



Quality Cost requirements and their economic impact

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The competitive pressures facing firms in today's environment have led to increasing reliance on quality-oriented, results-based improvements. As a way of meeting the challenges they're facing today, organizations throughout the world have made quality a priority in the form of total quality management (TQM), continuous improvement (CI), and similar initiatives. Organizations' ability to measure costs related to quality has, thus, become a necessity. However, the quality concept is still somewhat vague to many people and many companies. One way to make it more concrete is to calculate quality costs in order to understand quality and to see which areas should be prioritized in the quality improvement work.

This project was born from the need of the management in knowing the quality costs and was developed in the Faculty for Factory (FFF) program. This study was carried out over a three months period in a facility located in the southern Jordan. Chemical & Mining Industries Co., Ltd. (CheMiCo) produces 12 different products essential to industrial, construction and mining applications and is sold locally and regionally. This project makes an attempt to map out the quality costs of a local company and seeks to illustrate some of the issues which emerged from a study in a manufacturing environment. During the course of the study it became evident that the company's quality maturity was relatively low. Based on the calculated quality costs, areas of potential improvement are suggested to the management. Company's improvement efforts can be directed to where they make the best use and where they should focus ongoing efforts. Experienced benefits and difficulties are then discussed.

Key findings have been selected to illustrate the changes made throughout the study and the main conclusions of the research. These include: evidence of a growing awareness of the importance of the "customer", internal as well external; the study showed that changes made had improved the overall performance and quality of the case company. Quality costing can be a very successful method to influence the management of the company to give quality more attention and is a way for people who never worked with quality matters to understand the benefit of working preventive and not only repairing problems that arise.

The major learning outcome was that it is not enough to concentrate on either processes or human resource issues: both are interrelated and should be dealt with concurrently. These issues should be linked to broader business goals for improvement. The business goals might be lower costs, improved profitability or increased market share. This study provides a new insight into company practice, useful not only for academic research, but also for use by industry.

Key Words: Quality cost, total quality management), continuous improvement