

IE407 Total Quality Management

Lecture 23

Instructor: Dr. Ali Ahmad

Reminder: SA grade

- ▶ SA grade will be determined by the attendance system
- ▶ More than 8 absents will automatically lead to SA grade
- ▶ Please be careful about your attendance in lectures





Besterfield Chapter 7: Performance Measures





Cost of Quality

Traditional Cost of Poor Quality

FIGURE 2 Traditional Cost of Poor Quality

When quality costs are initially determined, the categories included are the visible ones, as depicted in the iceberg below:

(4-5% of sales)

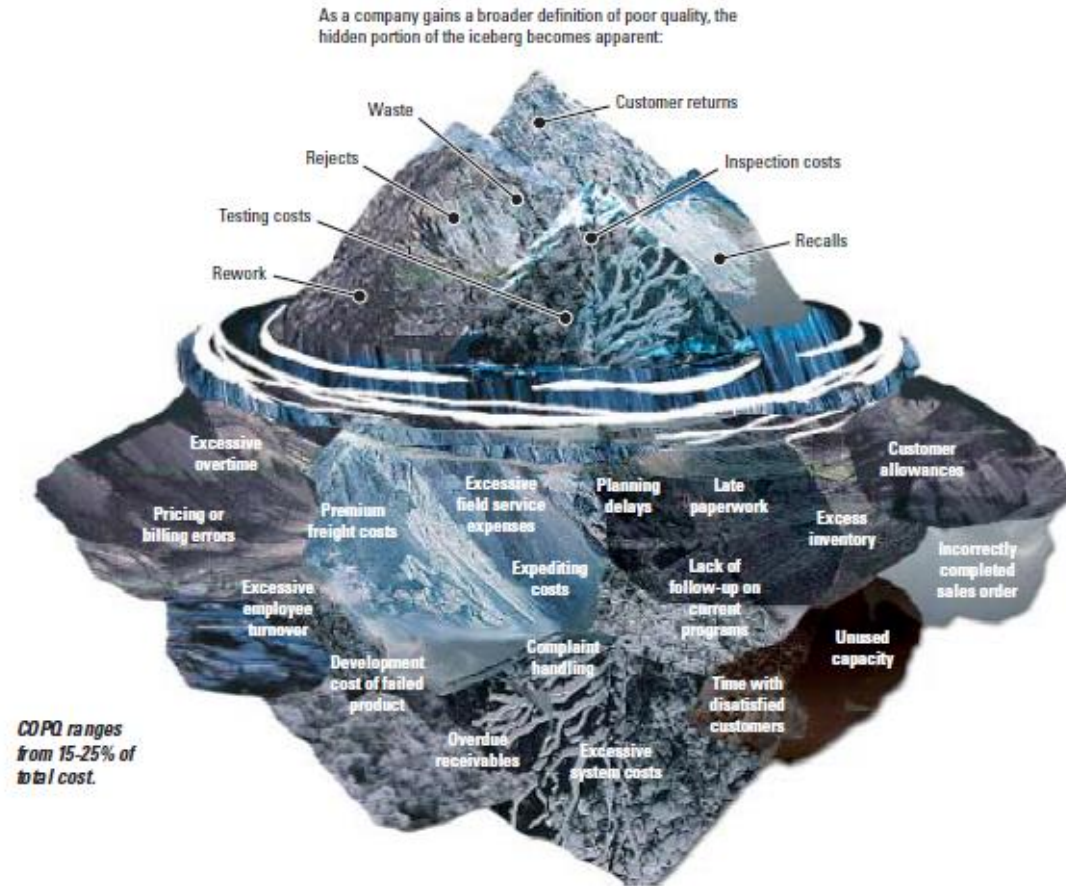


Source: DeFeo, Joseph A. 2001. The Tip of the Iceberg. *Quality Progress* May 2001.



Actual Cost of Poor Quality

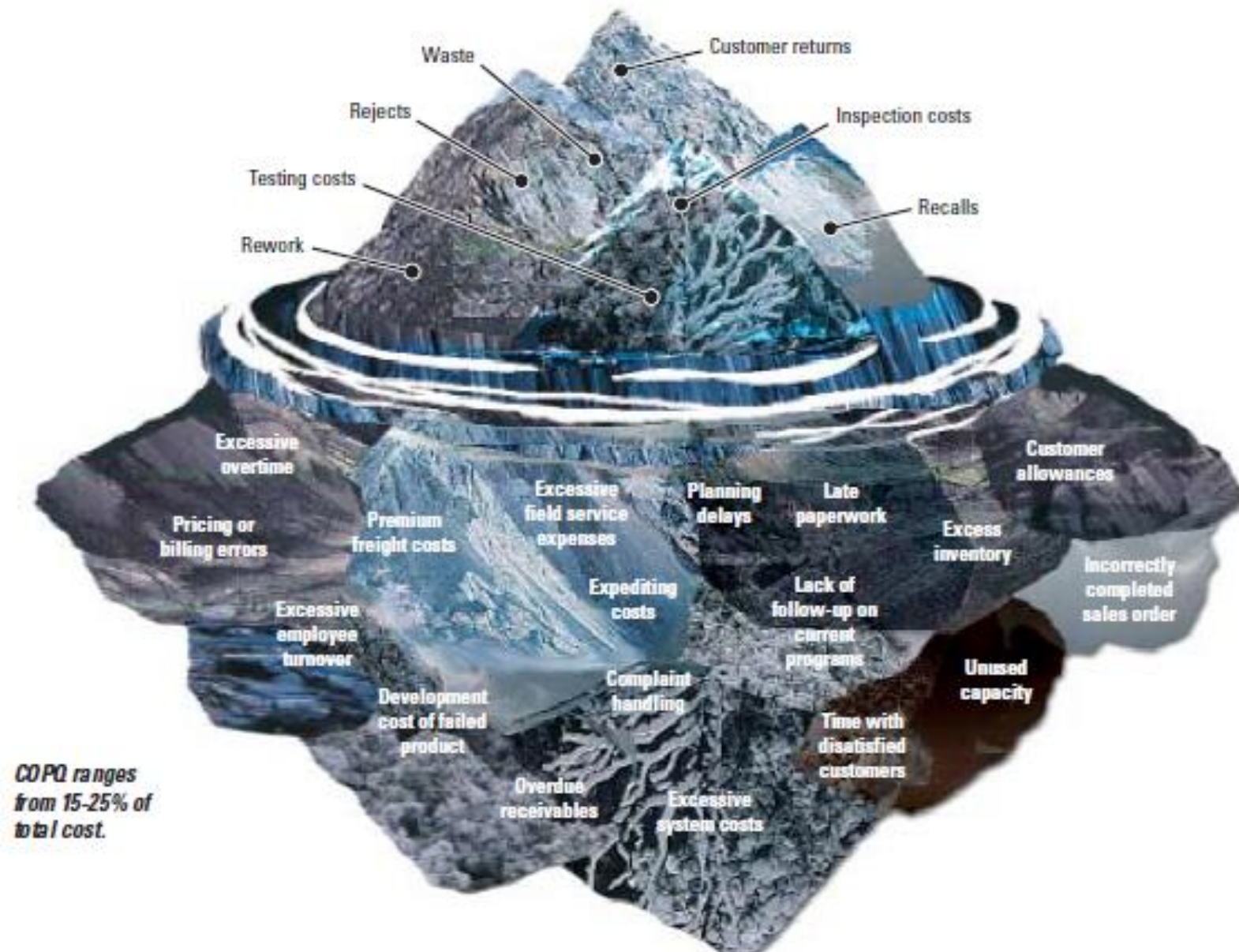
FIGURE 2 Cost of Poor Quality (COPQ)



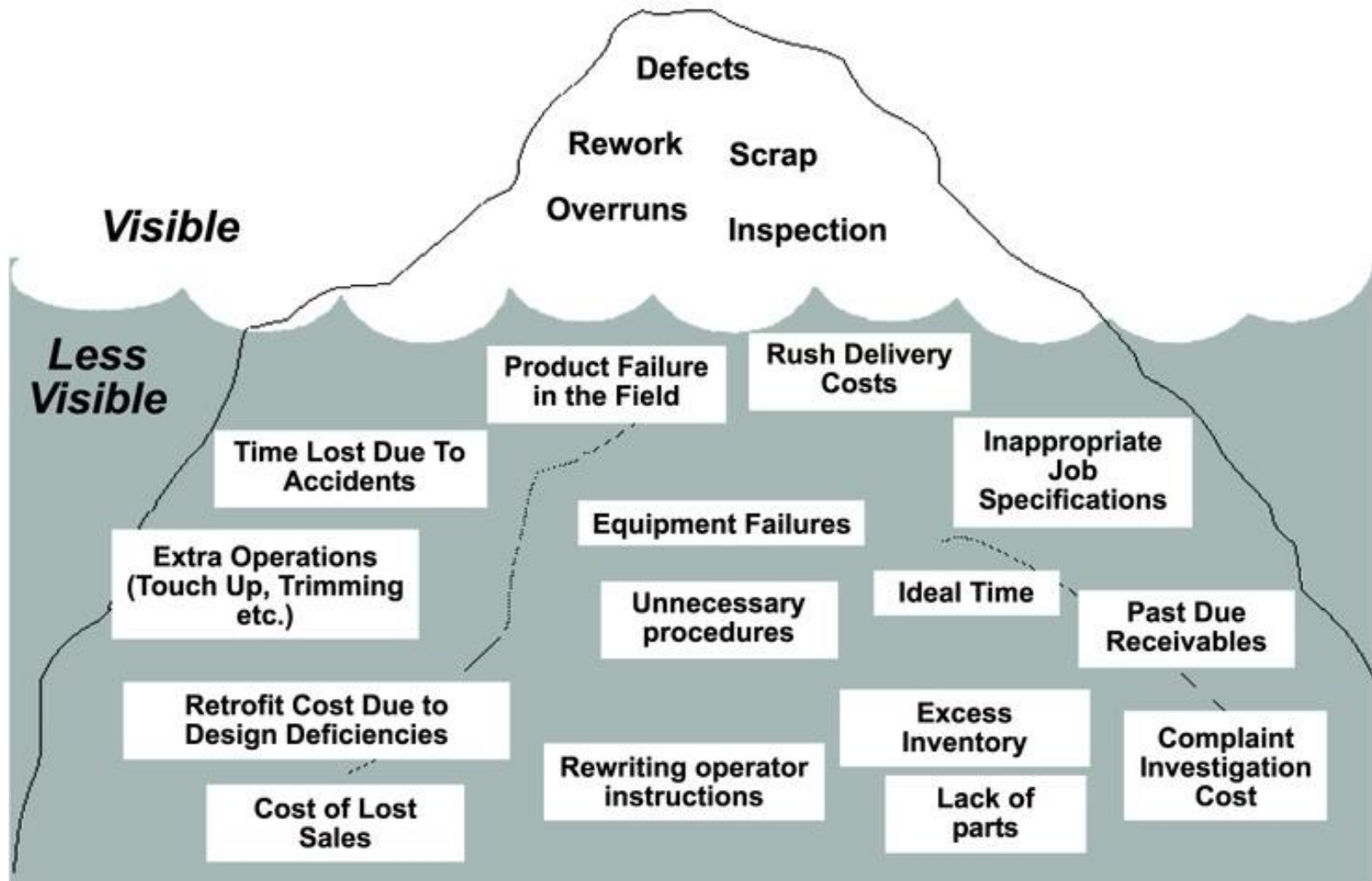
Source: DeFeo, Joseph A. 2001. The Tip of the Iceberg. *Quality Progress* May 2001.

FIGURE 3**Cost of Poor Quality (COPQ)**

As a company gains a broader definition of poor quality, the hidden portion of the iceberg becomes apparent:



Tip of Iceberg: Another View



Source: <https://www.pinterest.com/pin/195625177534271117/>

The Need for Evaluation

- ▶ Reduction in quality cost has a direct bearing on the increase in profitability, without increasing sales or without deploying more resources
- ▶ Quality cost information help identify costs that cut across the departmental lines such as scrap, rework and field failures
 - ▶ These costs are underestimated when reporting is by department
- ▶ Quality cost information help identify opportunities for reducing customer dissatisfaction



Comments

- ▶ Read concluding remarks on page 184



References

- ▶ Besterfield, Dale H. and others. 2019. *Total Quality Management*, 5th edition. Pearson India

