

# COST OF QUALITY

## 2-DAYS AWARENESS TRAINING WORKSHOP

**Context:** Beginning in the 1950 – 1960's, various forces converged to urge companies to evaluate quality costs. These forces included

- the growth of quality costs due to increase in product complexity which demanded higher precision, greater reliability, etc.
- the increase in long life products with resulting high costs due to field failures, maintenance, spare parts, etc. (the costs of keeping such products often exceeded the original purchase price)
- the need for quality specialists to express their findings and recommendations in the language of upper management – money.

What has emerged is a concept of defining and measuring quality cost and then using the resulting figures for two different but interrelated purposes, viz.

- to provide a new scorecard for controlling costs
- to identify opportunities for reducing quality costs. Here the emphasis is not on meeting some historical standard but on improving the standard.

Recent surveys have indicated that average quality costs in manufacturing range from 20 to 40% of the turnover of the company. The costs in service industries have been shown to be around 40 to 50% of the cost of operations. The opportunities for cost reduction are huge. Quality impacts both top and bottom lines of the company.

Taguchi's Loss Function Concept allows us to understand cost implications of variability. It defines quality from an economic viewpoint as 'on target with minimum variation'.

A quality cost system requires a high level of definition so that costs can be attacked appropriately, too little detail may obscure the actions required for maximum benefit. To be weighed against this is the additional effort

and complexity engendered by operating a system of quality costing that is all embracing. The principle rule to apply is to keep the system as simple as possible whilst fully satisfying the organization's requirements.

**Contents:** The workshop shall include the following:

- ❖ Perceived cost of quality vs. true cost of quality
- ❖ The significance of quality costs
- ❖ Traditional vs. new COQ definitions
- ❖ Uses and limitations of Quality costs
- ❖ The Seven Wastes
- ❖ Contrast big Quality and little Quality
- ❖ Typical Quality cost responsibility
- ❖ Taguchi's Loss Function
- ❖ Setting up a quality costing system
- ❖ Steps to quality cost improvement and budgeting for quality
- ❖ Quality value/ execution model

**Course Certificate:** Each participant will be entitled for a training certificate.

**Trainers' Profile:** The workshop will be conducted by Mr. Shanti Sarup, an ex Tata Motors senior executive who has conducted a number of successful training programmes. He is a certified Quality Engineer and a trained lead assessor

**Participant's profile:** The workshop would be found relevant and useful for supervisors, engineers and managers from areas such as HR, Marketing, Sales, Design, Planning, Manufacturing, Materials, Maintenance, Logistics, Service and QA from both manufacturing and service organizations.

*For further details, fee or quotation, please contact:*

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