

Quality Management reloaded

Integrating QM into the value chain

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Increasing public awareness, rapid global media coverage of incidents and higher customer expectations are forcing manufacturers to take a fresh look at their Quality Management approaches. How are companies responding?

Over the last decade, driven by globalization, expanding consumer rights and higher customer expectations, product and service quality has become increasingly important. Bad news on quality defects spreads more rapidly all over the world than ever before, and the immediate reputational and financial effects can be devastating. At the same time products need to be much more than just “defect-free.” Customers now perceive high reliability and full alignment of product characteristics with their expectations as a basic threshold requirement rather than a differentiator. All this is driving companies to take a fresh look at their Quality Management function. Is it enough for Quality Management to focus on providing assurance and control that products and services meet their specified requirements, or can it provide more value to the business?

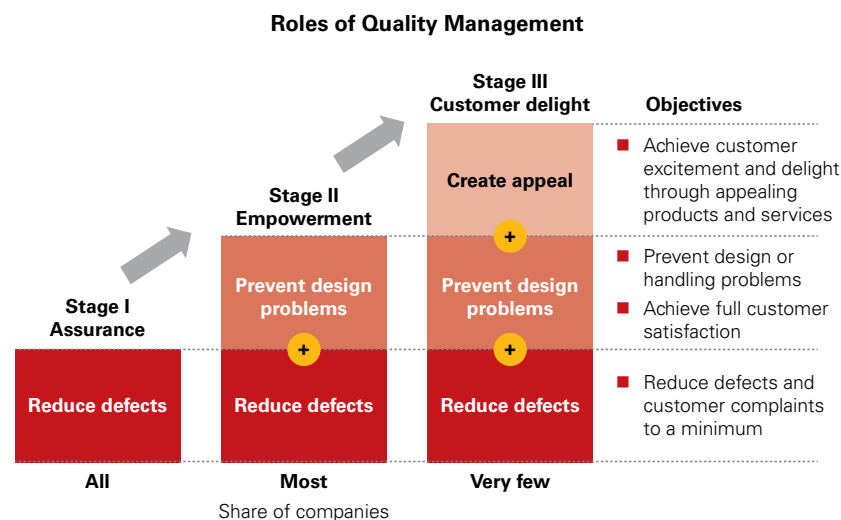
The changing role of Quality Management

In some leading companies there has already been an evolution in the role of Quality Management from a traditional business support function towards a role that is actively involved in shaping products and customer services that appeal to customers. Three typical stages can be identified (see Table 1).

Consumers around the globe today demand the highest quality in all aspects of a product. It is no longer enough to focus on assuring that products and services meet their specified requirements. Quality Management must provide more value to the customer, and that means it needs to become an integral part of a company's value chain. In this article the authors show how this new approach to Quality Management can work, turning it into a strategic asset with huge benefits for the company.

Table 1
Change in the Quality Management role across three stages

Source: Arthur D. Little analysis



Stage I – Assurance

Virtually all companies have passed through Stage I, where the focus is on achieving zero defects and reducing warranty and/or complaint costs through enhanced processes with clear responsibilities and KPIs. This is the traditional role of the Quality Management function, but it has a number of drawbacks. For example, Quality staff may only be involved at the end of the process, so they have little or no opportunity to influence product and service design. They are often seen as “policemen” who are noticed only when they say no, further emphasizing the distance between Quality staff and the core business.

Stage II – Empowerment

Most organizations have by now also reached Stage II, where the Quality Management role has evolved towards empowering the whole organization (not just the Quality function) to take on ownership and responsibility for quality in a more holistic way. This approach recognizes more clearly the value-adding potential of the Quality Management function and its role in support of the business. The proactive use of Quality in customer management is also a feature of this role.

To drive accountability, empowerment and continuous improvement, the Quality function model often moves away from being a centralized and sometimes siloed organization towards greater decentralization. For example, in a recent ADL study we found that more than 70 % of consumer goods companies have already implemented, or are moving towards, devolution of the Quality function into the business units.

Stage III – Customer Delight

In Stage III, Quality Management also acts as a central facilitator between Marketing & Sales, Manufacturing and R&D to ensure that product and service quality not only meets but exceeds customer expectations. In this role, and building on their understanding of customer feedback, Quality Management departments provide processes and tools that help support the transformation of customer demand into attractive products and services. One of the key features of Stage III is that Quality Management becomes a key partner in the value chain, as opposed to being the source of hurdles to be overcome. As “designing in quality” from the beginning becomes more important, the role of Quality Management shifts more towards being a solution provider. This has profound implications for the required skillsets and behaviors of Quality Management staff.

There are some good illustrations of this evolution in the automotive sector. For example:

- Volkswagen’s Quality Management function initiated the People’s Car Project in the company’s main market, China. Using a web-based platform, Chinese customers can express their ideas for product features and become actively involved in the creation of new cars.
- During the past 10 years, BMW has made huge progress in reducing the number of warranty cases by more than 50 %, through integration of Quality within the entire value chain. Each Quality program, from Purchasing through to Production, Sales and After Sales, contributed to this success.

Automotive industry OEMs use Quality KPIs that measure not only defects, complaints and other negative performance attributes, but also customer appeal. This contributes significantly to overall product attractiveness. There is good evidence that this results in a higher share of customers who are willing to buy or lease a car from the same brand again or to give recommendations to a friend, relative or colleague.

Quality Management also has a key role to play in the capture and interpretation of customer intelligence, including not only complaints but also the richer and more complex data that is now

available through a variety of digital channels. Quality Management can be effective in helping to ensure consistent treatment of this intelligence across different functions, rapid identification of regional and other trends, and enabling a consistent face to be directed towards the customer, with positive customer experience at every touch point. For example, one leading global food company is currently looking at adapting the role of the Quality function to act as a facilitator to help align marketing, product development and supply chain activities to meet the needs of key food service client accounts.



Bringing about the change

Evolving Quality Management to the level of a value-adding business partner requires broad-based change in strategy, processes, organization and culture. The ultimate starting point is an inspiring Quality ambition for the company. What are we aiming for? How can Quality Management support the business and be seen as a partner? What are the competencies we can exploit? What are realistic targets and quick wins on our way?

We see three essential priorities in making the change:

- Redefine and recommunicate the role of Quality Management, emphasizing the extension of the role beyond assurance and safeguarding towards problem-solving, facilitating and enabling. Ensure that this is underpinned by aligned senior leadership behaviors, appropriate elevation of Quality as a business priority, suitable behavior of Quality staff and clear business-related Quality KPIs.
- Find the right people who are competent and committed to assume the new responsibilities. This will require a shift in focus from the more traditional scientific and compliance skillsets to a more influencing, facilitating and business-orientated set of capabilities.
- Embed the mindset in the entire organization to deliver Quality beyond expectations. Focus on driving clear accountability for Quality Management into the business units.



Picture by Stratum / dreamstime

Insights for the executive

In the past many corporate functions, such as Information Management and Human Resources, were seen as merely unavoidable overheads, part of the cost of doing business. However, over the years they have evolved into key strategic assets, with important contributions to make to business success. What we are seeing today in Quality Management is in many ways no different. The next generation of Quality Management is holistic, strategic and value-adding. Quality is no longer the policeman; it has now become the business partner.

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