

QUALITY – A GLOBAL PRIORITY EVEN IN THE CONTEXT OF THE WORLD ECONOMIC CRISIS

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Abstract: In a competitive environment, where the battle for market supremacy is severe, certain companies might face with serious problems due to the current context of the world economic crisis. Because the crisis phenomenon has become a disturbing factor in the progress of bussines activities, providing quality at the required standards is a sine qua non requirement. In time, many companies have tried to come up with cost reduction methods, spending a large amount of resources in order to achieve their strategic goals. For some companies, the cost of quality becomes a variable that must be downsized in order to obtain a more considerable profit. For other companies instead, quality is the key which makes the difference. So, the proper question is: Can quality be a reliable way to overcome the economic crisis? We will have to search for the answer in the present article...

JEL classification: M14, M41, M54

Key words: quality, crisis, costs, price, performance

1. INTRODUCTION

Quality is an issue ever discussed in literature, and yet, it still arouses interest especially in the current economic climate. Through time, the concept of quality was defined by many as: "fitness for use", "zero defect" or "customer satisfaction". One of the most important quotes of all times, in defining quality, was said by William A. Foster (1917–1945) "Quality is never an accident; it is always the result of high intention, sincere effort, intelligent direction and skillful execution; it represents the wise choice of many alternatives". In fact, quality should become an anticipation system focused on preventing defects, rather than correcting them. In this way, a simplistic approach of the problem and a much lower quality cost, it is based on the saying "prevention is better than cure". The goal of prevention leads to a carefully tracking of all phases of the product design to suppress defects as soon as possible. In the same direction, the company will be related to product quality and effort should be transmitted to a continuous improvement of manufacturing processes, methods and procedures used. In other words "if we want to get good fruit, we must take care of tree and its environment".

Taking into consideration the assertions made, the creation of a company should be equal to provide clients a product or service which would correspond to customer needs. If we take a good look around, today we see a very dynamic business

environment, which requires managers to impose a particular set of qualities including skills and flexibility in defining quality in the context of world economic crisis.

2. OBJECTIVES

The purpose of this paper is to present an overview about the necessity of promoting quality. In order to face a crisis period, the present study propose a revolutionary management strategy in quality assurance and cost reduction. In fact, this is also the large companies` approach. The quality-price ratio should make the difference in crisis times. More than ever, in order to survive in the existing context, a company must consider carefully its own steps, because it is obvious that a potential client will think twice whether to buy a very expensive product or a doubtful quality product.

3. METHODOLOGY

The present study is based on data and information collected and processed in order to achieve a work of reference regarding quality. Therefore, the main references for this purpose consist in published and unpublished materials, books, ongoing academic working papers and the world wide web. The collected data may be processed and analyzed in order to make the present study useful to readers, interested parties and to add more value to an interesting and challenging topic.

4. ANALYSES

It is obvious to see that, nowadays enterprises are facing many crises, and economic crisis is the most significant. Through economic crisis, some companies are facing also a quality product crisis because of the multiple problems that occur on this area of interest. Finally, the quality crisis can lead to functioning problems and poor image of the enterprise. The basic exchange value between the company and clients are the manufactured good which not only link the consumer needs, but also draw plentiful media`s attention. Therefore, if an enterprise produces a defective product which is impossible to meet customer`s explicit or implied need, it is bound to suffer a lot in their market, especially for the services and goods deficiency which can directly affect people`s health, safety, even life. This negative influence can be fatal for the business.

The quality of products includes two aspects: product characteristics and sensory quality. Product characteristics covers physical, chemical, biological and other technological indicators, while sensory quality means customer`s judgment on the quality of the product according to their own needs, feelings and perceptions. The manufacturer one is the main stream of the product quality crises, because customers find easy quality deficiency in the product itself or from the daily supervision reports released by the relevant government departments.

Today`s existing market situation along with the economic crisis, forces companies from all over the world to increase their competitiveness by facing cost pressure. In time, many companies have tried to come up with cost reduction methods, spending a large amount of resources in order to achieve their strategic goals. For some companies, the cost of quality becomes a variable that must be downsized to obtain a more considerable profit. But, unfortunately, this out-of-date mindset (or at least it should be so) still dictates the action taken by some managers who, wishing to make savings, fall deeper and deeper into an abyss. Profit is important and necessary, but profit at the expense of quality spells disaster.

In fact, the idea of cost reduction is not a bad one, but it has been wrongly applied. That is way, nowadays, companies can easily lose money because they fail to take advantage of opportunities in order to improve their costs of quality. Actually, the hole idea is about eliminating waste from the manufacturing process. Like in the Figure no. 1, we can see that in the relation between Input, Process and Output waste it's involved.

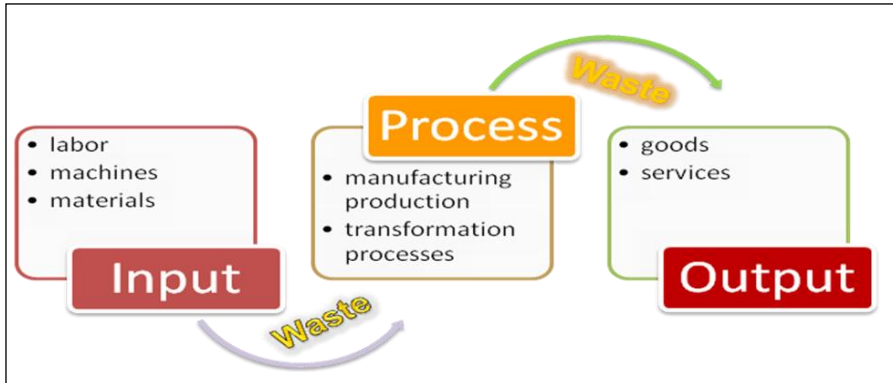
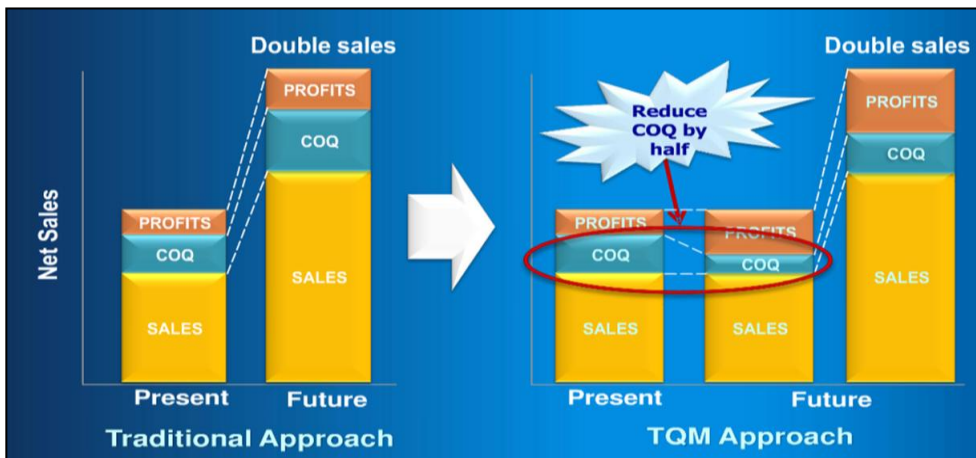


Figure no. 1

But what is waste and how is it defined? Waste is defined as anything that does not add value to the customer. It could also be defined as anything the customer is unwilling to pay for.

Even more in these hard times of economic crisis, companies goal is to eliminate waste, such as: waiting, processing, defects, transportation, motion, overproduction, excess inventory, which means less: capital equipment, floor space, operator effort, direct labor, indirect labor, inventory, lead time. In order to rationally eliminate waste in the work, environment requires a major shift in one’s understanding regarding waste. Once we realise a clear definition of waste to anything that does not add value to customer, we can change our mindset and see opportunity after opportunity for eliminating waste. The all concept is reflected in the figure bellow and reflects exactly the new approach on how can we reduce the cost of quality and aiming towards increasing the profit with a maximum of 100%.



Source: Reducing the Cost Of Quality (COQ) by Allan Ung, Operational Excellence Consulting

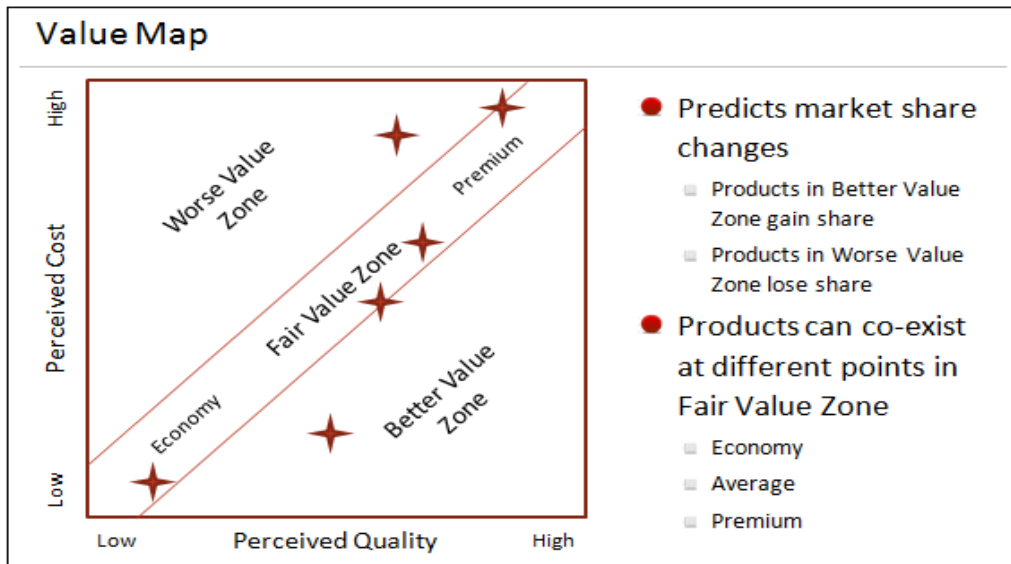
Figure no. 2

Naturally, in order to survive the economic crisis, some companies had to make great efforts to maintain their position on the market. Without taking rational decisions in establishing the priority about reducing costs, some units considered unproductive have been closed. Therefore, the design, development and implementation of a very strict financial programme must be taken into consideration in order to ensure the cost efficiency and to prevent useless expenses. In practice, the current measures consisted in revision of the acquisition policy and procedures and reduction of operational costs, which led to a vision based on an empirical analysis of cost-volume-profit relationship.

P. B. Crosby was sure that "...it is always cheaper to do the job right first time". According to Crosby's words, to be real effective, quality must become a process in which the company must have management responsibility to give impulse and sets everything in motion. This problem must inspire the whole team, in order to improve and solve potential unfavorable situations.

Improving product quality is a goal of the manufacturer, because in this way, they provide a competitive advantage. Normally, high quality means extra costs which the consumer will feel them on the product price. Therefore, the manufacturer must weigh all the needs and desires of consumers and improve quality only if supportation of a new price increase it's possible (by increasing the cost of quality). It is clear that between these two points (supplier and customer) we have a so called chain of quality, which must be uniform and equal, otherwise, it will produce unwanted fluctuations or even rupture. From this point of view, it is sufficient that one of the two rings to fail for the chain to break and not be attained. Because of the chain length, the probability is lower to obtain the same quality at the end and satisfy the final consumer, which is the last link.

Going further with analysis, we have to ask ourselves the following question: which is more important quality or price? In fact, this is an old and highly debated issue, which becomes even more important due to the current economic environment. Are companies willing to produce at a lower price, or better, consumers are accepting poor quality products? An relevant answer can be given by Figure no. 3.



Source: Value Map: Visualizing Competitive Quality & Price, by Jeffrey Henning, 2010

Figure no. 3

Like we already said, it is obvious that a potential customer will balance twice the decision of buying a very expensive or a low quality product. Customers want quality products and service in order to feel they are getting value for money, especially in these hard economic times. For a company which aims to maintain and increase its own market on crisis periods, cost control and price negotiations are crucial, so it has to be a win-win situation. The win-win strategy is often applied to negotiation between suppliers and customers at all levels. The ultimate goal in challenging situations like losing customers is to avoid conflict and to provide a win-win solution.



Figure no. 4

Consequently, there is a need to promote the quality both as simple consumers and as managers. The successful companies' vision resides in the promotion of the quality as a global priority, an organizational imperative and as their own ethics. All these represent the necessary steps that need to be taken for an appropriate transformation of the concepts about quality, but also of the multiple opportunities that it provides.

Currently, the large organizations tend to focus on how to acquire a key place on the market, such as quality. In order to fulfill this desire companies approach the „small steps” strategy based on kaizen principles. This strategy was intended to help enterprises in achieving the objectives of economic growth and also the preservation and maintenance of the organizational balance. This vision has already become a practical and required measure in the current conditions and the decisions at managerial level were made more carefully than in a situation of economic growth.

We don't have to see “quality” as a must and only focusing in developing quality products and services, but also as a experiences by engaging with customers and listening to their needs. As Paul Borawski, Chief Executive Officer of American Society for Quality (ASQ) said “Consumers and other businesses will seek to interact with those organizations whose commitment to quality is strongest, or in other words, those with which they are likely to find success and satisfaction”.

5. CONCLUSIONS

In conclusion, we can make the assertion that many companies in the world constantly promote quality as a core value of the customer scale, but also as a key concept of the entity, in the battle for market supremacy. Measuring and reporting

quality costs is the first step in a quality management program. Quality cost systems should have a continuous growth because activities consumes a lot of resources commonly used in companies. Thus, the information provided, by measuring the cost of quality in an economic entity, can be used to indicate major opportunities for correction and provide stimulants for continuous improvement, even in the context of the world economic crisis.

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