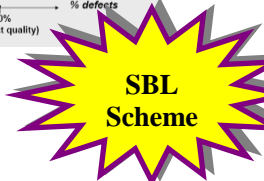




# COST OF QUALITY (COQ) (PUBLIC / IN-HOUSE TRAINING PROGRAMME)



## Introduction

**C**ost of Quality (COQ) is a way to measure the cost of waste, rework and customer dissatisfaction in your business. By knowing these costs, the organization has a tangible measurement of financial gains that can be made by improving quality, reducing mistakes and making things right the first time.

In actuality, COQ is really more a measure of the Cost of POOR Quality and often you will see the COQ expressed as COPQ. After all, if there were no defects or rework, there would be no costs associated with them.

Cost of Quality is a comprehensive measure that is made up of the cost spent preventing problems from happening in the first place, the cost of finding or detecting problems before or after they occur, and the cost of failures which can be found before they get out to the customer (internal failures) or they can be found by the customers (external failures).

Cost of Quality provides an excellent means to measure and track costs associated with poor quality, quality improvement and quality control. But, it requires commitment from a wide range of functions throughout an organization. These groups need to have a common understanding of COQ and need to work together to establish meaningful measures. Cost of Quality training assures the team responsible for Cost of Quality is all on the same understanding.

**Also available as in-house programme**

## Learning Outcomes/Objectives

**U**pon completing the training, team members will be able to work together to identify sources of COQ data, agree on standards for approximation values and develop a plan for regular COQ reporting. Participants will also be able to use the data to identify and prioritize improvement projects :-



## **CQE Training & Consultancy Plt** (Reg No. : LLP 003668 LGN)

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- Understand the COQ methodology
- Identify major cost components related to the Cost Of Non-Conformance (CONC) and Cost Of Conformance (COC)
- Explain how to identify, collect cost and COQ information
- Analyze the obtained COQ information and relate this data to possible solutions that reduces COQ in your organization.

### Program Contents

#### **Introduction & Basic Concepts of COQ**

- Business case for quality
- Impact of quality improvement program
- Link between quality costing and profits
- Why are quality costs important?
- Why measure COQ?
- What is COQ?
- COQ iceberg model
- COQ and Lean & Six Sigma
- COQ program management
- Key steps in setting up a COQ system
- Preparation
- Four phases of a COQ system

#### **Phase 1: Identifying COQ Items**

- PAF model
- Prevention costs
- Appraisal costs
- Failure costs
- Internal and External failure costs
- Seven types of waste
- Checklists
- Guidelines for identifying COQ items

#### **Phase 2: Collecting COQ Data**

- COQ data source
- Quality costing
- Example calculations of Failure cost, Appraisal cost and Prevention cost
- COQ scorecard and indices
- Process flow for COQ reporting
- Collecting and reporting COQ data
- Role of Finance and line managers/supervisors
- Practical guidelines



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### **Phase 3: Analyzing COQ Data**

- Selecting quality cost bases
- Trends analysis
- Pareto analysis
- Variance analysis
- SMART criteria
- Set targets for improvement
- Case study

### **Phase 4: Reducing COQ & Improving Quality**

- Reduce COQ through quality improvement programs
- Tools and techniques
- PDCA problem solving
- System for quality is prevention
- Some results from industries
- Sustaining COQ

### **Who should attend**

**M**anagers, Engineers, Executives, Quality Practitioners and any member of an organisation who is from Process, Research and Development, Quality and Production will find this course relevant and beneficial to their job function.

### **Methodology**

**T**he program would be conducted by using the following materials / aids :-

- Course Notes
- OHP / LCD
- Case Study & Workshop
- Lecturettes

### **Duration**

1 day

### **Participants**



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**M**ax ~25 pax (please brings along basic calculator, computer facilities installed with MS Excel software)

**Why Are Quality Costs Important?**

Michael E. Porter on Competitive Advantage.

		Competitive Advantage	
		Cost	Differentiation
Competitive Scope	Broad Target	Cost Leadership	Differentiation
	Narrow Target	Cost Focused	Differentiation Focused

**Vicious Cycle of Poor Quality**

No Time To Look For Real Solutions → High Defects → Poor Quality → Unhappy Customer → Extensive Reworking → Fire-Fighting → No Time To Look For Real Solutions

**Reducing The Cost Of Quality**