

The cost of neglecting quality: ROI of a culture first strategy



Introduction

Culture can be a positive force for change – if change is what your business actually wants to achieve. Choosing the right core beliefs will transform every aspect of your business, for your business, employees and stakeholders. The choice of central concepts is essential though. Culture built on trends or fashion will never deliver meaningful, lasting change – or benefits.

One cultural theme that will always deliver significant benefits is quality. A culture of quality aligns every strategy, plan and operation with a drive for constantly improving quality – in terms of processes, deliverables and services delivered.

Arguably, a culture of quality should be at the heart of every organisation. Cultivating quality is critical in today's fast-paced, digital-first business environment, not least because your competitors are just one mouse click away.

“Customers no longer only compare companies to their competitors. They compare with the best companies and brands across industries.”

- Harvard Business Review

But faced with pressure to protect margins you're probably asking what is the cost of neglecting quality? And does embedding quality really drive measurable ROI?

We'll take a look at those questions – and the answers – in this eBook.

1: The value of quality in today's business landscape

Given that prices tend to equalise across industries, cost is just one factor in the customer's decision making process. Quality is the one characteristic you can control, creating a differentiator between you and the rest of the market.

“Contrary to what managers often think, quality trumps price. More broadly, quality also trumps value as a driver of customer satisfaction across most economic sectors and industries.”

- Harvard Business Review

The GIGO Principle

But it's not just customers who demand (and benefit from) high quality products and processes. In the age of digital transformation, quality is essential. Consider the GIGO (Garbage In, Garbage Out) principle, using low quality data and software will generate low quality results.

Driving up quality at the backend delivers benefits across the entire business.

INSIGHT:

A culture of quality will help to ensure broader organisational goals like resilience, scalability and innovation are attainable and meet expectations, now and into the future.

The benefits of a culture of quality - Shifting to a culture of quality delivers high-value benefits that cannot be ignored.

Reducing operational waste - A key tool for maintaining profit margins and freeing resources for reinvestment in other excellence-focused activities.

Accelerating time-to-market - Introducing quality earlier helps to reduce or prevent re-work. Which means you can bring products to market faster, realising a return on investment sooner.

Enhancing customer trust and satisfaction - For customers, quality is a non-negotiable. Quality is pivotal to enhancing trust and satisfaction, which are additional factors in driving loyalty and retention.

Loyalty - Brand loyalty is at an all-time low, yet some brands manage to generate repeat business regardless. Players in healthcare, finance and technology have successfully tapped into customer loyalty by focusing on delivering consistently high-quality products and services.



2: The financial impact of poor quality

As we have seen, a culture of quality delivers meaningful benefits. But what if your business decides to forego these gains and ignore the importance of quality? What are the quantifiable costs?

Rework and remediation

Whether it's software or an internal administrative process, rework and remediation becomes an inevitable outcome of tolerating poor quality. Your team will need to invest time and resources into resolving the issue before any further development can take place.

A large company can expect to spend at least \$13.4 million every year on unnecessary rework.

- Forecasting The Value Of DevOps Transformations

Downtime or delays

Poor quality software opens the door to a host of unintended consequences – including downtime and delays. In the age of instant gratification, “slow” is unacceptable. When systems fail to perform as expected, customers will quickly move to a more reliable alternative. Even internal users may switch to shadow IT alternatives if they feel in-house solutions are impeding their productivity.

Reputational damage

Tolerating poor quality encourages a culture of under-performance and this will eventually manifest across every facet of a business. Outages caused by poor quality software result in a reputation for unreliability. Disappointing service prevents repeat business and leads to a reputation for not caring about the customer experience. Security breaches create a reputation for untrustworthiness among customers.

Any of these examples has the potential to derail even the most successful business. Once corporate reputation has been tarnished, it costs exponentially more to recover. are impeding their productivity.

Loss of reputation typically accounts for 60% of the total cost of a security breach.

- CYE

Quality failures in the real world - the Boeing 737 MAX

From its announcement in 2011, the 737 MAX has been popular with airlines across the world. By the time of the first commercial flight in May 2017, Boeing had already secured orders for 4387 aircraft. However, within a matter of months, two 737 MAX aeroplanes had been involved in crashes, killing 346 people.

Investigations by the Federal Aviation Authority (FAA) pinpointed a design issue with the Maneuvering Characteristics Augmentation System (MCAS). The MCAS is an aid to automatically correct the angle of attack during flight. However, a system design fault meant that the MCAS would be triggered if the system received erroneous data from an onboard sensor forcing the plane into a downward trajectory, and a potential crash.

All 737 MAX aircraft were grounded until the FAA investigation was concluded and Boeing was able to develop a fix. Boeing was forced to pay \$20 billion in fines, compensation and legal fees. Indirect losses caused by cancelled orders cost another \$60 billion.

The 737 MAX continues to experience quality control problems today – and the Boeing brand has been badly tarnished in the process.

Perspective shift

The costs of permitting a culture of mediocrity continue to climb. Depending on the failure, you will also need to consider the cost of insurance premium increases, increased borrowing costs, regulatory fines, lost contract revenue, loss of IP...

It should come as no surprise that choosing not to invest in quality will prove to be much more expensive in the long run.



3: Building a culture-first strategy

Neither quality nor culture 'just happen'. Embedding a quality of culture across your organisation is a multi-step process.

1. Gain leadership buy-in

Culture is defined and modelled by management. It is critical that the C-suite not only embraces a commitment to high quality in every area of operations, but that they model it too.

2. Foster alignment

True quality is applied across every level of your business. Every department – IT, operations, product teams etc – must not only embrace quality, but also align their operations to maintain it.

3. Train and empower employees

Employees cannot deliver quality if they don't know what it looks like. Setting clear expectations and providing regular training will give your workers the tools they need to develop a quality-first mindset.

4. Use the right tools

Quality of operations is heavily dependent on the technology and processes you use. Choice of tool will be vital to providing a platform for delivering and maintaining high quality.

5. Partner for success

The intersection of people, processes and tools is not always easy to manage. Developing strategic partnerships with suppliers and consultants can help to navigate the unknowns - and avoid the pitfalls which could derail your efforts.

“The engagement of people and the focus on the user were among the best rated variables. This indicates that quality is achieved through the engagement and responsibility of all employees, while the best effects are achieved by understanding current and future needs and requirements of users.”

- Impact of quality on improvement of business performance and customer satisfaction



Apple - a case study in quality

Apple has a reputation for building extremely high quality products and services. A commitment to quality at every level of the organisation has helped to create a community of extremely loyal customers who are firmly committed to the Apple ecosystem. This quality-driven loyalty has helped Apple to become the second biggest company in the world driving annual revenue in excess of \$390 billion.

Apple's culture of excellence begins at the very top of the company. Every leader is expected to know the details of their organisation three levels down. This attention ensures that managers can make smarter decisions – and that subordinates are empowered to draw upon the knowledge and experience of their seniors. Day to day scrutiny helps to maintain a high standard of quality as the business moves forwards.

Apple also encourages 'collaborative debate' between teams and disciplines. Developing a new camera for the iPhone involved 40 different specialist engineering teams. Each stakeholder is encouraged to share their knowledge and experience to achieve a common goal – the very best solution possible.

At the same time, leaders are expected to constantly learn, upgrading their own knowledge and experience. They must question subordinates, drawing on the knowledge and experience of other domain experts to improve their own understanding.

In this way, every Apple employee plays a role in developing quality - in both products, services and operations.



What is holding you back?

Developing a culture of quality-first is not always straightforward. Despite their best intentions, many businesses run into difficulties that derail their strategy before they can realise the benefits detailed in section 1. Here are some common pitfalls you should be aware of (and plan to overcome):

Resistance to change - Change never comes easy, especially when asking people to change the way they have always done something. Starting from the C-suite, your organisation will need to secure buy-in, making quality a priority for every employee – and instituting processes to reward improvement.

Cost - New tools and processes will increase costs. However, the costs of not investing in a culture of quality are far, far greater. Emphasising long-term benefits will help to overcome short-term objections.

Lack of skills and knowledge - It is very likely that your organisation does not yet have the skills and knowledge to deliver the highest levels of quality. As you begin preparatory work, conduct an audit to understand what your business lacks – and plan for the training and resources needed to plug those gaps. Don't forget that third party specialists can be used to augment your in-house teams.

Complexity - Established processes can be dauntingly complex. Part of improving quality will be increasing visibility and transparency across operations – so take the opportunity to simplify anything and everything you can.

Complacency - Quality quickly degrades when familiarity sets in. Make sure you implement monitoring frameworks that allow you to identify and address any deviations early.



4: Measuring the ROI of a Quality-First Approach

Quality is a nebulous concept, particularly as definitions and expectations can differ from person to person. However, calculating the value of your quality-first efforts is vital, not least when considering Return on Investment. By choosing the right metrics (and tools to measure them), you can gain a good understanding of the value being realised from your pivot to a quality-first culture.

Reduction in errors and rework

The reality is that every improvement or development carries a risk of rework. But by reducing these instances, you can also reduce the cost of development – often significantly.

Raising quality to reduce rework can deliver estimated annual savings of up to \$147 million

- Forecasting The Value Of DevOps Transformations

Improvements in customer retention and satisfaction -

Research consistently shows that it costs 5-7x as much to acquire a new customer as it does to retain an existing one. Similarly, satisfaction is a key factor in retention. Your ROI calculations must consider this factor because they will have an effect on your bottom line.

A 5% increase in customer retention produces more than a 25% increase in profit.

- Prescription for Cutting Costs

Cost-savings in operations and compliance

Quality and efficiency are closely related. Raising the quality standard of your processes will create new efficiencies – each with a measurable cost saving. Higher quality output will also be compliant with any regulatory frameworks and requirements, reducing the risk of fines. Again, these savings will be measurable.

Time-to-market acceleration

Higher quality, more efficient processes allow you to bring new products to market faster. Measuring this increased velocity will provide another important proof point for the value of quality-first endeavours.



Quality Management tools

Tools for managing projects, issues and test cases, and for capturing and displaying test results and analytics:

- ***Jira***
- ***TestRail***
- ***Tableau***
- ***Power BI***

Application Monitoring tools

Tools that provide in-depth tracing and analysis to understand and visualise how an application is being used, its interplay with other services and dependencies and other diagnostic functions. From code to infrastructure, these tools help users to understand every detail of their application.

- ***Datadog***
- ***New Relic***
- ***AppDynamics***
- ***Dynatrace***
- ***Splunk APM***

Automation tools

Tools for building and automating testing, allowing users to conduct hundreds of tests quickly, effectively and without human intervention. These tools can mimic real world use across a broad range of technologies – mobile, local, cloud – and collate and analyse the results of every test instantly.

- ***Selenium***
- ***UiPath***
- ***Katalon Studio***
- ***BrowserStack***
- ***LambdaTest***
- ***pCloudy***

API Testing tools

Tools and libraries for testing a broad range of APIs and web services. These tools allow users to design, build and document APIs and to test data handling, security and load balancing capabilities - automatically.

- ***Postman***
- ***ReadyAPI (formerly SoapUI Pro)***
- ***REST-Assured***
- ***Swagger.io***
- ***Karate DSL***



Performance Testing tools

Tools for testing, benchmarking and reporting application and service performance across a broad range of platforms – web, virtual server, cloud and mobile.

- **Apache JMeter:** An open-source tool designed for load testing and measuring the performance of web applications. It supports various protocols and provides detailed performance metrics.
- **BlazeMeter:** A cloud-based performance testing platform that supports JMeter, Gatling, and Selenium. It allows you to run large-scale tests and provides detailed analytics.
- **LoadRunner:** A performance testing tool from Micro Focus that simulates virtual users to test the performance of applications under load. It supports a wide range of protocols and provides detailed analysis.
- **NeoLoad:** A performance testing tool that simulates user activity to test the performance of web and mobile applications. It offers real-time monitoring and detailed reporting.
- **Gatling:** An open-source load testing tool designed for ease of use, maintainability, and high performance. It is particularly well-suited for testing web applications.



Excellence in practice - a case study

A leading mutual insurance company in the UK relies on a mix of employees and third party brokers to sell policies. The company was forced to operate an in-house Dynamics instance in parallel with a cloud-based instance, due to defects in a new Dynamics CRM system which meant that freelance agents refused to use it. This duplication was incredibly costly. Low user adoption, extended-release timelines, inaccurate reporting and inefficient customer services were costing an additional \$190,000 each month.

Partnering with Testhouse, the insurer restructured their entire testing and release process to ensure quality was a foundational element. This was a four stage process:

- *Audit the existing test strategy to identify problems and shortfalls*
- *Build a new, robust data testing strategy with a dedicated team to monitor data integrity*
- *Institute change impact analysis to ensure all updates are stable and reliable before deployment*
- *Build a new test automation framework to identify and rectify issues sooner*

The partnership with Testhouse and changes to the testing process created some striking results. The insurer achieved a 95% reduction in defects and accelerated their release cycles, immediately addressing concerns of the third party agents. Adoption rates went up, allowing them to retire the legacy Dynamics system and create \$150,000 in annual operational savings.

As the new quality culture took hold, the insurer realised \$2.14 million in lifetime cost savings.



Conclusion

Quality can sometimes be difficult to conceptualise and describe - but the benefits are concrete and measurable. As well as improving the quality of deliverables, the entire business will benefit.

By embedding a culture of quality in your organisation you can expect to achieve:



Long-term cost savings



Increased operational efficiency, lowering overheads



Increased customer loyalty, opening the opportunity to do more business with them



Significant competitive advantages, including an enhanced customer perception

The question then becomes, 'Can your business afford not to develop a quality-first culture?'

No matter how you look at it, one fact is undeniable - quality is the cornerstone of success. Similarly, quality cannot be piecemeal - standards must be raised at every touchpoint and opportunity.

This is why quality is an issue of mindset more than anything else. The way your team thinks will define the rest of your efforts towards raising standards. For many organisations, the mindset issue may be too difficult to overcome internally - and that's where an experienced partner can assist.

Testhouse has always been very clear - our partner's success is defined by the quality they can deliver. Which is why we ensure excellence is built-in as standard, from the first line of code to the finished product. By helping customers build a culture of quality, we can help them maximise the effectiveness of their digital transformation efforts.

Testhouse helps reinforce your new quality-first mindset with tools and frameworks that support your efforts and empower employees. Taking what already works, we will help re-engineer your test processes to reduce defects and accelerate release cycles. And we use best-of-breed tools like Frameium to ensure your processes remain future-ready, constantly raising the standard for quality within your organisation.

Take your business to the next level. Contact Testhouse today to discuss taking the first step towards embedding quality in your organisation.

www.testhouse.net

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[Contact Testhouse](#)

Sources:

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Harvard Business Review

Forecasting The Value Of DevOps Transformations - DORA

Impact of quality on improvement of business performance and customer satisfaction

Forecasting The Value Of DevOps Transformations – DORA

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