

ABSTRACT

Cost of Quality (COQ) has been regarded as an effective tool to contribute to achieve customer satisfaction and profits. This study explored the key issues of COQ reporting among manufacturing organizations in Malaysia. Present competitive global business environment and customer expectation for high quality product at competitive prices has initiated this study to determine the awareness level and adoption rate of COQ reporting among manufacturing organizations in Malaysia.

The manufacturing organizations for this study were picked through stratified random sampling technique, using the Federation of Malaysian Manufacturers (FMM) Directory, 2009. The questionnaires were distributed via email and directly to the respondents and earned usable response rate of 33.9%.

The findings revealed that the adoption rate of COQ is still considered low (39.3%) and lack of awareness on concept and principles of COQ has been identified as the main reason for not adopting to COQ reporting among manufacturing organizations in Malaysia.

The main objectives for organizations to adopt COQ reporting are to reduce failure rate, increase product or service quality, increase company's competitiveness, to promote product or service quality as business parameter and to create more comprehensive quality system. However, implementing COQ reporting did not come easy as these organizations encountered difficulties such lack of cooperation from other department, difficulties in getting particular financial data and lack of participation.

After going through all the obstacles, COQ reporting benefited these organizations in by increasing product or service quality, reducing company failure rate and costs as well as by enabling identification of quality improvement initiatives.

This study concluded that COQ reporting is capable of improving overall performance of manufacturing organizations in Malaysia.

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