

# Chapter 1

## QUALITY COSTS: A COMPARISON OF TWO CASE STUDIES<sup>1</sup>

İlker KEFE<sup>2</sup>, İrem. KEFE<sup>3</sup>, Veyis Naci TANIŞ<sup>4</sup>

### Introduction

Successful cost management is essential to the stability and long-term health of any business, as it provides guidelines and systems for the optimal use of resources and highest level of quality and productivity at the lowest possible cost. The costs associated with the maintenance, improvement or remediation of the quality of a company's goods or services are one of the essential elements of its financial planning and control, which is why various methods have been developed to effectively manage this function.

Quality excellence has been recognised as a competitive advantage for manufacturers and service providers around the world. However, as Chopra and Singh (2015) point out, numerous quality-related costs are incurred in the processes required to establish and maintain high standards. Raßfeld, Behmer, Dürlich, and Jochem (2015) explain that organizations, therefore, establish and implement various management systems to ensure that customers are consistently satisfied and these assist in the planning, control and consistent improvement of quality in the business. Analysis of past experiences, present situation, and future-related expectations of a company can affect development of its future (Kara, 2018).

Companies will be able to stand if they can offer products in line with customer demands and needs in order to achieve competitive advantage (Türk & Kara, 2018). The economic viability of quality has increasingly come under scrutiny, as managers are pressured to balance the costs of resources, time and equipment of quality maintenance with overall profitability. The benefits of every quality-related practice must outweigh the quantified costs or it is likely to be rejected in the economic analysis by management. Similarly, Uyar and Neyis (2015) assert that the expenses of quality studies also need to be calculated and weighed against their long term contributions. Indeed, the quantification and analysis of quality-related costs to a company are central tools in any effective quality management system (Jaju, Mohanty & Lakhe, 2009; Rosenfeld, 2009; Šatanová, Závadský, Sedliačiková, Potkány, Závadská & Holíková,

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<sup>2</sup> Assistant Professor, Osmaniye Korkut Ata University, ilkerkefe@osmaniye.edu.tr

<sup>3</sup> Assistant Professor, Osmaniye Korkut Ata University, iremkefe@osmaniye.edu.tr

<sup>4</sup> Professor, Çukurova University, veyisnaci@cu.edu.tr

prising two years; therefore, the results of this study cannot be generalized. Besides, findings in this study may be helpful for other similar companies. A new study can be done with more companies, sectors, and time periods.

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