

Towne Meeting on Fixing the Recurring Cost of Bad Quality: Practical Solutions and Useful Innovations from Labs Like Yours

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Program Objectives

After this program, you will be able to:

- List the types of quality costs with laboratory examples
- Use the ideas presented by colleagues to remove failure costs from your laboratory
- Access resources for more learning on quality costs

What's the
cost of quality
in YOUR
laboratory
?

Four Types of Quality Costs

- Prevention
- Appraisal
- Failure
 - Internal
 - External



Prevention Costs



- Quality planning
- Work process training
- Initial competence assessment
- Supplier capability
- Preventive maintenance
- Process validation of verification
- Quality improvement
 - Meetings
 - Projects
 - Education
 - Training

Prevention is Proactive

**Your laboratory pays *only one time*
for prevention –**

**but it *pays many times* to
resolve recurring problems!**

Appraisal Costs



- Surveying customers and users
- Ongoing competence assessment
- Calibrating measuring equipment
- Sample inspections at
 - Receipt
 - Examination
- Performing, reviewing QC
- Proficiency testing
- Measuring quality indicators
- Internal audit program
- External laboratory accreditation inspections

Summary of Prevention and Appraisal Costs

“It’s cheaper to do the job right the first time than to recover from an error.”

Philip Crosby

**You can identify
prevention and appraisal costs
on your operating budget !!**

Internal Failure Costs

Before delivery of results
or report



- Preexamination sample problems
- Insufficient or expired reagents or supplies
- Rework, repair, retesting, reinspection
- Wasted blood and components
- Downtime
 - Computer systems
 - General unavailability of services

External failure costs

After receipt of results
or services



- Lost reports
- Report recalls
- Customer or user complaints
- Misdiagnoses
- Lawsuits

Summary of Failure Costs

“Companies rarely have a realistic idea of how much profit they are losing through poor quality.”

Schiffauerova A, Thompson T. A review of research on cost of quality models and best practices. *International Journal of Quality and Reliability Management*, Vol.23, No.4, 647-669, 2006.

**You do not have line items
for internal and external
failure costs
on your operating budget !!**

**How much money
does your laboratory
spend on...**

...supporting good quality?

...resolving problems and errors?

Now....
Let's Hear From
Labs Like Yours !!

New Resource!

CLSI QMS20-R



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QMS20-R

Understanding the Cost of Quality in the Laboratory; A Report



This report provides guidance to a laboratory in understanding and managing the different types of quality costs that affect processes, services, and financial well-being.

A CLSI report for global application.

- Monograph on quality costs
 - Concept of quality costs
 - Types of quality costs
 - Effects on laboratory's budget
 - Quality-based costing using laboratory failure costs
 - *Worksheets for calculating quality costs*
 - *Quality reports for management review*
 - Action plan for transitioning to COQ culture
- New online learning program

Additional Resources

- Wood DC, mng ed. *Principles of Quality Costs*, 4th ed. Milw, WI: ASQ Quality Press, 2013.
- Wood DC. *The Executive Guide to Understanding and Implementing Quality Cost Programs*. Milw, WI: ASQ Quality Press, 2007.
- Schiffauerova A, Thompson T. A review of research on cost of quality models and best practices. *International Journal of Quality and Reliability Management*, Vol.23, No.4, 647-669, 2006.
- Berte LM. *The Cost of Quality*. In: Harmening DM. *Laboratory Management Principles and Processes*, 3rd ed. St. Pete, FL, DH Publishing and Consulting, Inc. 2012.

Last Words

**“If you always do
what you’ve always done,
you’ll always get
what you’ve already got!”**

