



Cost of Poor Quality

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What is Cost of Poor Quality?


According to www.isixsigma.com/dictionary/cost-of-poor-quality-copq.com

- Those costs that are generated as a result of producing defective material.
- This includes the cost involved in fulfilling the gap between the desired and actual product/service quality. It also includes the cost of lost opportunity due to the loss of resources used in rectifying the defect. This also includes all the labor costs, rework costs, disposition costs, and material costs that have been added to the unit up to the point of rejection. COPQ does not include detection and prevention cost.

Scrap

Rework


Warranty



Considerations on the measurement of COPQ - Tangible.....

- Scrap
 - How it affects purchasing decisions / contracts / environment
- Rework
 - How it affects operations / supplier base
- Warranty
 - How it affects our finances and bottom line

Ineffective use of People, Parts, and Process



Considerations on the measurement of COPQ - Intangible....

- Optics
 - Across the functional areas and Senior Leadership Team
- Confidence
 - How sure am I as a customer they will be able to maintain QCDS expectations?
- Flow
 - Employee disruption

How do you maintain and gain your customer's positive position and trust?



What does it mean to my peers / internal customers?

- Dan (Quality Manager)
 - Vs. “Cost of Quality” vs. poor execution of tools
- Andrew (Warranty Returns Manager)
 - “What (if any) amount is our customer willing to pay for QCD&S stability
 - “How do I work myself into another role?”
- Pat (VP Engineering)
 - “We need to design Products to perform in the presence of variability”
- Ed (CEO)
 - How it affects the bottom line and customer perception

Different threads to a common theme



What does it mean to me?

“The Three Amigos”

“The Forging Fiasco”



What does it mean to you?




What if.....

The “Cost of Poor Quality” was dramatically less than the “Cost of Perfect Quality”?

Is “Cost of Perfect Quality” even attainable?

We embraced Design For Manufacturing?



Some thoughts on reducing Cost of Poor Quality

- Sales Teams to tie the technical teams early
- What is current state
 - Make vs. buy
 - Does a common platform exist
 - How mature are the components / suppliers
 - Process / people capacity – is your system accurately capturing?
- Tie the functional areas together as soon as possible in the process
- Mitigate rework loop unless you will be compensated for it
- Reduce stacked tolerances / MFG challenges through vert. involvement
- Does the customer requirement compliment your strategic direction?



Thank you