message that your work is helping FedEx succeed, and it's also personal achievement. Motivation, by way of communication, and supplying all the information to assist employees on their quality journey, is a huge driver of our solutions and success.

Do you have any success stories/achievements relating to either of these initiatives?

Since the launch of our Quality Driven Management program in 2008, many of our business units have significantly improved their on-time service level while reducing error. In some cases, the current service level is close to a Six Sigma performance level. At the same time, we have been able to achieve hundreds of millions of dollars of cost savings.

The Quality Driven Management approach has been widely adopted across the enterprise. It's the story of how we started utilizing alternative fuels, electric vehicles, reusable packaging and more. We've had many success stories at our stations and hubs born out of a directive to reduce costs in a range of areas. By focusing on the way different areas thought about waste, recycling and energy consumption, we've implemented measures to create less waste and reduce costs. As a result, we minimize costs without impacting service levels, all the while doing the right thing for the environment and preserving our future.

What are the next steps for quality programs at FedEx?

The next big leap at FedEx is to reach even further to our front-line team members. They are the eyes, ears, hands and hearts of the business, and we want them to be fully equipped to deliver the Purple Promise. We are currently providing refresher training for our higher-level executives to renew their zest for delivering the message to their teams and reestablish the value proposition of QDM. We consistently work with all of our operating companies and different business units to understand their needs, just as they do for their customers.

FURTHER INVESTMENT IS FORTHCOMING

Companies are planning substantial improvements in their quality programs over the next 18 months.

ifty-three percent plan to increase investment in quality programs—with 17% describing the increase as substantial. And surprisingly, those already describing their quality programs as world class are leading the investment charge. Or put another way, their lead on other companies is about to grow (Fig. 11).

Nearly two-thirds of respondents (62%) say they are making investments in technology to improve performance against quality objectives, with customers' needs at the forefront. The frequency rises to 83% among world-class organizations (and to 73% among senior executives). This again points to an expansion of any pre-existing quality gaps between leaders and others. Notice also that technology investments will tend to focus on end customers or internal or intermediate customers (Fig. 12).

Again, world-class companies are investing more heavily than others in both overall and technology-specific quality investments. Sampaio offers a suggestion on how laggard companies can make up some of this ground. "Too many tend to speak a different language from the C-suite," says Sampaio. "Quality people speak in technical terms about processes and defects." Meanwhile, "the CEO [and other senior executives] speak in financial and profitability terms." What needs to happen, says Sampaio, "is that we need to translate defects and process improvements into dollars and euros." When this happens, says Sampaio, "the C-suite will be more open to the pursuit of quality."
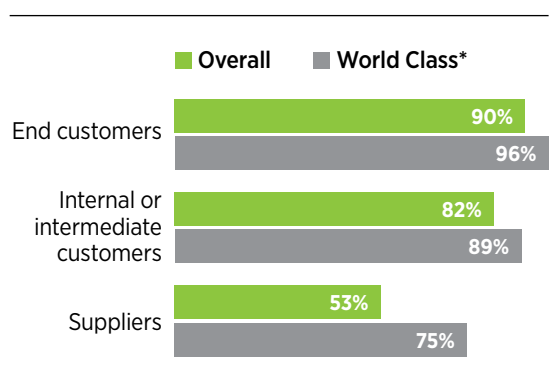

Figure 11

### What are your plans for quality-focused investment over the next 18 months?

	Overall	Qual. Prof.	Senior Execs	World Class*
Substantial investment	17%	16%	18%	35%
Moderate investment	36%	34%	39%	29%
Total	**53%**	**50%**	**57%**	**66%**

Figure 12

What is the focus of your technology investment?

■ Overall ■ World Class*

End customers — Overall 90%, World Class* 96%
Internal or intermediate customers — Overall 82%, World Class* 89%
Suppliers — Overall 53%, World Class* 75%

*Respondents believe their company's quality programs are among the strongest and most advanced in the world.
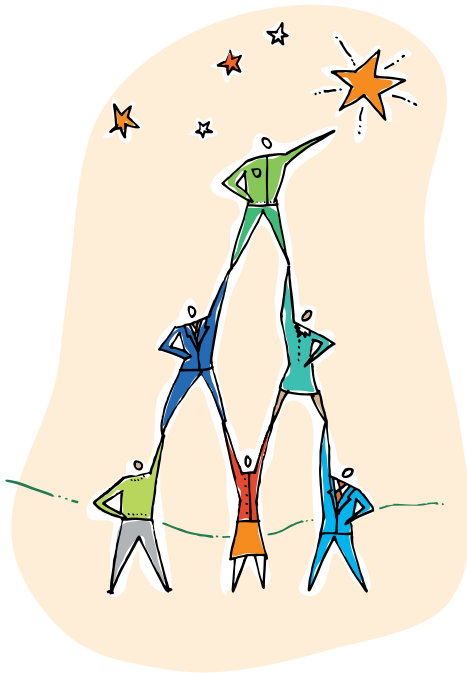
"To "deliver awesome," "we develop deep empathy with our customers, experience the problem from their perspective, and then boldly innovate beyond the expected, take risks, fail fast, succeed faster."

Aleksandra Djordjevic
Innovation Catalyst,
Intuit

Here, the survey provides some added inducement (Fig. 13). Indeed, earlier, this report intimated that customer demands for quality are the most frequently cited drivers of quality programs. But executives are also driven by additional factors and benefits including:

- Quality's positive impact on effectiveness and profitability.
- Quality's ability to serve as a key competitive differentiator.
- High quality serves as a barrier to entry to competitors.

Driving innovation and risk-taking

In a related question (Fig. 14), respondents were asked the degree to which they believed their quality programs were being driven by the need to manage business risks, stay on top of technological advancements or address social responsibility. Again, world–class companies are significantly more likely to cite these advantages as an important driver of quality initiatives. And notably, a culture of quality's ability to improve risk acumen was a frequent theme among interviewees.

For example, Sunil Sinha is resident director, Middle East and North Africa Region, a business unit within the Tata Group charged with promoting such quality-related disciplines as business excellence, ethics, safety and innovation. According to Sunil, one of the things his group is emphasizing today is the "need to pursue innovation and risk–taking." And what Sunil has learned "is that these can be very difficult ideas to instill within a culture that is averse to risks."

So the company is now trying to change the way risk–taking is perceived. And one of its approaches is to actually reward failure. As Sunil explains, the Tata Group has instituted a "Dare to Try" award. This, he says, "is awarded to individuals or teams who, though they made a daring attempt, failed in what they were attempting to do." The point is not to encourage others to fail, but rather, "to show others that the way to improve is to take risks; to innovate." Awarded by the group chairman, this high-profile honor "is changing the way the organization looks at failure, and is encouraging bold experimentation and innovation," says Sunil.

Risk-taking is also a key theme at Intuit. According to Aleksandra Djordjevic, innovation catalyst at Intuit, "One of the things we've done recently is roll out a new set of values." These include, says Djordjevic, among others, aspirations to "be bold, passionate, learn fast, and deliver awesome." How do these link to quality culture? According to Djordjevic, "One way we define quality is through customer experience. If our products fall short of solving big and important customer problems in a profoundly better way, so that our customers cannot imagine going back to the old way, we are dissatisfied." To "deliver awesome," "we develop deep empathy with our customers, experience the problem from their perspective, and then boldly innovate beyond the expected, take risks, fail fast, succeed faster." So in this instance, says Djordjevic, a quality-focused culture "actually enables more conscious and focused risk-taking."

Of course, a company does not always have to take risks in order to move forward. As Intel's Miller explains, "One thing a strong quality culture does very well is make use of its feedback loops." At Intel, "we're always seeking to do better. We look at everything to continuously learn, develop and improve." So innovation, says Miller, "isn't always great risk-taking. It's not always invention. It can just as often be driven by continuous learning and improvement."

Figure 13

What drives your company's pursuit of quality? (On a scale of 1-5)

	VERY significant ('5' only)			
	Overall	Qual. Prof.	Senior Execs	WClass*
Customer demands for quality	56%	55%	57%	76%
Quality drives effectiveness and profitability	43%	38%	49%	71%
Product/service quality is a key competitive differentiator	41%	35%	48%	65%
Quality is a core leadership value	42%	32%	54%	76%
High quality serves as a barrier to entry to competitors	24%	18%	32%	51%
Competitors consistently "raising the bar"	16%	9%	24%	40%

Figure 14

What else drives your company's pursuit of quality? (On a scale of 1-5)

(How strongly do you agree or disagree that the following are key drivers of your quality programs?)

	STRONGLY agree ('5' only)			
	Overall	Qual. Prof.	Senior Execs	WClass*
Manage business risks	27%	25%	30%	46%
Stay on top of technological advancements	27%	20%	35%	53%
Address social responsibility	15%	11%	21%	40%

*Respondents believe their company's quality programs are among the strongest and most advanced in the world.

At BDS, says Ray, "a quality-focused culture enables us to be proactive in supporting risk management. Because we're the eyes and ears of the customers, because their concerns are our concerns, we're that much more attuned to surfacing risks, identifying solutions and taking preventive actions."

Quality can add still more to a company's risk management acumen. Continues BDS's Ray, there's also process innovation. "And one of the ways we apply technology is to mistake-proof processes. Lean-plus approaches are high on automation. If you can mistake-proof inspections with technology, for example, that greatly reduces the risk of not hitting your quality targets the first time."

Overall, adds Shead, "we are pursuing a culture of continuous improvement and innovation and, along with that, have the checks and balances of robust, proven processes to make sure our efforts don't have adverse impact somewhere else in our value stream."

For a final perspective on risk, consider the comments of Garro from Performance Excellence Solutions: "Risk-taking requires a 'permission to fail' culture. It is not that failure should be encouraged, but we need an environment in which failure does not stop people from trying new things. I like a lot the concept of 'intra-preneurship,' which means a person within a company who takes direct responsibility for turning an idea into a profitable finished product through assertive risk-taking and innovation. As a serial entrepreneur, I tell my people, I won't get mad for your actions and personal decisions, but would probably get mad for inaction. More than a characteristic [of where a company is domiciled], I think risk-taking depends on each company's culture."

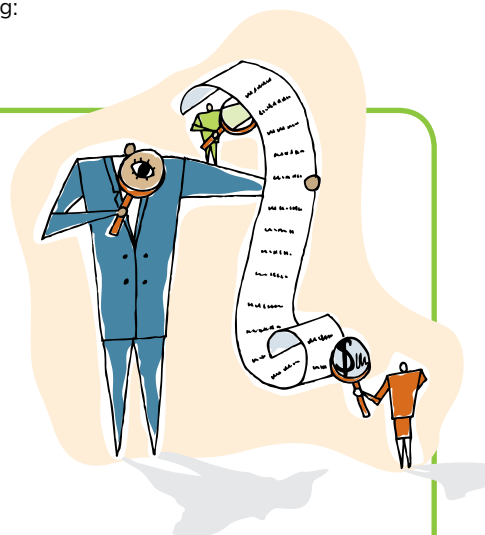# WARNING SIGNS OF A WEAK CULTURE OF QUALITY

According to Ramaswamy, instilling a culture of quality is "essential to the success of any quality program." However, he adds, "when you have companies all over the world, you quickly learn that you must tailor your quality messages and practices to each audience."

The research shows how a culture of quality helps organizations achieve their quality goals. Recognize that the reverse is also true: the failure to instill such a culture will inhibit an organization's performance. To that end, consider some of the telltale signs that the culture of quality may be lacking:

WARNING SIGNS

- The CEO and other senior executives rarely discuss quality—let alone performance against quality objectives.

- The company's quality vision is either non-existent or has minimal linkage to business strategy.

- Managers throughout the organization either fail to consistently emphasize quality or are resistant to quality initiatives.

- The organization has few if any feedback loops for continuous improvement of processes.

- The company lacks formal mechanisms for collecting and analyzing customer feedback.

- Metrics used for performance evaluation feature little-to-no mention of quality goals.

- Employees are not familiar with the company's quality vision and values—or perhaps worse, view them as mere slogans.

- Training and development do not emphasize quality.

- New hires are not formally introduced to the organization's quality vision and values.

- The organization experiences frequent, though often minor, setbacks owing to inconsistent quality.

Need a self-assessment?

The above is merely a partial list of warning signs. Managers concerned with the current state of their culture of quality may wish to take additional steps. To that end, ASQ and Forbes Insights are developing an online tool that will allow you to assess your organization's quality culture. The tool will be available online in Q4, 2014 at **cultureofquality.org**.

In the meantime, to learn more about this research project including approaches for accelerating growth and performance within your own organization by strengthening your quality culture, visit **cultureofquality.org** or email **cultureofquality@asq.org**.

TATA

Q&A

Sunil Sinha
Resident Director, Middle East and North Africa Region, Tata Sons (formerly CEO, Tata Quality Management Services)

What is Tata Quality Management Services?
We are a division of the holding company, Tata Sons, with our role being to promote business excellence, ethics, innovation and related quality objectives in all businesses of the Tata Group.

This is a program that was launched in the early '90s, when India was transitioning from a closed to an open economy. Back then, Tata realized that if we wanted to remain competitive in a more open and global environment where markets exist seamlessly, we would need to transform our products, services and mindsets. So we evaluated various frameworks before deciding to adopt the Baldrige criteria. The Baldrige Model's introspection-based approach, which seeks to provide insights ahead of solutions, suited the federal nature of the group. Further, [the Baldrige approach's] ability to customize itself to hundreds of variations in business models was a big advantage. So from then on, it was our role to help advise Tata companies on how to improve, based on their business imperatives and the provisions of the excellence framework.

How do Tata affiliates gain access to your services?
The customer never comes to you. You go to the customer.

But they also had an incentive to work with us because we came up with a brand management program called the BEBP (brand equity business promotion). Under this promotion, any group company that operated in the markets carrying the Tata brand—and there were 100 companies within Tata—had to sign an explicit agreement expressing commitment to run their businesses ethically and excellently. While it became necessary for these companies to work with us on business excellence, they also saw the value in an institutionalized approach to strengthening the brand. Tata was already a respected brand in India. Starting in early 2000, with the group's internationalization strategy picking up pace, the brand also began getting noticed in developed markets such as the U.K., U.S. and other places. Thanks to that, the thrust for excellence also gathered a global reach and momentum.

What does quality mean at Tata?
Quality for us means continuous improvement in meeting the needs of stakeholders, including shareholders, government, customers, suppliers and workers. We have gone through several cycles of introspection on our overall approach to quality. Not just products or services, but our orientation towards customer-centricity, strategic thinking, innovation, performance measurement, knowledge management, employee engagement, systematic work and a host of other characteristics that an excellent organization needs to imbibe. And today, we feel that though quality means different things to different parts of the organization, they all come together as a holistic concept that interconnects to deliver a better quality of life.

Through this movement, we quickly moved from a single view of a single stakeholder—we called this "small q" to a "BIG Q"—that represents everyone's contribution to becoming a sustainable organization. This is about the quality of our management systems, governance system, leadership, strategy, HR and more. It is how we deal with customers and how we respond to a range of issues. This is what we call the BIG Q, and our goal here is to develop and maintain an enabling environment for promoting innovation and continuous improvement.

This means creating long-term value for all of our stakeholders, not just the shareholder or just the employee or the government, but doing the right things systemically, and continuously pursuing a leadership position, while meeting the needs of the society.

What does "culture of quality" mean to Tata Group?
We define that in one word: *trust*. If we are seeking a leadership position in everything we do, we must promote and earn trust from all stakeholders. So that's business excellence, at all times ethical.

And what we have learned is that achieving a culture of quality is not easy. If you have a narrow view of culture, you will never have a culture of quality. The culture of quality arrives when it becomes inclusive, and elicits rightful responses to the definition of who you are.

> "We feel that though quality means different things to different parts of the organization, they all come together as a holistic concept that interconnects to deliver a better quality of life."

Sunil Sinha
Resident Director,
Middle East and North Africa Region,
Tata Sons

How do you get there?

The role of leadership is paramount. Leaders have to continuously walk the walk and demonstrate their commitment to excellence in everything to do and oversee.

From there, we have tools such as the Tata Business Excellence Model (TBEM), which is a holistic way of managing the small q and the BIG Q, and the vision and values for quality.

And we have an interesting approach to assessments. Each year, high-performing managers from each of our companies are called upon to carry out assessments of other Tata Group companies. And each and every leader at each company must participate in the assessment. So this creates active participation and positive energy throughout the group.

Another thing we have learned is that quality cannot be dictated. It must be inspired from within, so that it grows and sustains. There is not one single thing you can do to create this culture, but instead there are many things that must be done in concert. Consistently and with perseverance.

Where are you today?

We have indeed made significant progress. Are we a world-class organization? Well, some businesses are successfully competing with some of the best companies in the world. However, as a group, we still have more distance to cover. I would say we have covered one leg of our journey from being "seen as ordinary" to being "considered good." So our next challenge is to help our companies move from good to great.

We tell ourselves that even when we get there, we will not be finished. We view this as more than just a journey, it's a race without a finish line.

CONCLUSION

A culture of quality features a handful of readily discernible components.

These include but are by no means limited to:

- Clearly visible, engaged and unwavering senior management support for quality initiatives.
- Clearly articulated vision and values.
- Active and ongoing engagement with customers to continually identify and address current and evolving needs.
- Clearly stated quality goals.
- Performance expectations for all individuals throughout the company that clearly link to quality goals.
- Appropriate incentives—which can favor monetary or recognition-based awards, depending on individual circumstances.

World-class organizations are much more likely than others to exhibit the above components. They are also more likely to view their quality capabilities as a means of creating and sustaining competitive advantage, leading to stronger profitability.

And as a result of their significantly greater investment in and commitment to quality, these companies are in a better position to:

- Pursue continuous improvement and innovation.
- Embrace and benefit from enabling technologies.
- Optimize risk-taking throughout the enterprise.

The overall state of a culture may be intangible. But the value of taking steps to shift the company or institution toward a more quality-driven culture can be substantial. Organizations should therefore incorporate the lessons outlined above to accelerate growth and performance in their enterprise.

> "We are evolving our quality system to be a catalyst for innovation. Innovation must happen everywhere and in everything we do. From our products and services, to our systems and processes—our quality systems must encourage innovation at the speed of the Internet."

Rodney Donaville
Senior Director,
Customer Experience, Quality and Culture, HP
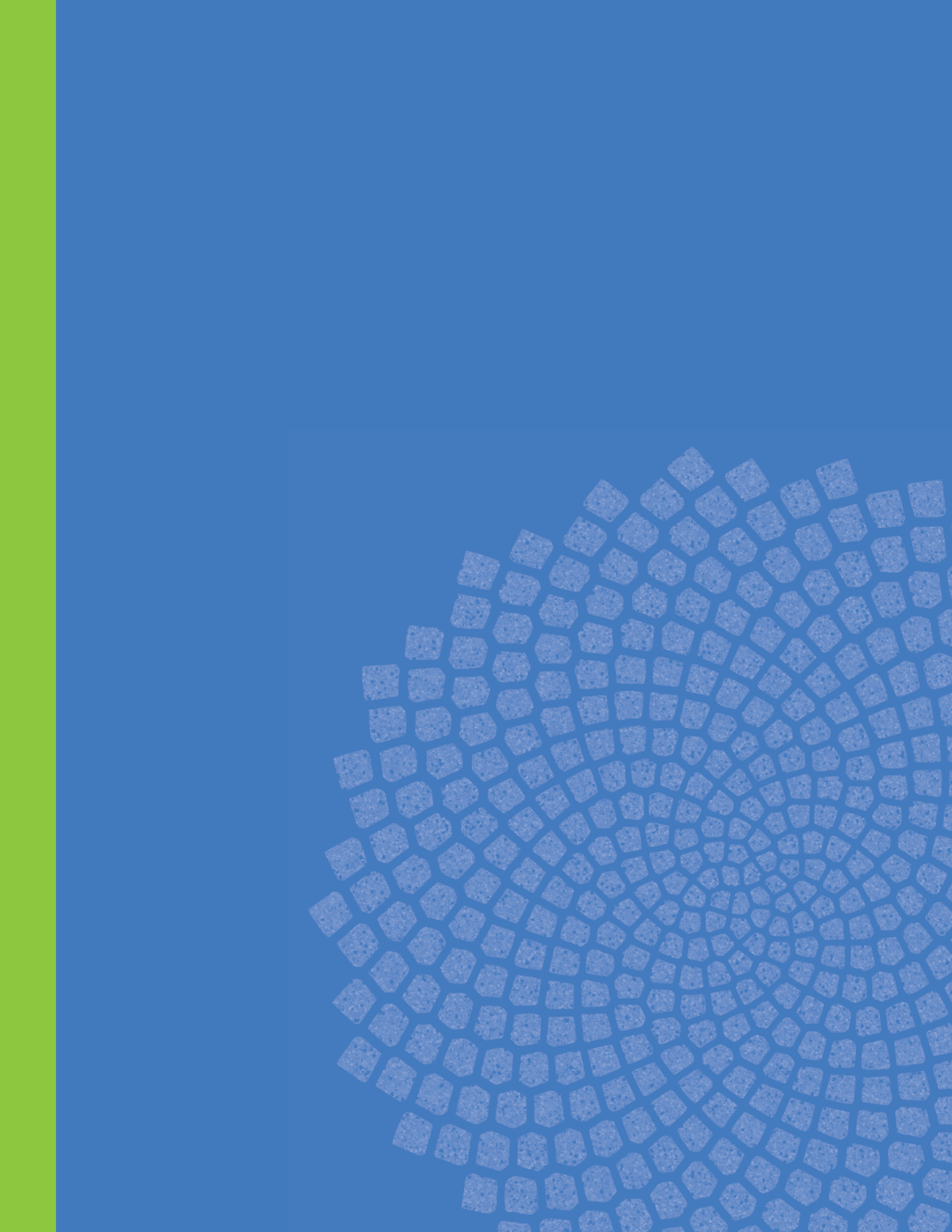
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