

Winning in the Turns: A Quality Action Guide — Increase Business Agility, Manage Cost of Quality and Develop Business Strategists

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While some focus only on short-term mitigation tactics, top performers defy conventional thinking by maintaining focus on long-term strategy and implementing preconceived plans when anticipated disruptions occur. Quality leaders must prepare and lead through all manner of turns.

Analysis

Sudden economic, geopolitical, environmental, social and competitive twists and turns can leave some organizations floundering while others take the opportunity to accelerate into a leading position. When digital and other disruptions such as supply chain cyberattacks or natural disasters, trade wars or recessions occur, winning companies demonstrate both the preparedness and resilience they built before the turn.

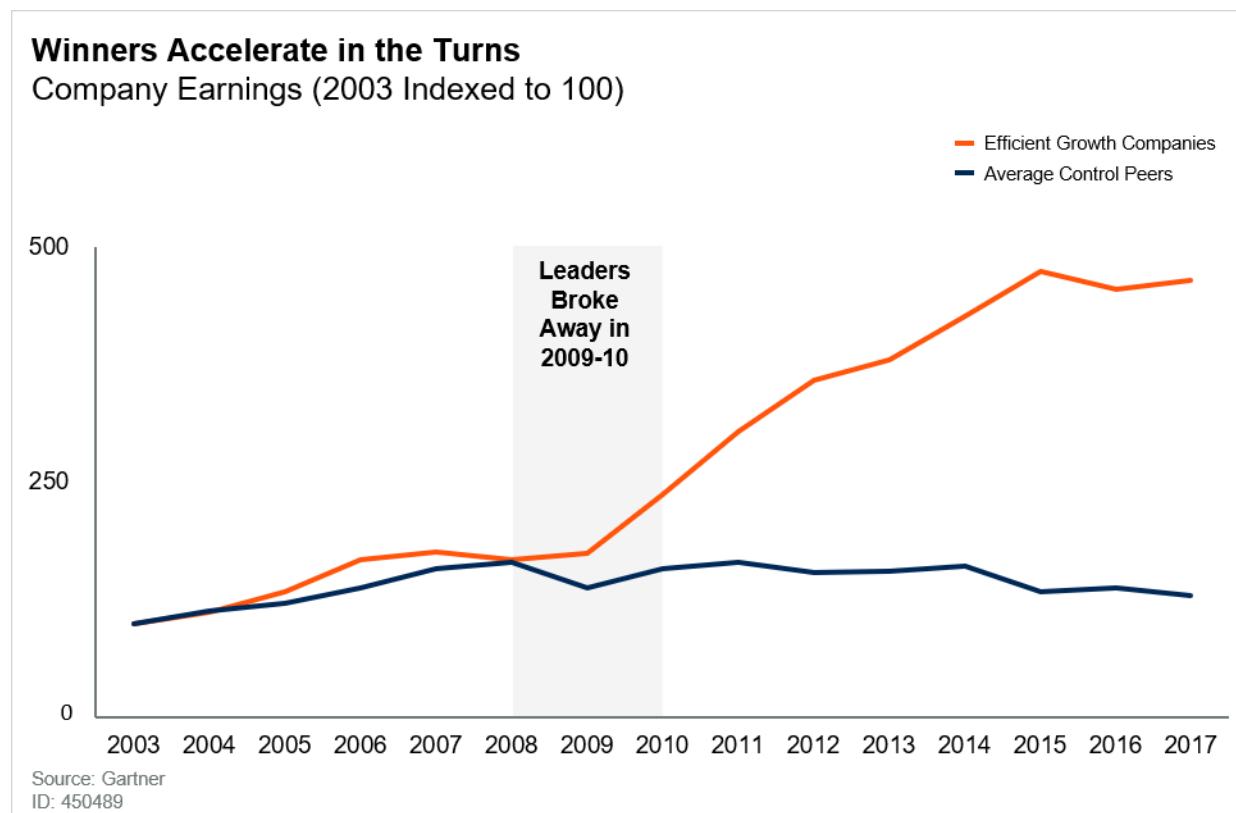
Organizations need to choose which turns they need to be watching for by identifying key risks and issues that are pertinent to their strategic assumptions. The picture can sometimes be confusing with some risks seeing divergent signals. For example, will there be a global recession? Different data points to different conclusions. Following a period of prolonged earnings growth, large and small organizations in multiple industries saw falling profitability in 2019. At the same time, consumer sentiment remained relatively buoyant as the global consumer confidence index hovered around historically high levels at 107 for 2Q19.

Identifying the risks and monitoring the triggers of impending disruption is not enough. Leaders prepare plans associated with each risk to be ready to execute if the trigger point does occur. They prepare so they can think correctly under pressure. They also keep their eyes on the long-term and this mindset and culture allows them to double down and accelerate through the turn while others slow down.

What can we learn from the Great Recession? Gartner's "efficient growth" research shows that a small number of organizations that anticipated the future and developed comprehensive action plans before the financial crisis of 2008 to 2010 were rewarded with sustained advantage over their competitors in the following eight years. If we take each of the companies' earnings in 2003 and index it to 100, Figure 1 shows that in 2009, midway through the great financial crisis, the efficient

growth companies broke away from the average control peers (see “Winning in the Turns: A Supply Chain Action Guide”).

Figure 1. Winners Accelerate in the Turns



The efficient growth leaders eliminated negative practices that acted as a drag on long-term growth (growth anchors). They put in place positive practices (growth ladders) to pick out the winning activities and give them a hand up. These practices include:

- Providing adequate resources for growth by creating a safe-to-fail environment.
- Keeping long-term plans relevant by focusing business leaders on longer-term outcomes.
- Managing costs while supporting innovation by dedicating and protecting funding for innovation.

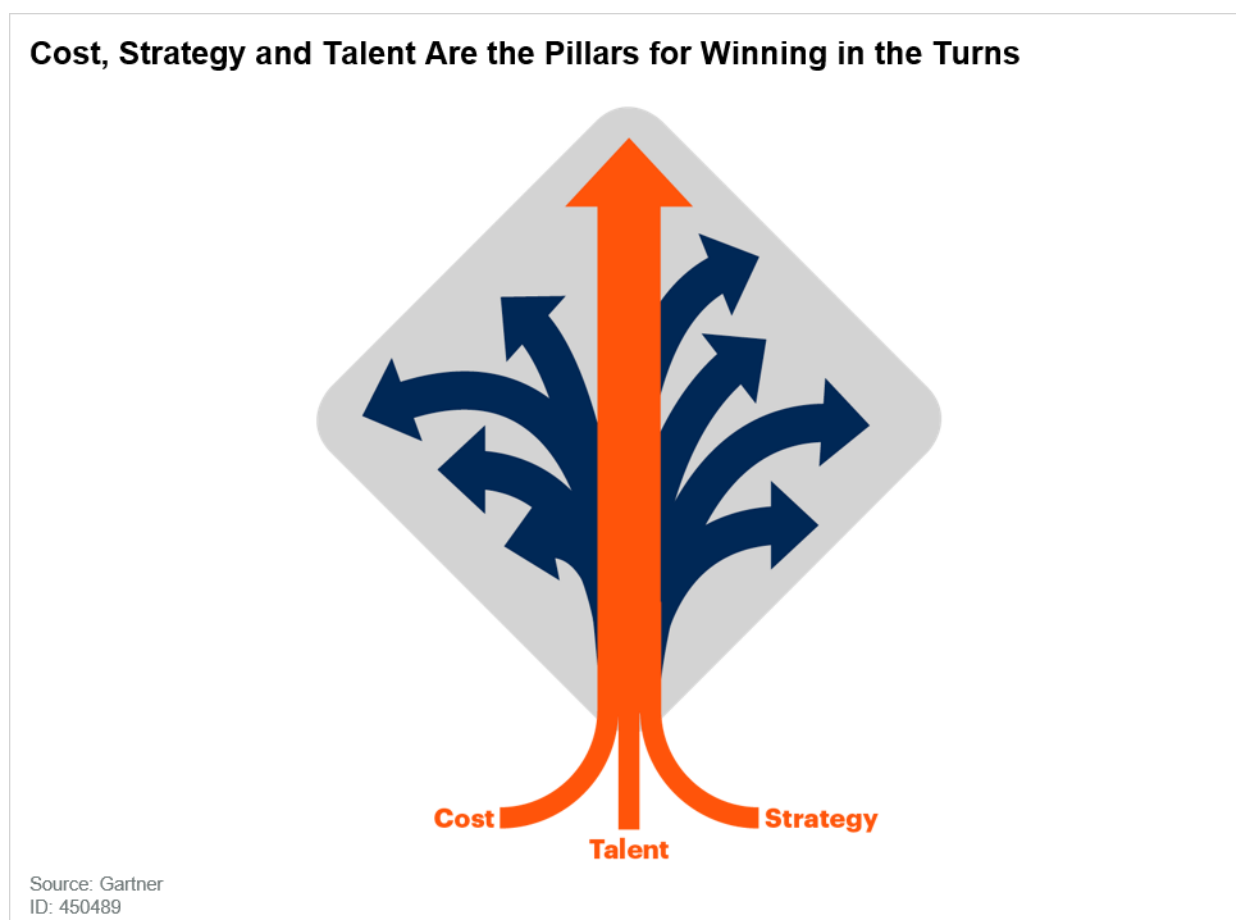
This focus on the long term while managing in the turns allowed these winners to reallocate resources to strategic opportunities, therefore positioning themselves for long-term growth and value creation that significantly outperformed their competition.

Just like efficient growth companies, quality leaders need to create agile organizations that can respond to turns. For example, new tariffs may force the organization to find an alternative emerging market that is more cost-effective. The new market may have weaker infrastructure with poorer

quality products. Quality leaders need to be able to quickly certify new suppliers in the new market without exposing the organization to risks. To do this, top quality organizations aggressively challenge their assumptions about what is required to qualify suppliers. As a result, they end up creating out-of-box approaches to qualify suppliers faster.

We recommend quality leaders accept that uncertainty impacts companies positively or negatively across a range of areas from economic, regulatory, geopolitical to trade issues and competitor action. Organizations should prepare for the turns, implement plans during the turns while fine-tuning based on actual events and then look to accelerate out of the turns. Three pillars are key to winning in the turns: strategy, cost and talent (see Figure 2). Gartner has extensively studied the disciplines needed in these pillars and how they help organizations win in the turns.

Figure 2. Cost, Strategy and Talent Are the Pillars for Winning in the Turns



Quality leaders must start pushing their teams now to make sure they are prepared to implement plans, make course corrections and are ready to accelerate out of each turn. Focus on these three vital areas:

- Strategy — Focus on Business Agility

- Cost — Manage Cost of Quality
- Talent — Develop Business Strategists Who Solve Problems

Research Highlights

Strategy — Focus on Business Agility

Winners define and monitor leading indicators that act as early warning signals that a turn may be coming. (Monitoring of these indicators is done continually via the adaptive strategy process that allows the supply chain organization to sense and respond to changes in the business context as they happen). Typically, the areas that need to be monitored are:

- **Strategic assumptions:** The assumptions on which the strategy is based (for example, 50% of our customers will shift to digital channels in the next two years).
- **Strategic issues:** The key trends that could significantly impact the strategy if they reach critical mass (for example, a new market entrant reaches 5% market share).
- **Strategic triggers:** The events that challenge the strategy (for example, the enterprise fails to meet profit targets for three consecutive periods).

To prepare for turns, quality leaders should develop an agile strategy that is flexible enough to allow the company to react to turns, yet robust enough to ensure quality during that time. In essence, this means releasing the brakes when possible to allow the organization to take calculated risks and accelerate out of the turn.

As part of the strategy, quality leaders should ensure they have the right quality processes in place. Outdated processes create unnecessary drag on the business, preventing it from reacting to turns quickly. The best quality organizations develop a disruptive mindset so the team will identify old conventions that are no longer valid and find new ways of working. For example, a medical device maker was struggling with customer issue resolution. Customers found the process was too cumbersome. The company believed customers had to use the company server to satisfy compliance issues, but the quality team kept challenging the process and ultimately created an app that streamlined the complaint process. Developing that mindset helps organizations take advantage of the turns.

Quality leaders should also unburden the business from antiquated quality standards. Another organization reviewed every quality requirement to see if each one was necessary to meet customer needs. Zero basing quality requirements looked at whether the customer would pay for that level of quality and whether it involved critical issues such as safety. If not, they killed the requirement.

To maintain quality while relieving the burden of processes and requirements, quality leaders need to drive a strong culture of quality throughout the organization. When employees “live quality,” they consistently make high-quality decisions regardless of established processes or standards. To develop a strong culture of quality, quality leaders need to create an environment in which employees hear, feel and see quality all around them and transfer quality values to each other.

To accelerate out of turns, quality leaders need to help the organization understand customers' changing expectations around quality. This requires understanding customer data to sense and identify trends in customer behaviors and taking advantage of those trends.

Quality processes, designed to ensure consistency and stability, are increasingly at odds with companies' digital transformations focused on speed and agility. To keep up, quality leaders need to break conventional assumptions and reinvent quality processes to fit today's demand for flexibility.

“Quality Strategy Structure”

In this research, we answer the question, “How should a quality strategy be structured?” Strategic plans should contain four distinct types of goals, be clearly worded, time-bound and well-aligned with the organization's desired future state and enable the organization to track progress against its goals.

“Ignition Guide to Communicating the Quality Strategy”

Quality leaders should use this guide to create a narrative around the strategy used by leaders and managers, help quality staff and business partners understand functional goals and establish a personal connection between functional strategy and quality staff workflow.

Cost — Manage Cost of Quality

During turns, companies often stop discretionary spending, lay off staff, reduce training and cut capital investments. But winners think long term and forecast for the upturn. Winning enterprises have an ongoing cost management discipline and practice cost optimization as opposed to cost cutting.

To avoid sudden cost cutting in a turn, quality leaders should design and implement a cost of quality model. The benefits of measuring and managing the cost of quality ahead of a turn are twofold. First, it will enable quality leaders to show the business where money is spent and lost because of poor quality. Leading quality organizations use cost of quality models to identify cost savings opportunities and drive margin improvement. Second, a total cost of quality model can show where the organization may be overinvesting in quality and help determine the optimum level of quality (see “Ignition Guide to Designing a Cost of Quality Program”).

To protect quality initiatives during turns, quality leaders need to identify investments that differentiate products from competitors. The primary focus should be on what quality means to customers, rather than only on optimizing cost of quality or reducing customer complaints. Quality becomes a market differentiator because the business is able to react to quality risks quickly and independently.

Quality leaders should also help employees maintain a focus on quality in the midst of cost pressures. Most organizations focus on ensuring leaders emphasize good quality, but the effort must be directed at employees so they understand how to manage the tensions and trade-offs between cost and quality priorities. One company has quarterly sessions in which managers discuss quality issues with their teams. At Fidelity, quality leaders use quality communication kits to

help employees tailor quality messages to their work (see “Quality Communication Kits (Fidelity Investments)”). As a result, quality becomes ingrained in the company culture and is less affected by rapidly shifting priorities during turns.

“Sustaining Culture of Quality During Organizational Change”

Sustaining culture of quality is difficult during organizational changes, such as business model changes, companywide culture transformations and strategy shifts. This report helps quality leaders understand what risks to watch out for and how to prepare for and respond to change.

“Trends in Measuring the Cost of Quality”

Quality leaders responsible for cost of quality should benchmark their model designs against their peers’ designs. This research highlights key findings and trends in cost of quality model design between 2015 and 2018, based on our analysis of more than 180 different cost of quality models.

“Ignition Guide to Designing a Cost of Quality Program”

Quality leaders can use this guide to build a cost of quality model and develop an action plan.

Talent — Develop Business Strategists Who Solve Problems

Healthy, high-performing teams are essential to winning in the turns. The turns present an opportunity to revamp your playbook around hiring, development and performance management.

To break rigid infrastructure and allow the business to react faster in the turns, quality organizations need to move from being process-focused technicians to business strategists who solve problems for the business. Successfully executing this talent shift requires a talent management strategy that clearly outlines the competencies necessary to fulfill the future direction of quality and a consistent communication plan to reinforce this shift to quality staff and other business leaders.

The profile of a successful quality professional has changed; so, too, should the skills quality leaders try to hire and develop. On the technical side, most quality leaders focus on hiring and developing staff with advanced data analytic skills. However, these skills are costly to acquire and develop. Resourceful quality leaders look to borrow many of these technical skills from other parts of the organization. More crucial than technical capabilities is the function’s increasing need for softer skills. Quality needs facilitators and influencers rather than traditional executors as the function empowers the business to own more quality activities. Quality leaders can help staff navigate this changing skills profile by identifying and articulating the new skills using a competency model (see “Ignition Guide to Creating a Competency Model for Quality”).

However, hiring and developing alone are insufficient. An enabling environment — where leaders’ signals and support align with new talent expectations — yields twice as much improvement in staff performance on critical competencies as investing in hiring and development alone (see “Building the Right Environment to Improve Quality Staff Competencies”). Therefore, quality leaders must include a plan to support the new expectations in their talent management strategy; otherwise, new talent will fizzle out.

“Talent Attraction and Retention in Quality”

Quality continues to struggle in employee retention and attraction, particularly with the ongoing war on talent. Using data from nearly 700 quality employees, this report helps quality leaders better understand the current state of quality professionals’ job satisfaction and job-seeking behavior.

“Emerging Trends Impacting Quality”

Quality leaders struggle to know what trends matter and what’s just noise. This report analyzes over 65 quality leaders’ perspectives to understand which trends will impact quality. Quality leaders can use this report to test their thinking on emerging trends and inform their long-term strategy.

“Quality Competency Models Library”

Competency models improve talent recruitment, management and development by setting clear performance standards. Quality leaders can use this library of quality competency models as a reference when creating or reviewing their own models.

Gartner Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

“Culture of Quality Impact Calculator”

“Quality Budget and Staffing 2019 Benchmark Report”

“Ignition Guide to Creating a Strategic Plan for Quality”

“Labor Market Competition Report: Quality Engineers and Specialists”

“Market Guide for Quality Management System Software”

“Ensure Success in Quality Management System Software Selection”

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