

# **CPIM** CERTIFIED IN PLANNING AND INVENTORY MANAGEMENT

## **MODULE 8: QUALITY, TECHNOLOGY, AND CONTINUOUS IMPROVEMENT**

## Quality, Technology, and Continuous Improvement

- Section A: Quality
- Section B: Technology
- Section C: Continuous Improvement

# CPIM

CERTIFIED IN PLANNING  
AND INVENTORY MANAGEMENT

## SECTION A: QUALITY

## Section A Learning Objectives

- Quality and total quality management
- Juran's trilogy of quality planning, control, and improvement as quality framework
- Management's role in implementing quality initiatives
- Costs of poor quality and of appraisal and prevention
- Quality tools: basic seven and seven new tools

# Topic 1: Quality Planning and Assurance/Control

## Total Quality Management (TQM) and Quality

- TQM focuses on long-term success through customer satisfaction.
- Quality
  - Transcendent: an ideal
  - Product-based: low grade can be high quality
  - User-based: expectations, features, aesthetics, conformance to specifications, services
    - Reliability
    - Durability
    - Maintainability
  - Manufacturing-based: conformance to requirements and quality of conformance (past failures)
  - Value-based: value for money (competition, perceptions)

# Topic 1: Quality Planning and Assurance/Control

## Product Development Cycle with Quality at Each Step



## Objectives of TQM

- Long-term success through customer satisfaction.
- Meet customers' required product and service specifications.
- Minimize variation to degree possible because processes have central tendency with variations.
  - “Made to specifications” means only within upper and lower limits of what organization has determined to be acceptable.
  - Several components near opposite limits could cause problems with final assembly.

# Topic 1: Quality Planning and Assurance/Control

## Core Concepts of TQM

- **Management champions**

- Absolute commitment and funding.
- Mission, vision, culture.

- **Performance measurement**

- Evidence-based system.
- Lost customers hard to measure.

- **Involvement/empowerment**

- Cross-training, problem solving, root cause analysis.

- **Focus on customer**

- Quality
- Flexibility (agility)
- Dependability (resilience)
- Service
- Speed (lead time)
- Stability (low variability in specifications or measures)
- Cost

Find combination customer finds acceptable; continuous improvement can improve all at once.

- **Quality as source of competitive advantage**

- Quality is not added value; it is essential requirement.

# Topic 1: Quality Planning and Assurance/Control

## Juran's Trilogy

- Successful implementation of quality initiatives requires application of Juran's trilogy.
- Many organizations use trilogy as framework upon which to build quality initiatives.

### Quality planning

- Define your customers.
- Determine their needs.
- Define requirements for and develop your product/process/service/system requirements.

### Quality control

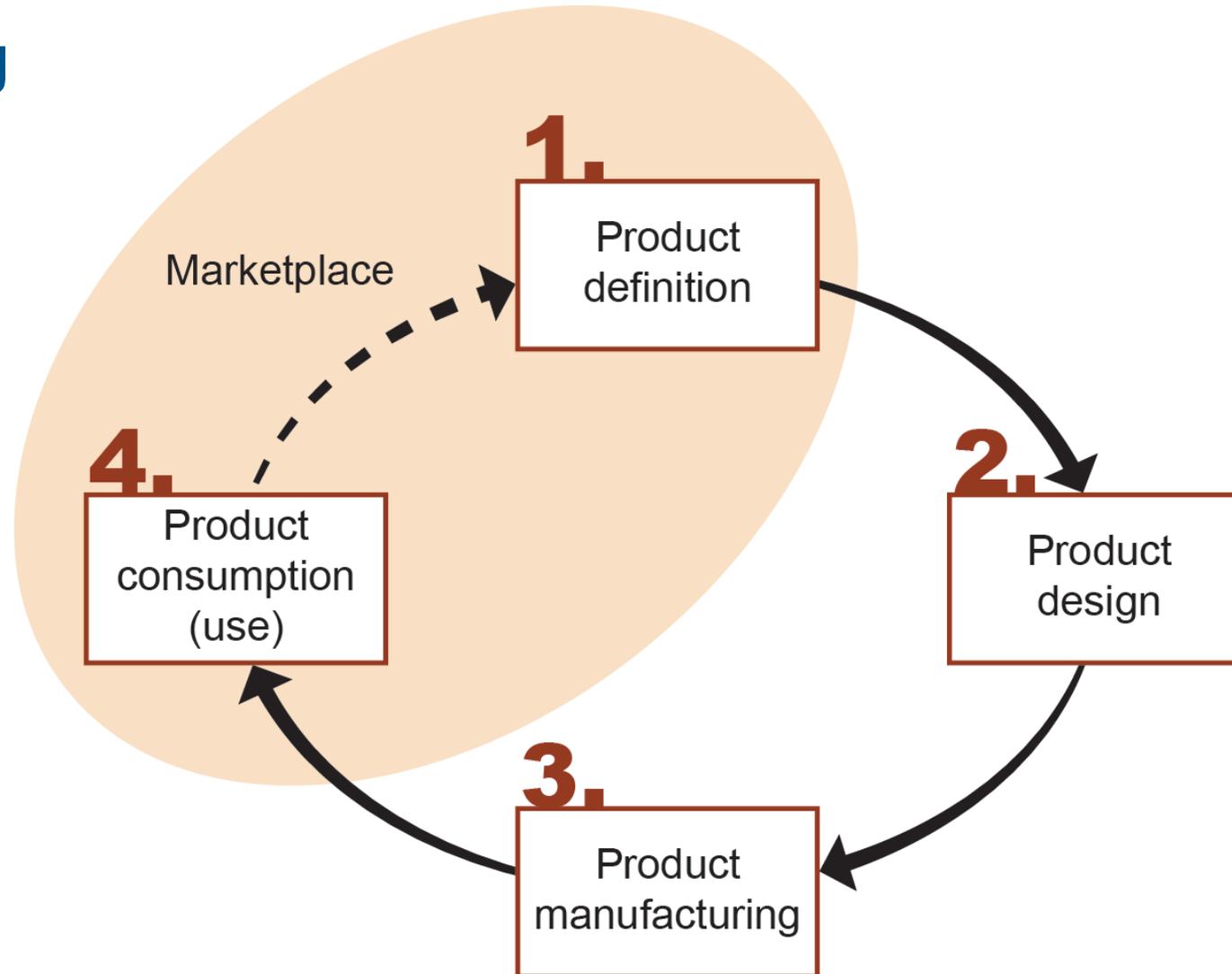
- Determine what needs to be measured.
- Set performance goal.
- Measure actual performance.
- Take action on gap.

### Quality improvement

- Repair
- Refinement
- Renovation
- Reinvention

# Topic 1: Quality Planning and Assurance/Control

## Quality Planning Cycle



# Topic 1: Quality Planning and Assurance/Control

## Quality Assurance/Control

- Quality assurance: Looks at process itself.
- Quality control: Ensures that process is applied correctly.
- These are not universally accepted distinctions.
- Purposes of quality assurance/control:
  - Meet standards consistently.
  - Maintain gains from improvement projects.
  - Promote analysis of process variation and identify improvements.
  - Clarify quality improvement team member responsibilities and achieve a state of self-control.
  - Validate that process outputs conform to quality requirements.

# Topic 1: Quality Planning and Assurance/Control

## Commitment to Quality Activity

- XYZ makes an electronic product. They find a defect in a batch that affects 10% percent of production. XYZ has two options: rework the defective components (requires 3 days) or rerun an entire batch (requires 5 days).
- Management of XYZ must consider presenting these two options to the component's primary customer, who uses it as the critical component in a line of products. The line sells at a premium over competitors' prices due to product quality and high market demand.
  1. What would you expect the customer's likely concerns might be regarding reworking as opposed to running an entirely new batch?
  2. What are the relative advantages for XYZ of reworking or running a new batch?

# Topic 1: Quality Planning and Assurance/Control

## Managing for Quality

| Quality Planning                                                                                                                                                                                                                                                                                                                                                                                      | Quality Control                                                                                                                                                                                                                                                                    | Quality Improvement                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Executed by senior leadership                                                                                                                                                                                                                                                                                                                                                                         | Executed by middle management                                                                                                                                                                                                                                                      | Executed by team leaders/employees                                                                                                                                                                                                                                                                                                                                                                                                      |
| <p>Example of quality planning for new product introductions:</p> <ul style="list-style-type: none"><li>▪ Determine goals.</li><li>▪ Identify customers.</li><li>▪ Determine customer needs.</li><li>▪ Build features that meet customers' needs.</li><li>▪ Develop processes that enable production.</li><li>▪ Determine process controls.</li><li>▪ Transition plans to operational team.</li></ul> | <p>Example of monitoring and controlling of process controls:</p> <ul style="list-style-type: none"><li>▪ Select control subjects.</li><li>▪ Measure actual performance.</li><li>▪ Compare actual performance against targets and goals.</li><li>▪ Act on difference(s).</li></ul> | <p>Example of project portfolio improvement process:</p> <ul style="list-style-type: none"><li>▪ Present and prove need with business case.</li><li>▪ Build project infrastructure.</li><li>▪ Specify and prioritize improvement projects.</li><li>▪ Initiate projects and select project teams.</li><li>▪ Ensure that teams have resources, training, and motivation.</li><li>▪ Implement controls that will maintain gains.</li></ul> |

## Management's Leadership Role

- Create a quality vision.
- Build a quality culture.
- Champion various types of change.
- Model leadership.
- Recruit the right people.
- Promote empowerment.
- Serve as change agents.
- Enlist middle management.

# Topic 1: Quality Planning and Assurance/Control

## Middle Management

- Provide employees with good feedback that includes
  - Being able to review feedback while in motion—at a glance
  - Dealing with only the important defects
  - Dealing with only defects they can control
  - Providing prompt information regarding symptoms and causes
  - Providing enough information to guide corrective action.
- See the actual work
  - Management by walking around (MBWA)

# Topic 2: Measuring Quality Costs

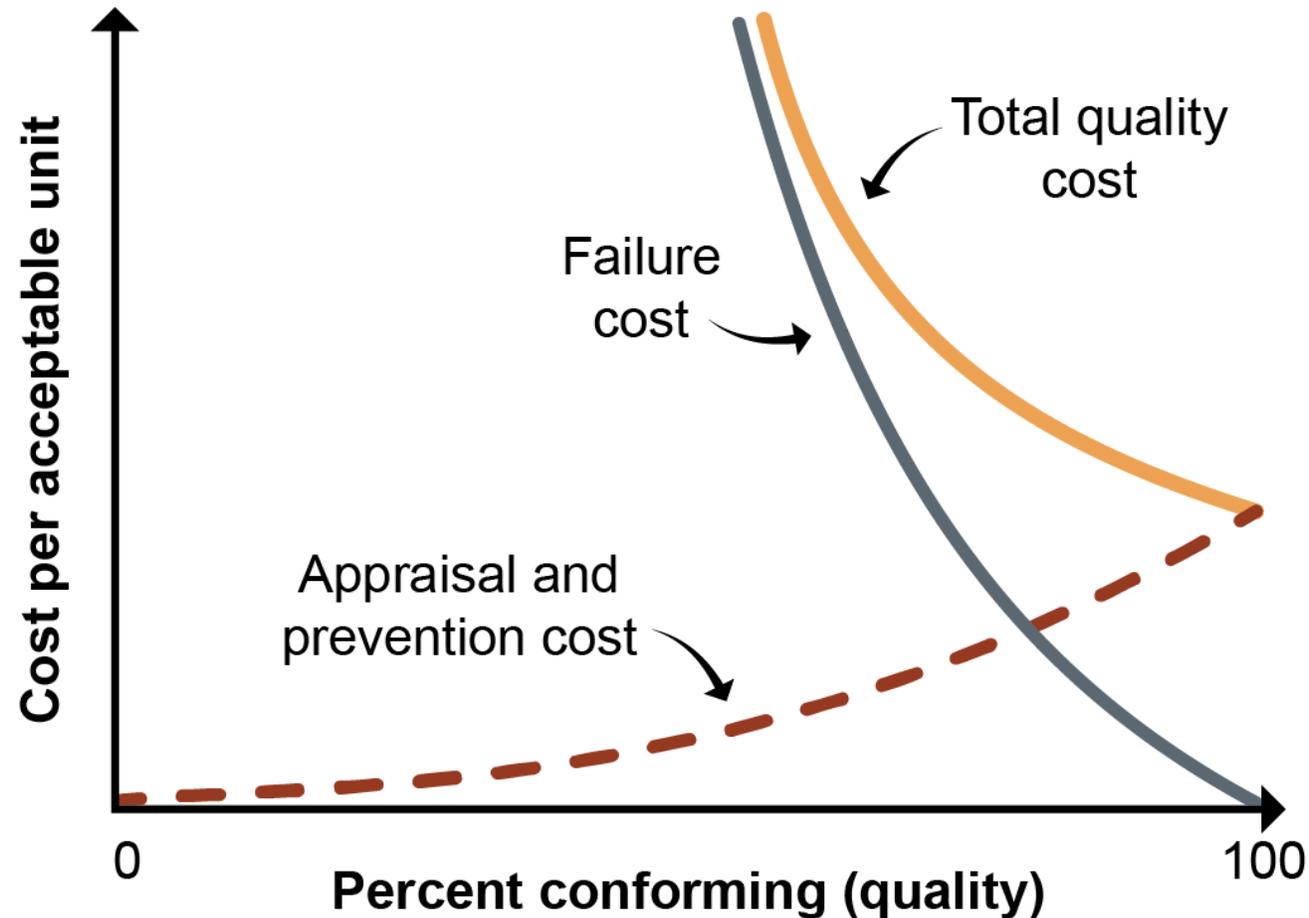
## Cost of Poor Quality

Not investing in quality is more expensive in long term. (Short-term, costs go up due to quality investment.)

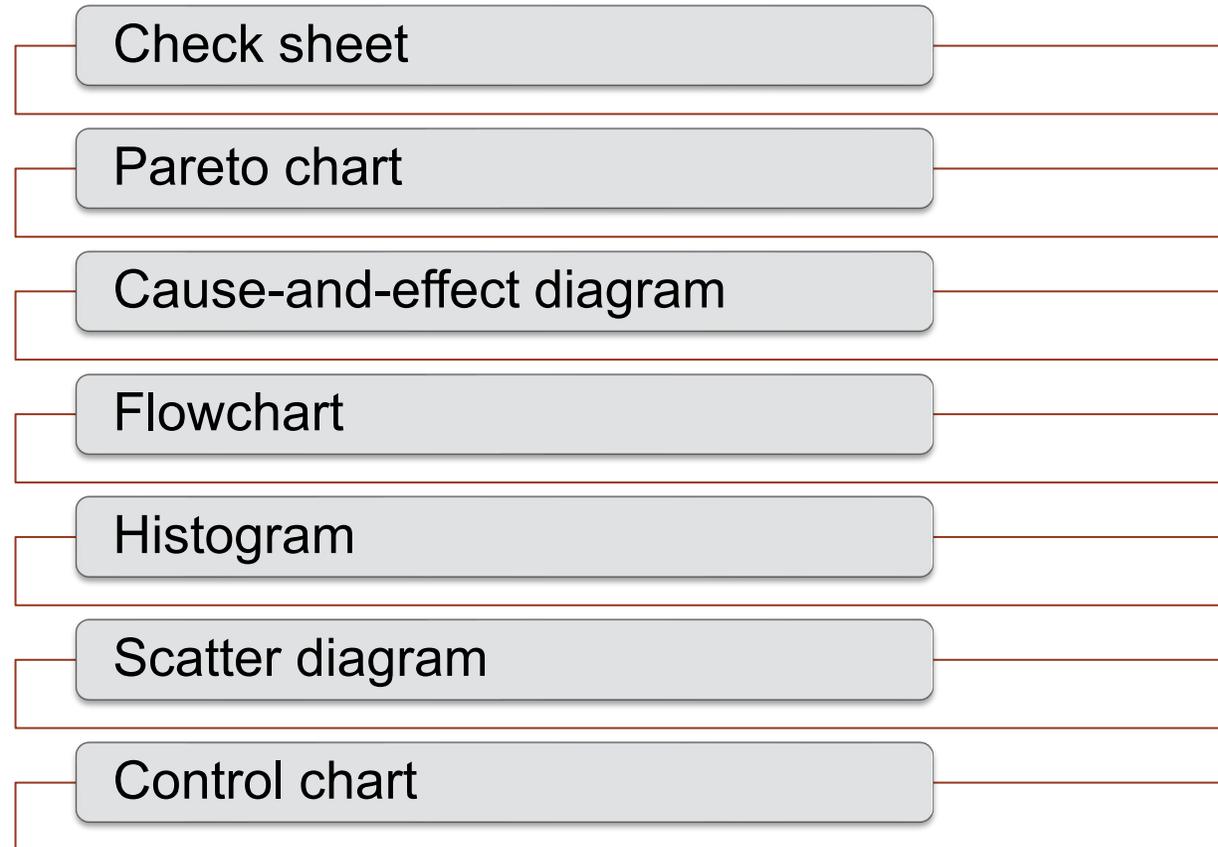
| <b>Costs of Failure</b><br>(~80% of quality costs if little prevention)                                                                                                                                                                                                                                                                                           | <b>Costs of Controlling Quality</b>                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>External failure costs</b></p> <ul style="list-style-type: none"><li>▪ After product reaches customer</li><li>▪ Warranty, returns</li><li>▪ Most expensive (lost customers)</li></ul> <p><b>Internal failure costs</b></p> <ul style="list-style-type: none"><li>▪ Before release</li><li>▪ Rework, scrap</li><li>▪ Long lead times or backorders</li></ul> | <p><b>Appraisal costs (lean: waste)</b></p> <ul style="list-style-type: none"><li>▪ Conformance to specifications</li><li>▪ Process conformance</li><li>▪ Finished good inspections</li><li>▪ Calibration</li></ul> <p><b>Prevention costs</b></p> <ul style="list-style-type: none"><li>▪ Reduce failure and appraisal costs</li><li>▪ Preventive maintenance</li><li>▪ Education, training, supplier certification</li></ul> |

# Topic 2: Measuring Quality Costs

## Optimizing Conformance and Quality Costs



## Basic Seven Tools of Quality (B7)



# Topic 3: Quality Tools

## Check Sheet

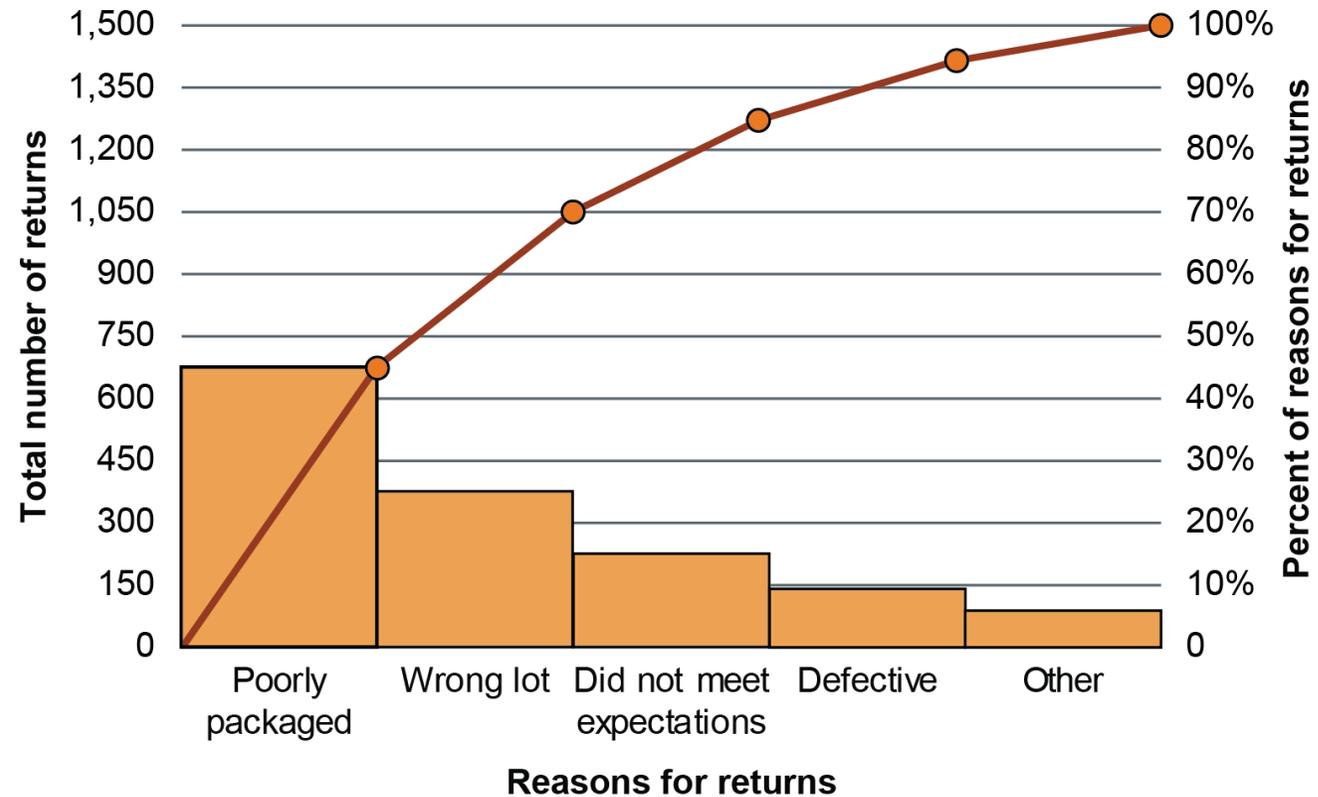
Records number of times particular event occurs; is interpreted using other tools.

|        | Missing parts | Wrong parts | Leakage | Dented | Wrong packaging |    |
|--------|---------------|-------------|---------|--------|-----------------|----|
| Mon.   |               |             |         |        |                 | 11 |
| Tues.  |               |             |         |        |                 | 8  |
| Wed.   |               |             |         |        |                 | 12 |
| Thurs. |               |             |         |        |                 | 6  |
| Fri.   |               |             |         |        |                 | 9  |
|        | 16            | 19          | 4       | 5      | 2               |    |

## Pareto Charting and Analysis

80-20 cut

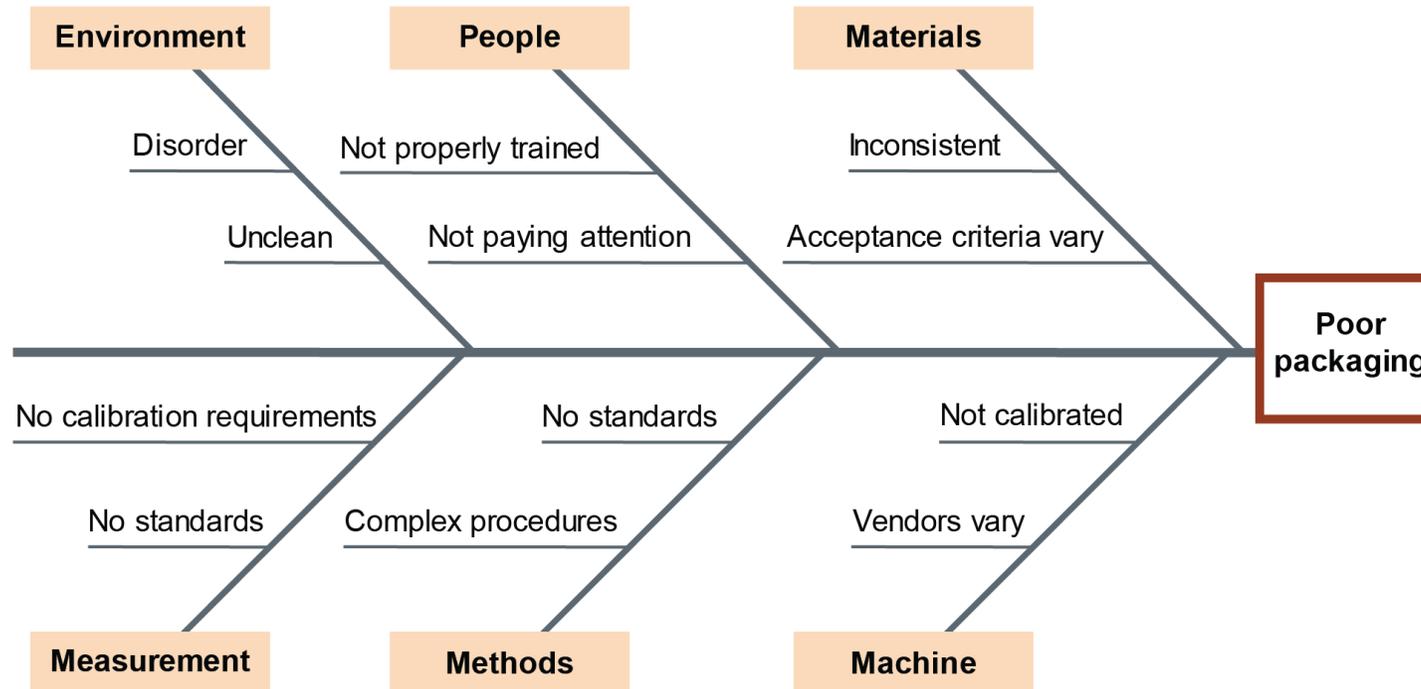
- Significant few
  - Here, first two are 70%.
- Trivial many
  - “Other” may be many.



# Topic 3: Quality Tools

## Cause-and-Effect Diagram

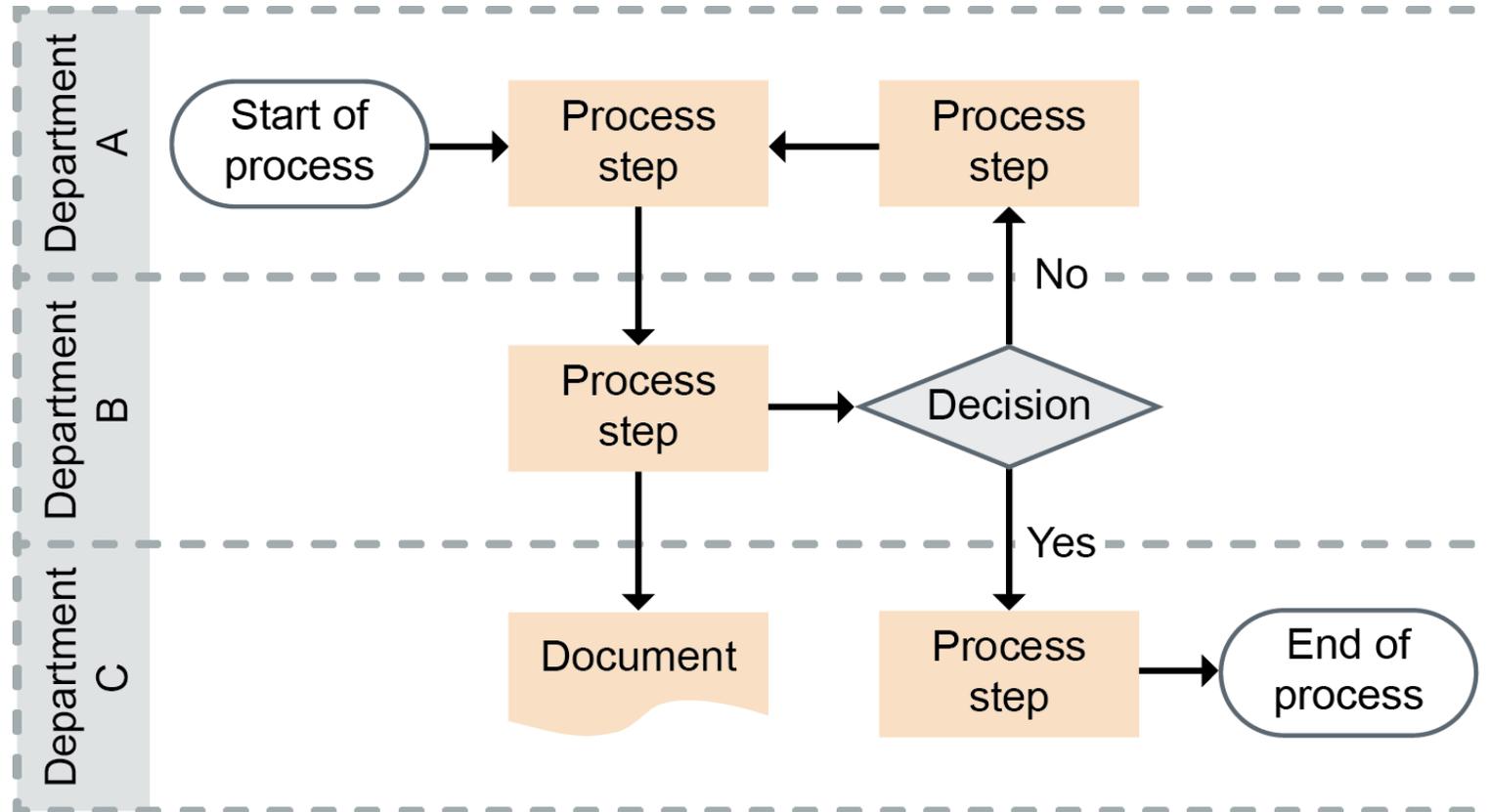
- Starts with effect and then identifies all possible causes.
- For all possible causes, ask “why” five times to get to ultimate cause of problem.



# Topic 3: Quality Tools

## Flowchart

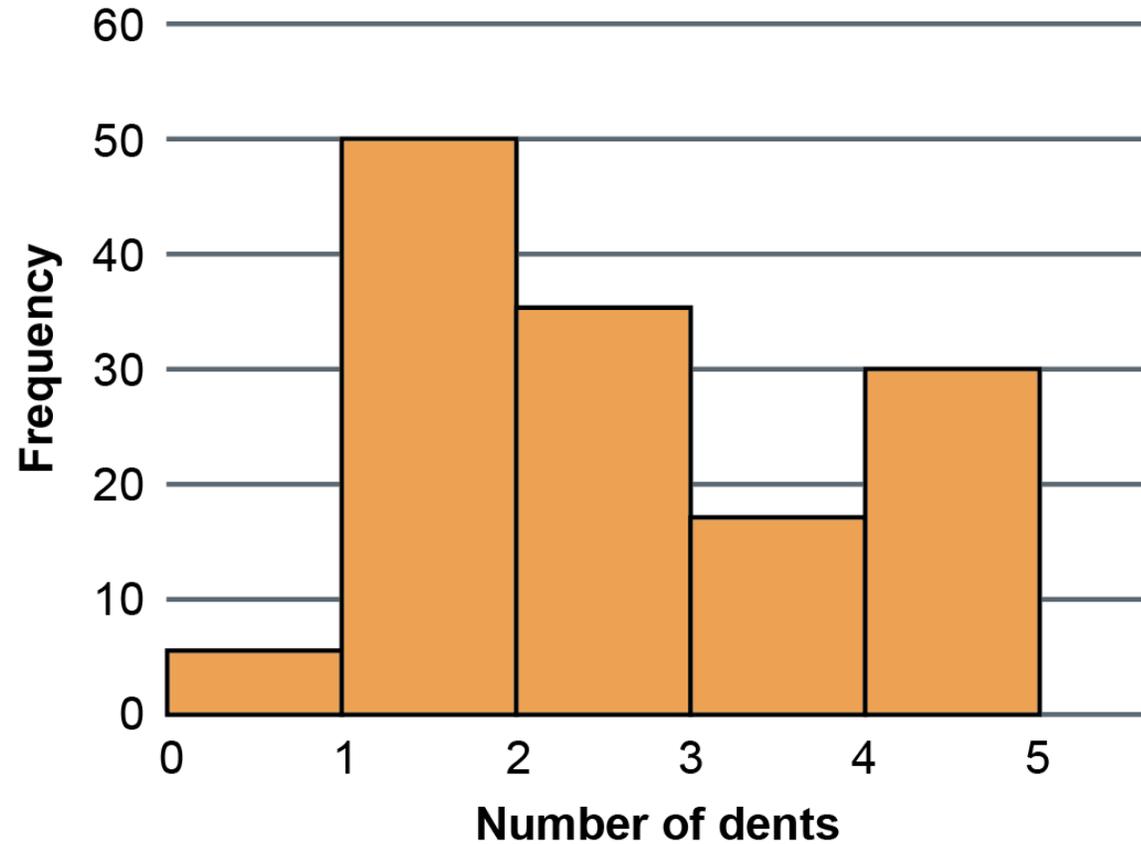
Studying flowcharts may reveal improvements.



# Topic 3: Quality Tools

## Histogram

- Vertical bar chart
- Frequency distribution
- Groups or classes
- Number of items per class
- Visualize actual data (not ranked)



# Topic 3: Quality Tools

## Product Quality Exercise: Specification is 140 mg ± 40 mg

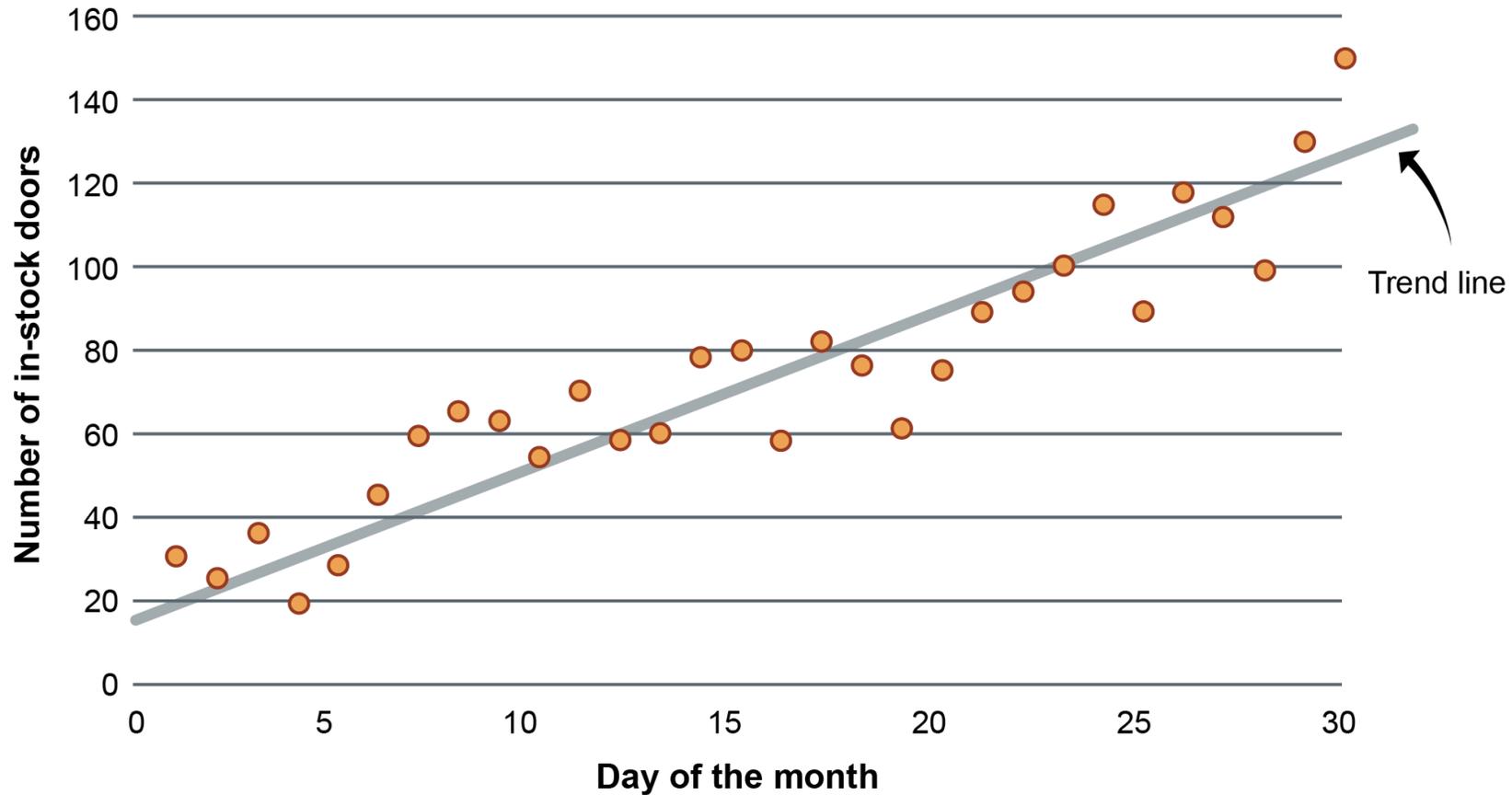
| Fill weight (milligrams) |     |     |     |     |     |     |     |     |     |
|--------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|
|                          | 150 |     | 140 |     | 170 |     | 160 | 130 |     |
|                          | 140 |     | 140 |     | 160 |     | 150 | 150 |     |
|                          | 160 |     | 150 |     | 150 |     | 160 | 140 |     |
| 5                        |     |     |     |     | X   |     |     |     |     |
| 4                        |     |     |     | X   | X   | X   |     |     |     |
| 3                        |     |     |     | X   | X   | X   |     |     |     |
| 2                        |     |     |     | X   | X   | X   |     |     |     |
| 1                        |     |     | X   | X   | X   | X   | X   |     |     |
|                          | 100 | 110 | 120 | 130 | 140 | 150 | 160 | 170 | 180 |

Milligrams

# Topic 3: Quality Tools

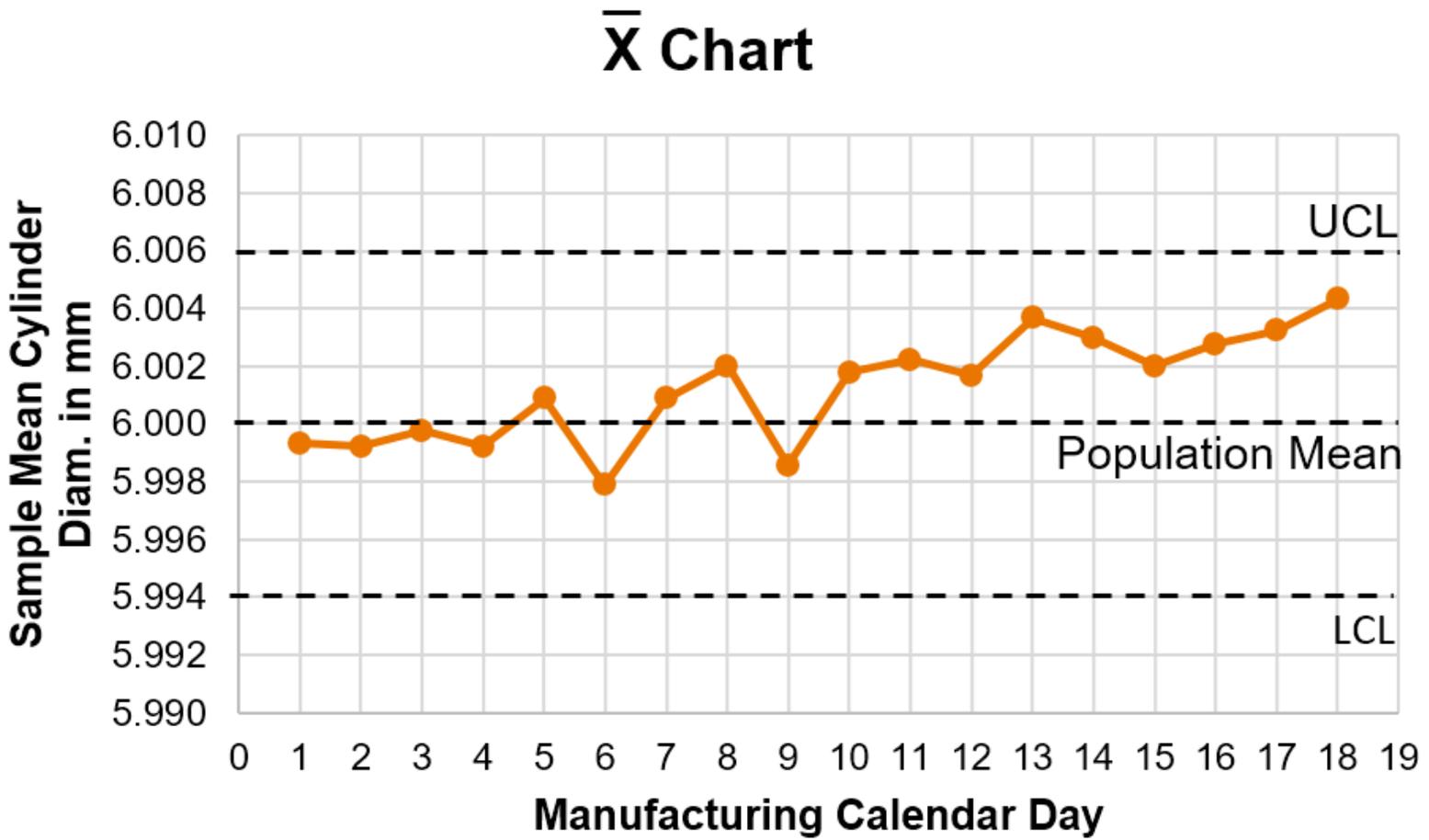
## Scatter Chart

Plots data against variables that form the chart's x and y axes



# Topic 3: Quality Tools

## Control Chart



# Topic 3: Quality Tools

## Seven New Tools of Quality (N7)

Affinity diagram

Relationship diagram

Matrix diagram

Tree diagram

Matrix data analysis  
chart

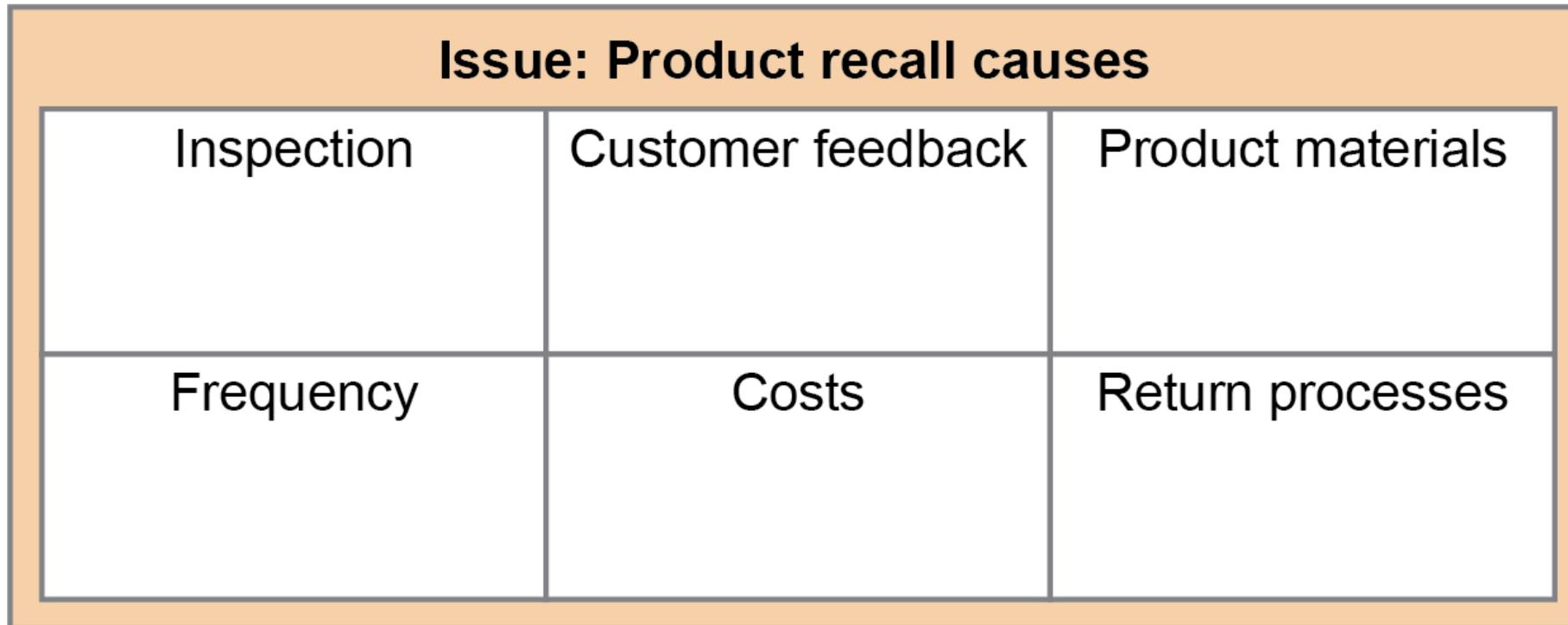
Process decision  
program chart

Activity network  
diagram

# Topic 3: Quality Tools

## Affinity Diagram

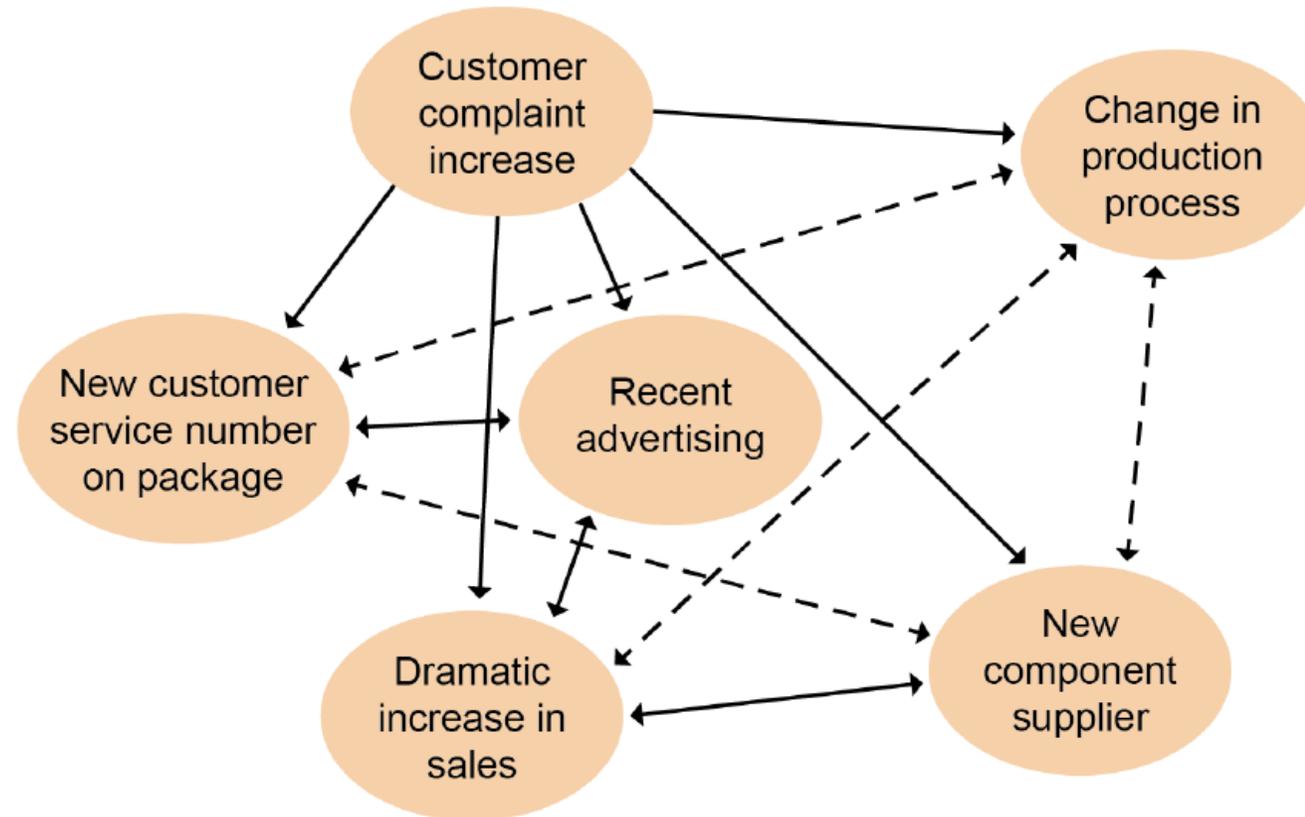
Useful for organizing many brainstormed ideas



# Topic 3: Quality Tools

## Relationship Diagram

Useful for evaluating complex linkages



# Topic 3: Quality Tools

## Matrix Diagram

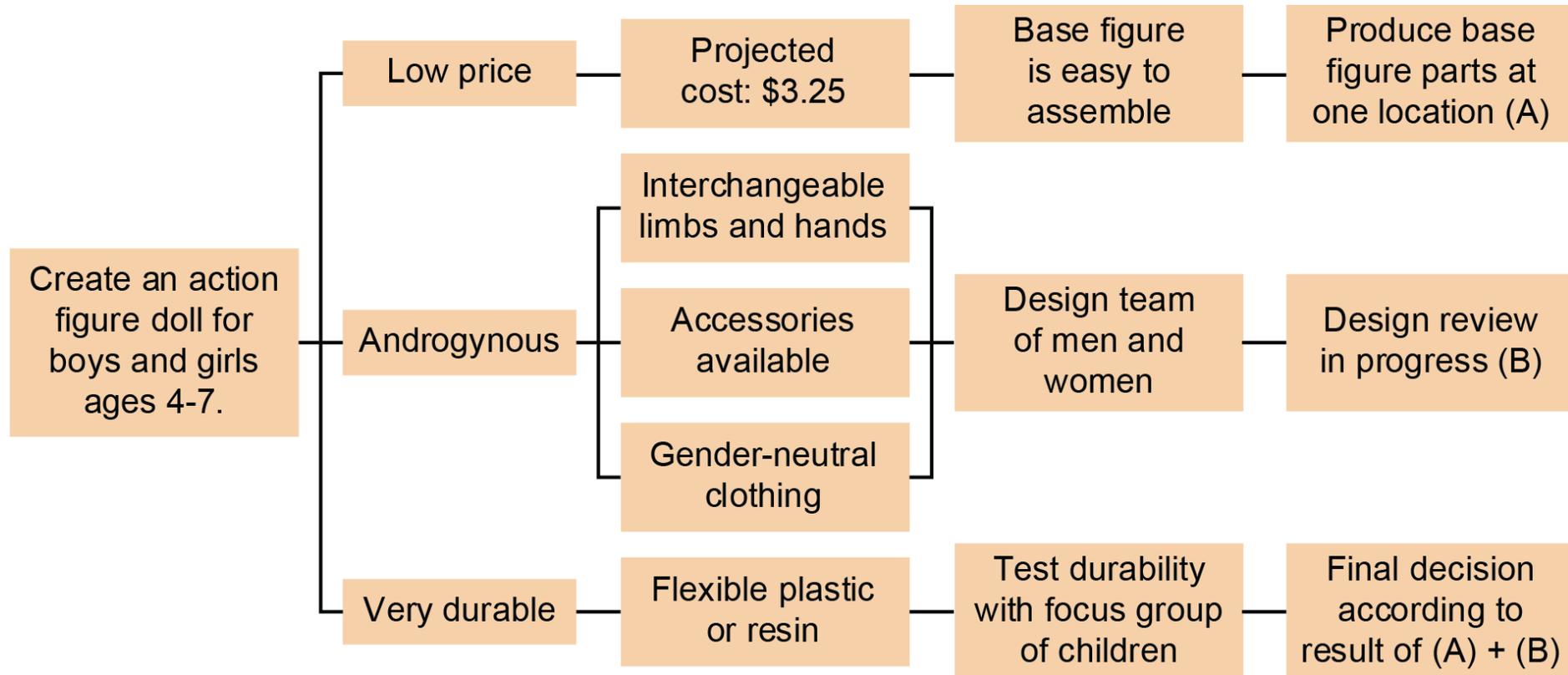
Shows relationships between groups of information

| Specification   | Customer A      | Customer B      | Customer C      |
|-----------------|-----------------|-----------------|-----------------|
| Width           | $\leq 0.789$ cm | $\leq 0.790$ cm | $\leq 0.785$ cm |
| Length          | $\leq 1.11$ cm  | $\leq 1.20$ cm  | $\leq 1.01$ cm  |
| Thickness       | $\leq 0.55$ cm  | $\leq 0.575$ cm | $\leq 0.545$ cm |
| Color (Pantone) | #127            | #130            | #129            |

# Topic 3: Quality Tools

## Tree Diagram

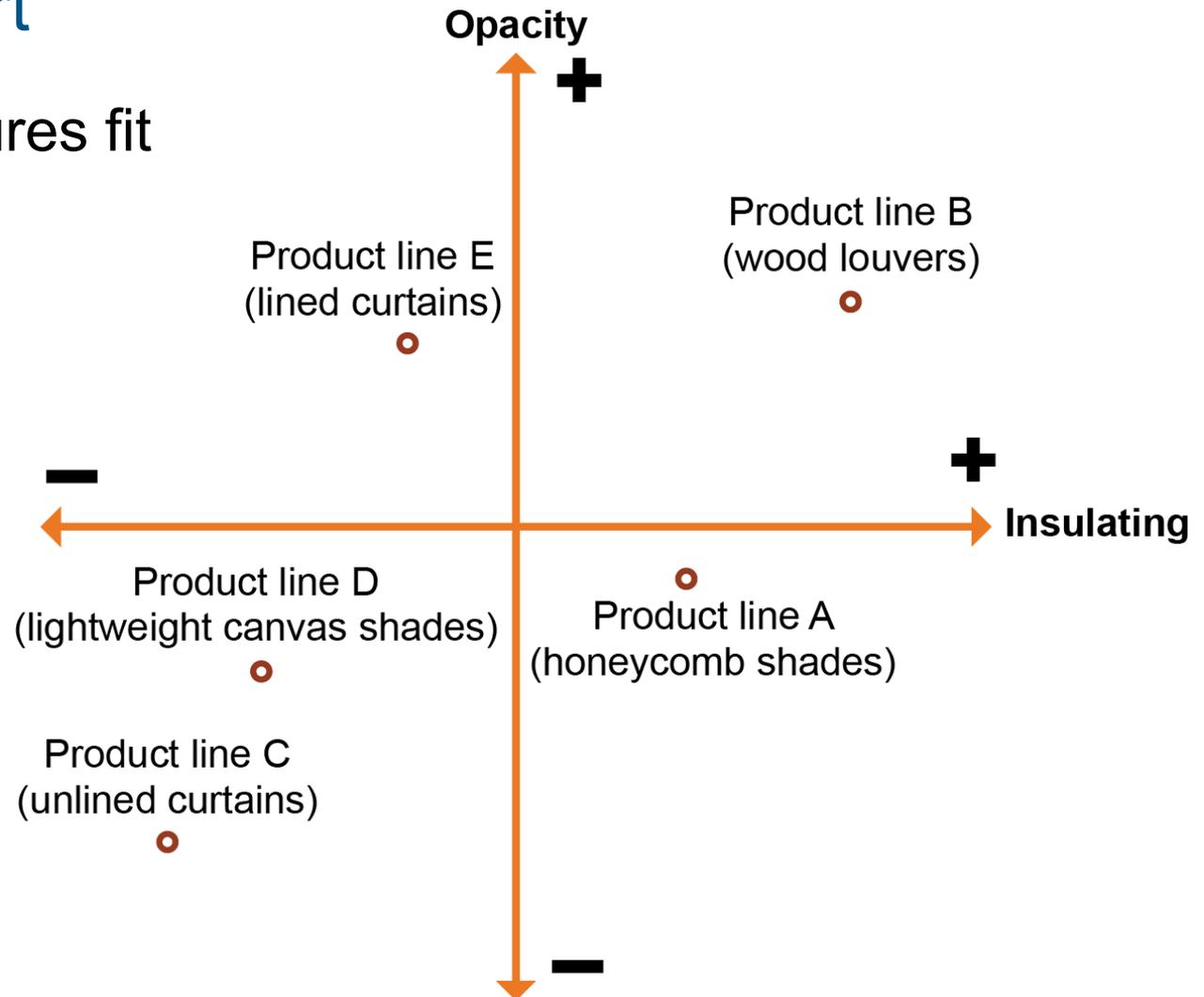
Start with a goal; specify aspects in increasing detail



# Topic 3: Quality Tools

## Matrix Data Analysis Chart

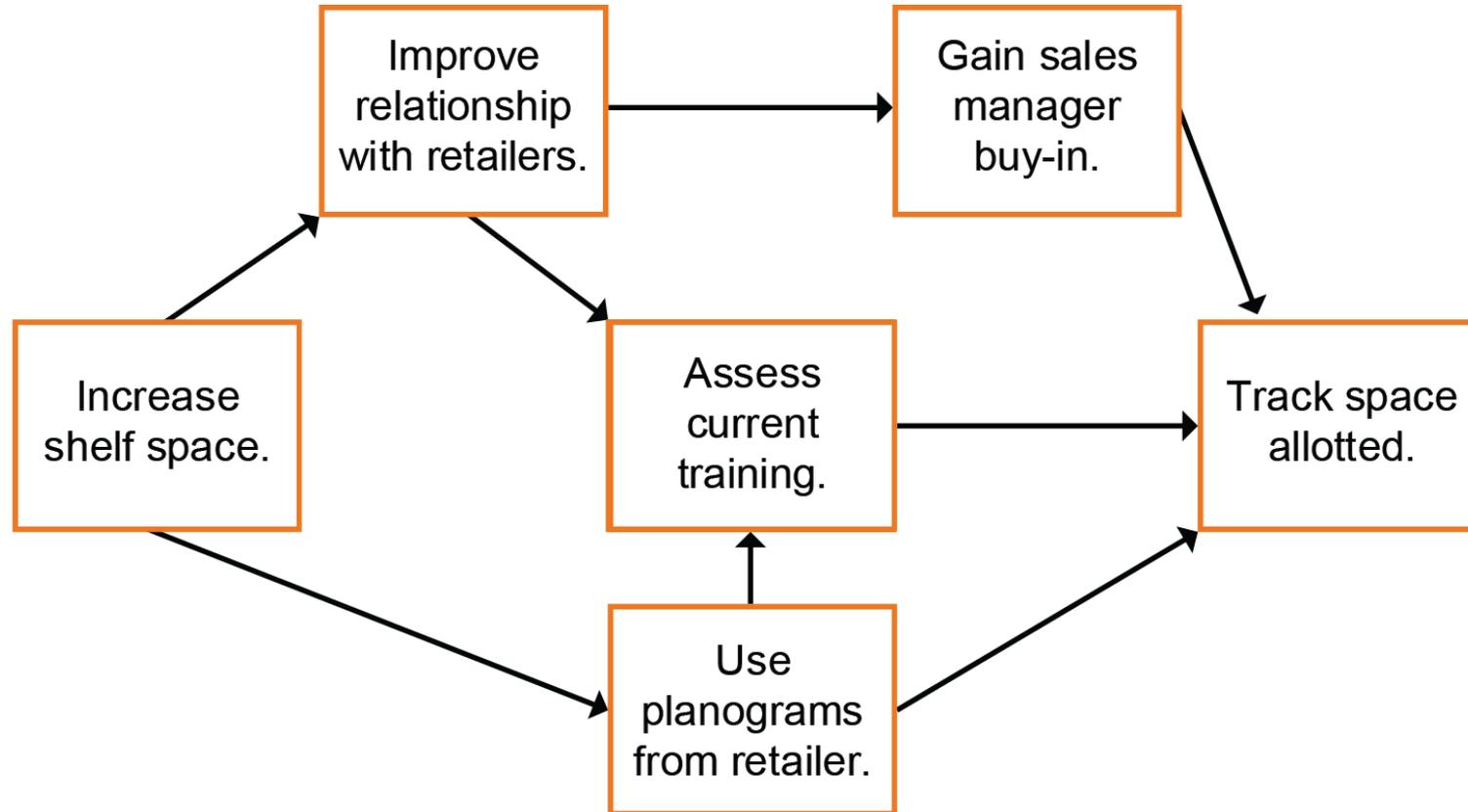
Compares how products/features fit along two ranges



# Topic 3: Quality Tools

## Process Decision Program Chart

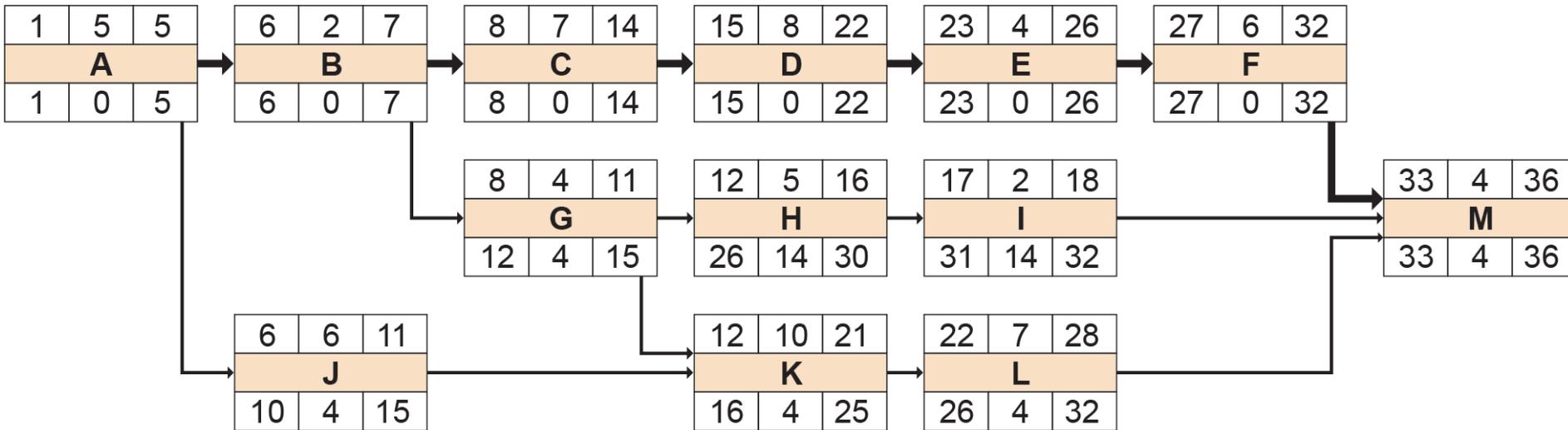
Visually shows proactive steps to be sure to include



# Topic 3: Quality Tools

## Activity Network Diagram

Project dependencies and simultaneous activities



|                 | Start       |          | Finish       |
|-----------------|-------------|----------|--------------|
| Early           | Early start | Duration | Early finish |
| <b>Activity</b> |             |          |              |
| Late            | Late start  | Float    | Late finish  |

Critical path →  
Project path →

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## SECTION B: TECHNOLOGY

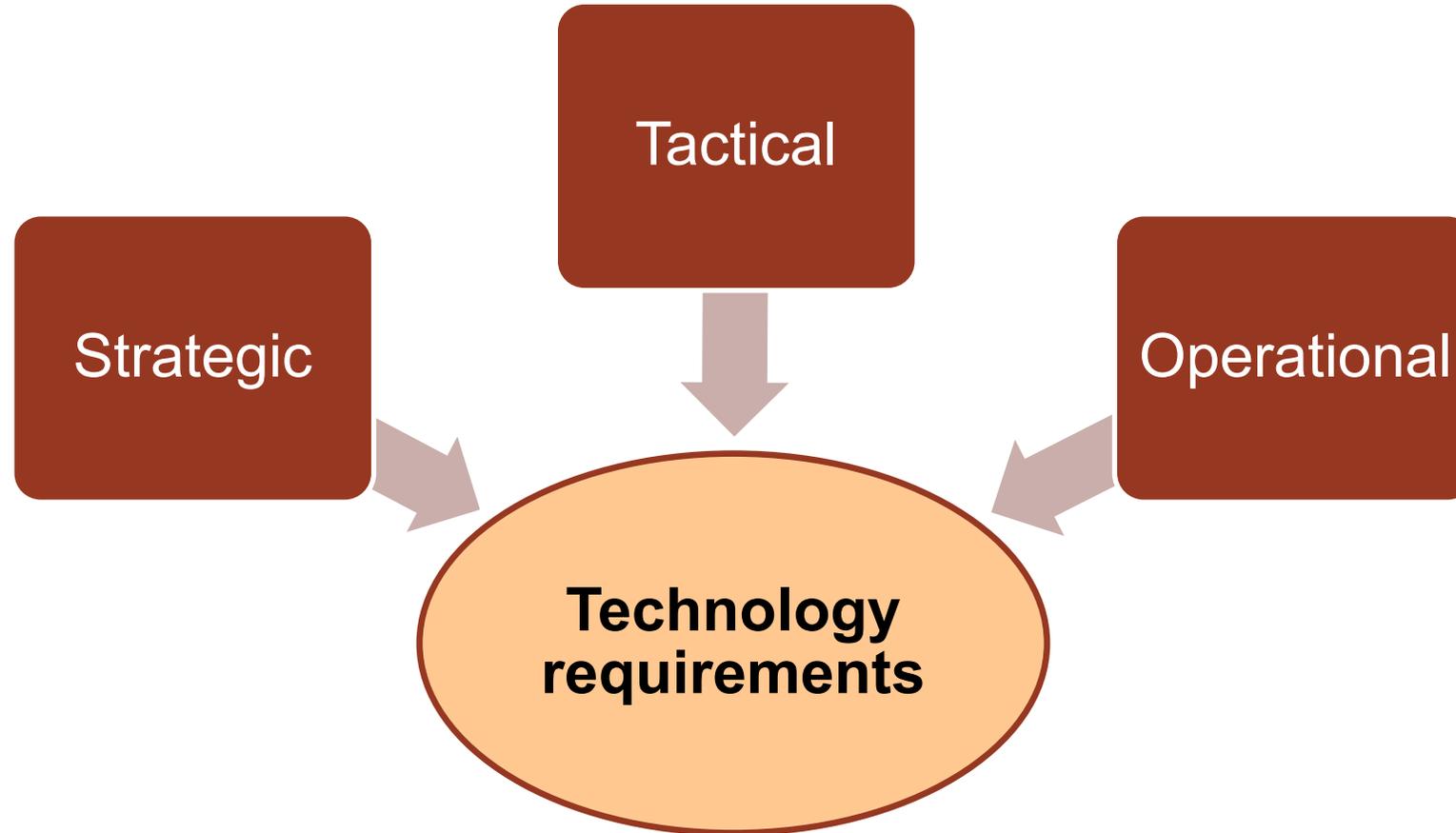


## Section B Learning Objectives

- Developing technology specifications to meet goals
- Current versus ideal state and gaps
- Factors affecting technology choices
- Technology implementation and maintenance
- Tradeoffs
- Managing technology risks
- Enterprise resources planning (ERP) systems
- Advanced planning and scheduling (APS) systems
- Emerging technologies

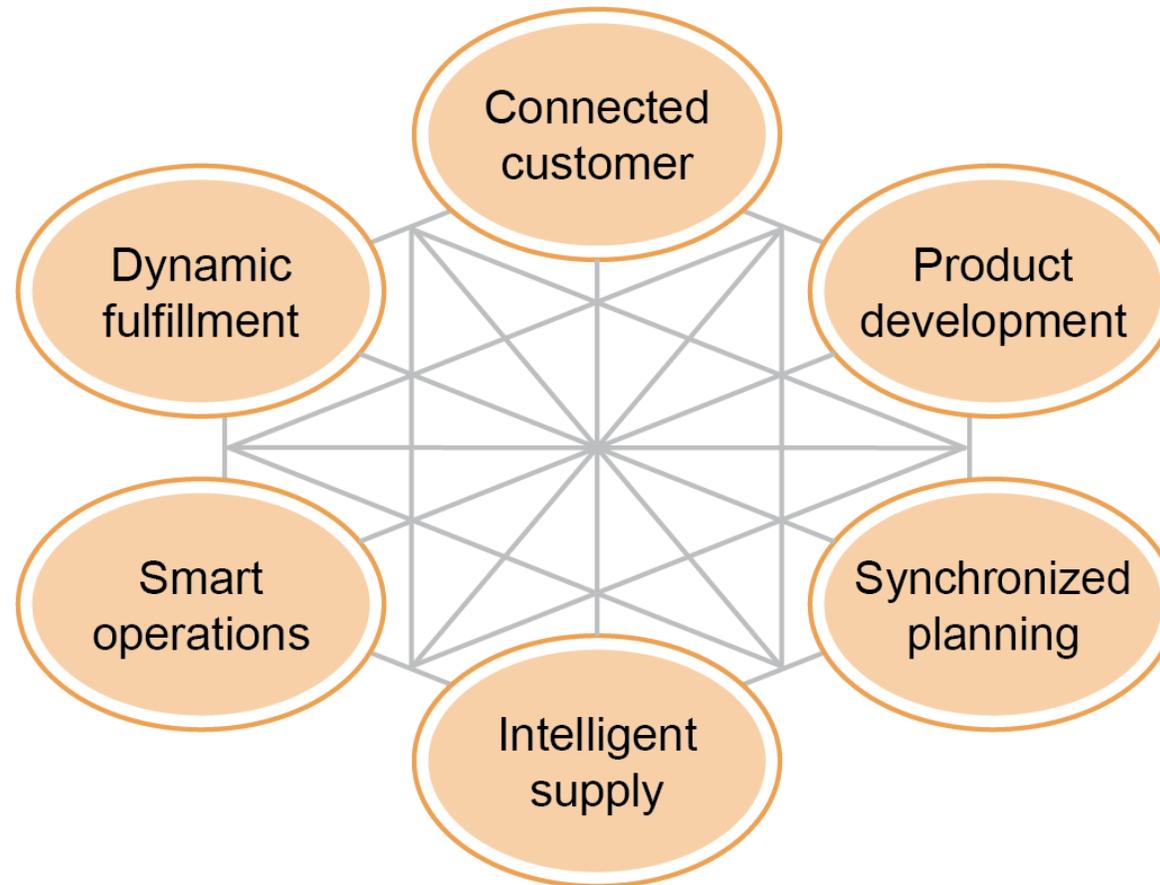
# Topic 1: Requirements, Gap Analysis, and Selection

## Technology and Equipment Requirements



# Topic 1: Requirements, Gap Analysis, and Selection

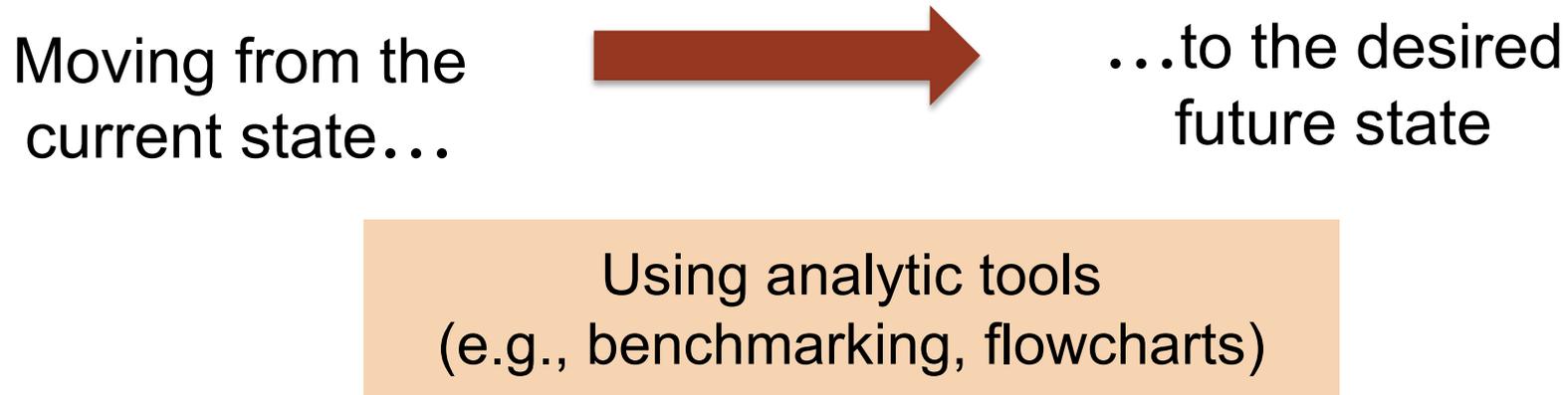
## DCM for Supply Networks



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# Topic 1: Requirements, Gap Analysis, and Selection

## Technology Gap Analysis



### Can reveal

- Limitations or untapped uses of existing technology
- Processes that need to change
- Gaps in available human resources and supply chain partner capabilities.

## Technology Selection Criteria

### Competitive advantage

- Is the technology scarce?
- Is it difficult to move, copy, or substitute?

### Feasibility

- Is the technology cost-effective when all costs are considered?
- What is the predicted learning curve?

### Risk

- Can changes negate or lessen the advantages the technology conveys?
- Are the effects of the technology sustainable?

### Validation against requirements

- Does the technology advance the ability to meet performance objectives?

# Topic 2: Implementing and Maintaining Technologies

## Implementing Technology

### Technology benefits

- Increasing decision-making speed and quality
- Increasing responsiveness to change in markets
- Reducing risks
- Increasing top and bottom lines

### Overcoming common obstacles

- Show business case and ROI.
- Support technology investment with investments in workforce development.
- Manage risks and provide for business continuity.
- Secure vendor/supplier support.

# Topic 2: Implementing and Maintaining Technologies

## Preparing for Implementation

### Technology cutover plan

- Select plan for implementation:
  - Go live
  - Cutover while maintaining old system
  - Rolling cutover (e.g., by site)

### Maintaining technologies

- Assign responsibility.
- Establish maintenance policies and procedures.
- Assess impacts on and of maintenance.
- Develop necessary skills.
- Determine schedules and parts inventory.

## Master Data and Data Governance

### Master data

Core data  
needed to perform  
business activities

### Master data management

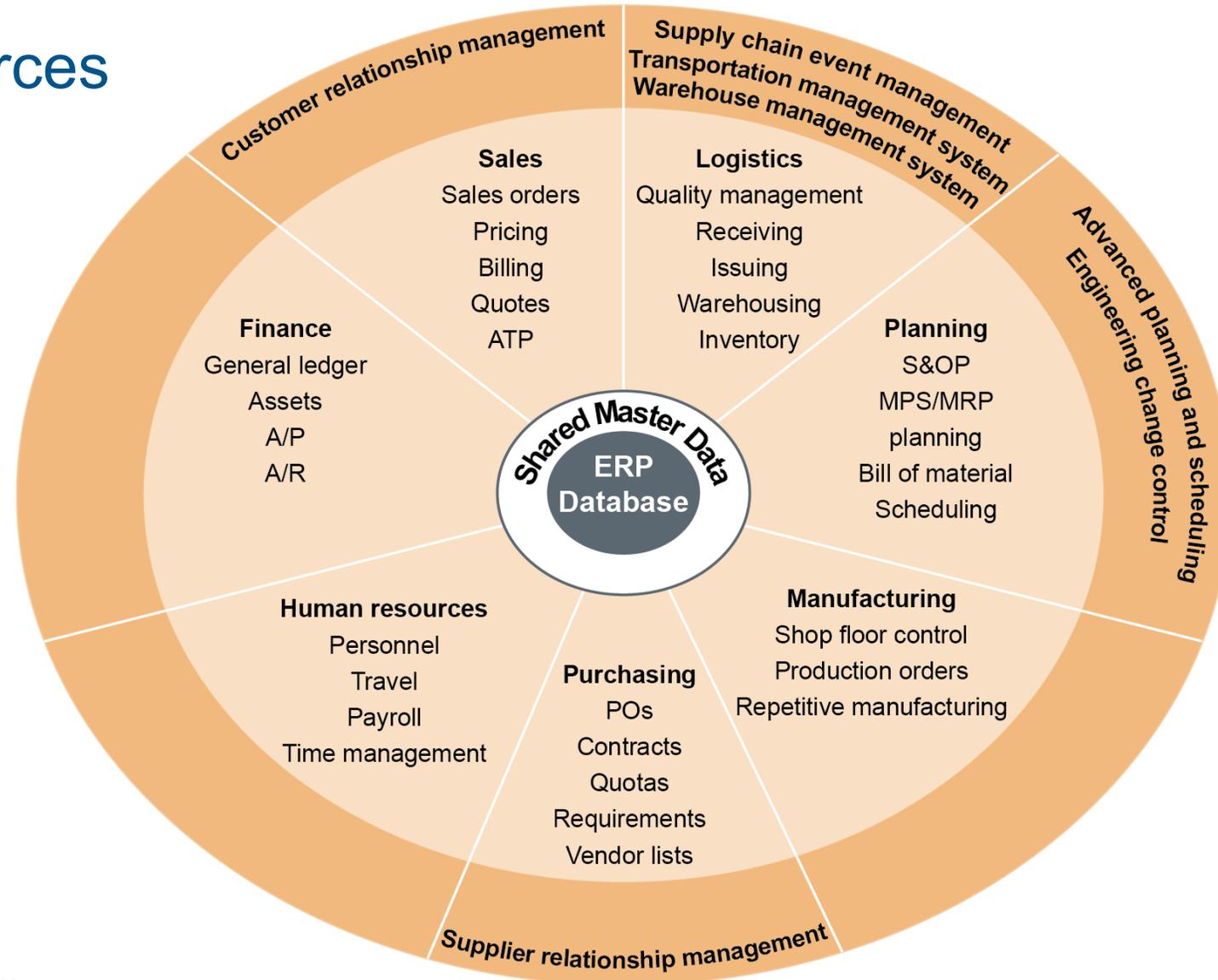
Data storage  
methods to ensure  
sharing between  
functions

### Data governance

Accessibility,  
usability, reliability,  
and security policies

# Topic 3: Technologies

## Enterprise Resources Planning (ERP)



# Topic 3: Technologies

## Evolution from MRP to ERP

|                                                         | MRP | MRP closed loop | MRP II | ERP |
|---------------------------------------------------------|-----|-----------------|--------|-----|
| MRP processor                                           | ●   | ●               | ●      | ●   |
| Closed-loop feedback                                    |     | ●               | ●      | ●   |
| Best-practice processes                                 |     |                 | ●      | ●   |
| Common database                                         |     |                 | ●      | ●   |
| Sales and operations planning                           |     |                 | ●      | ●   |
| Total cross-functional software and process integration |     |                 |        | ●   |

MRP II = Manufacturing resources planning

# Topic 3: Technologies

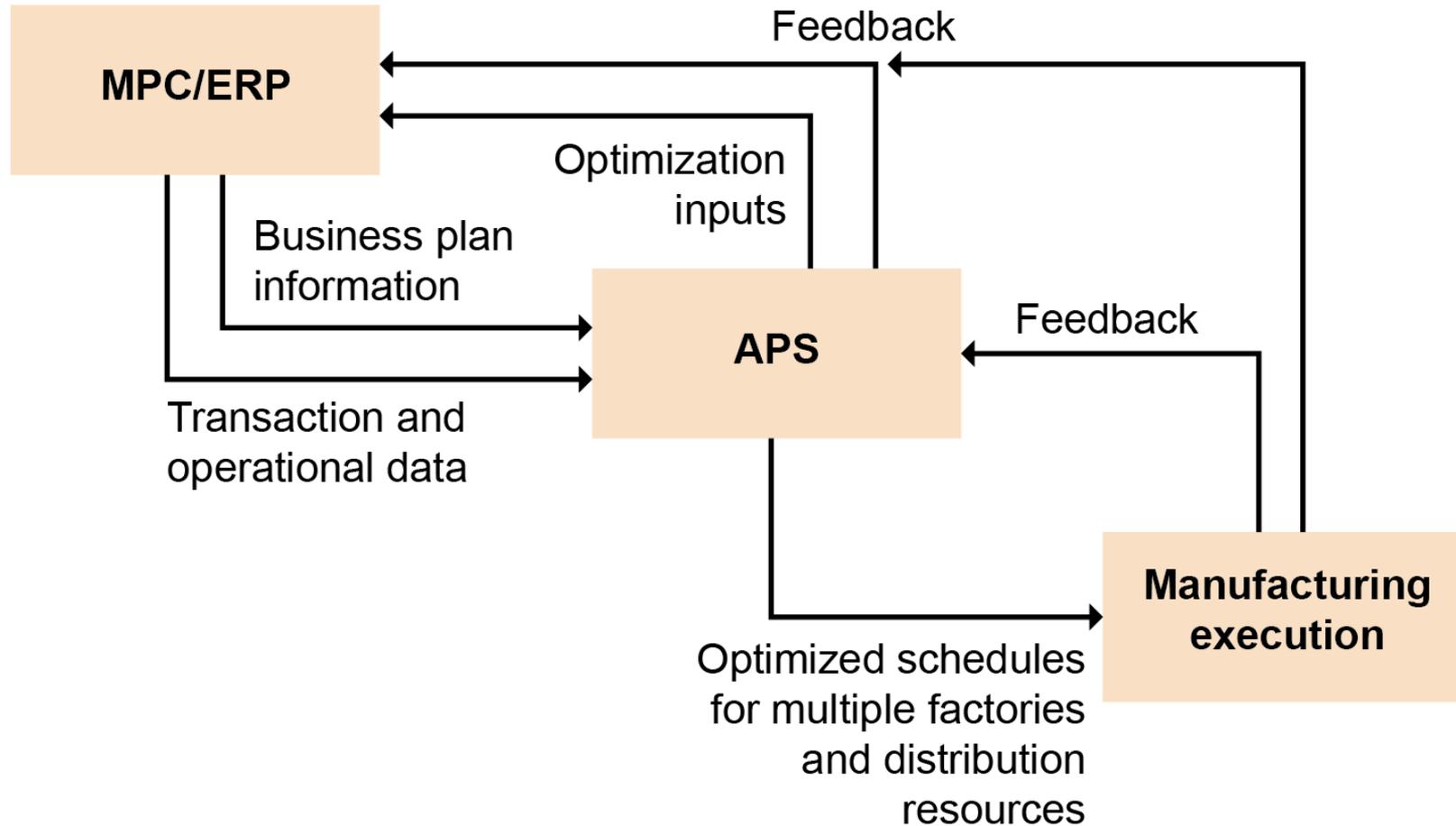
## APS Systems

- “...analysis and planning of logistics and manufacturing during short, intermediate, and long-term time periods.” (*ASCM Supply Chain Dictionary*)
- Simultaneously plans and schedules production based on available materials, labor, and plant capacity.

| Capacity Planning                   |                                                       |
|-------------------------------------|-------------------------------------------------------|
| RCCP                                | APS                                                   |
| Uses load data                      | Uses both transactional and operational data          |
| Plans work center capacity          | Plans multiple sites                                  |
| Does not address logistics capacity | Integrates production and logistics capacity analysis |

# Topic 3: Technologies

## APS Process Flow



## Other Established Technologies

### Electronic data interchange

Paperless exchange of

- Purchase orders
- Shipment authorizations
- Advanced shipment notices
- Invoices

### Decision support systems

- Computer system to aid managers in selecting course of action through logical analysis of relevant factors
- Process
  - Draw data from multiple sources.
  - Filter data to manageable level.
  - Load data into a model.
  - Suggest actions.

## Emerging Technologies Exercise

- Cloud computing
- Artificial intelligence, machine learning, data analytics
- Blockchain
- Internet of Things (IoT)
- Sensors and telematics
- 3D printing
- Wearable technology and augmented reality (AR)
- Robotic process automation (RPA)
- Autonomous and automated guided vehicles
- Drones

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## SECTION C: CONTINUOUS IMPROVEMENT

## Section C Learning Objectives

- Cross-functional teams
- Continuous improvement strategies
- Lean philosophy and continuous improvement
- Lean tools
- Employee participation in continuous improvement
- Root causes and problem solving: six sigma, DMAIC, PDCA, brainstorming
- Benchmarking
- Work area design
- Statistical process control
- Process capability analysis

# Topic 1: Continuous Improvement Strategies

## Continuous Improvement

- Small step as opposed to big step
- Never-ending
- Make product or process
  - More effective (Do the right things.)
  - More efficient (Do the things right.)
- End results
  - Better quality: customer satisfaction, market share
  - Productivity and eliminating waste: more done with existing, less investment
- Necessary for competitive survival

# Topic 1: Continuous Improvement Strategies

## Continuous Product and Process Improvement

### Continuous product improvement

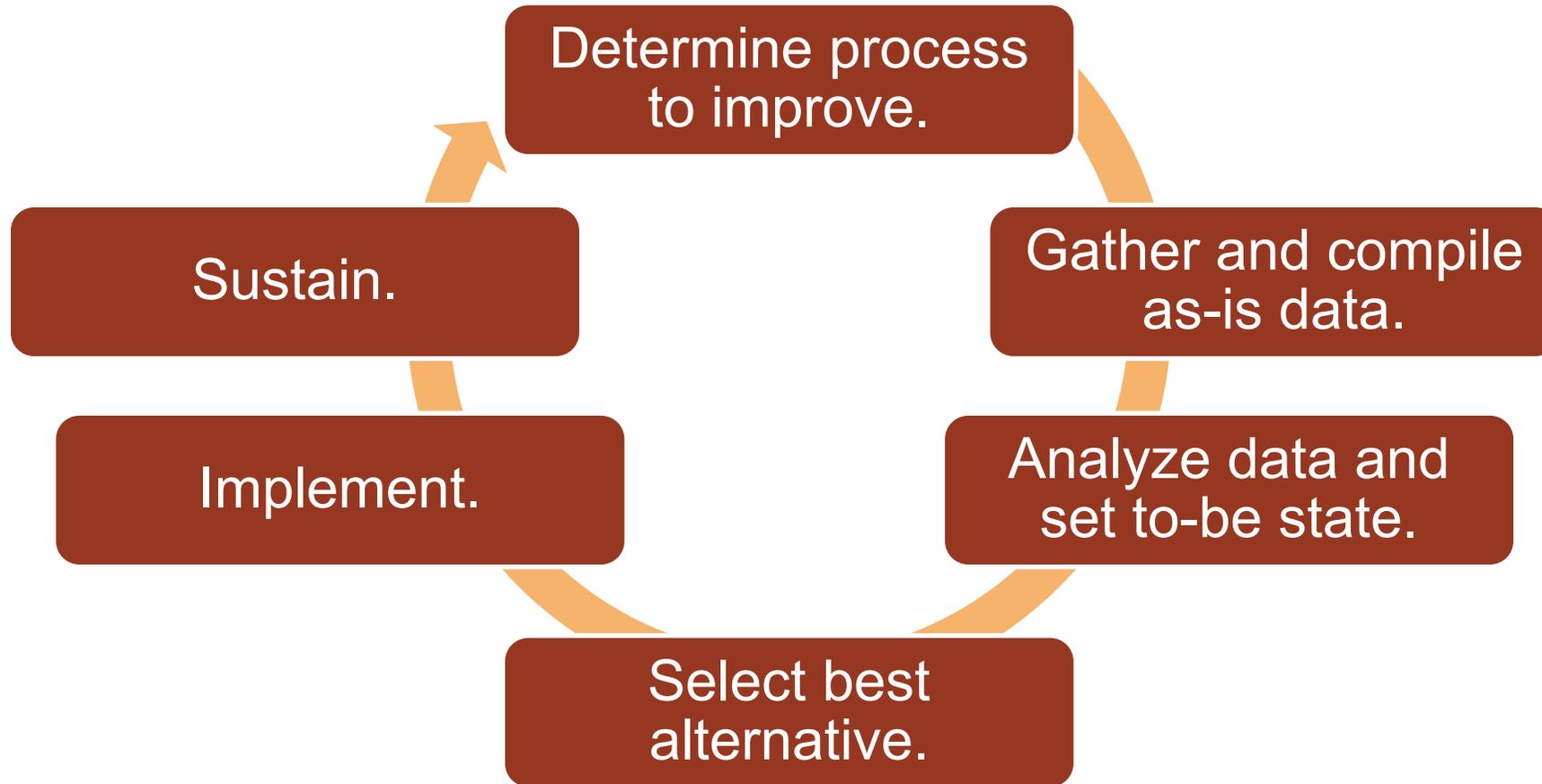
- Update market qualifiers and winners.
  - Features to add/remove
- Product improvements have many stakeholders.
  - Ensure efficient manufacture

### Continuous process improvement

- Also a team effort.
- Can focus on small part of process:
  - One work center
  - One area under your control
- Find the right improvement methodologies to apply.

# Topic 1: Continuous Improvement Strategies

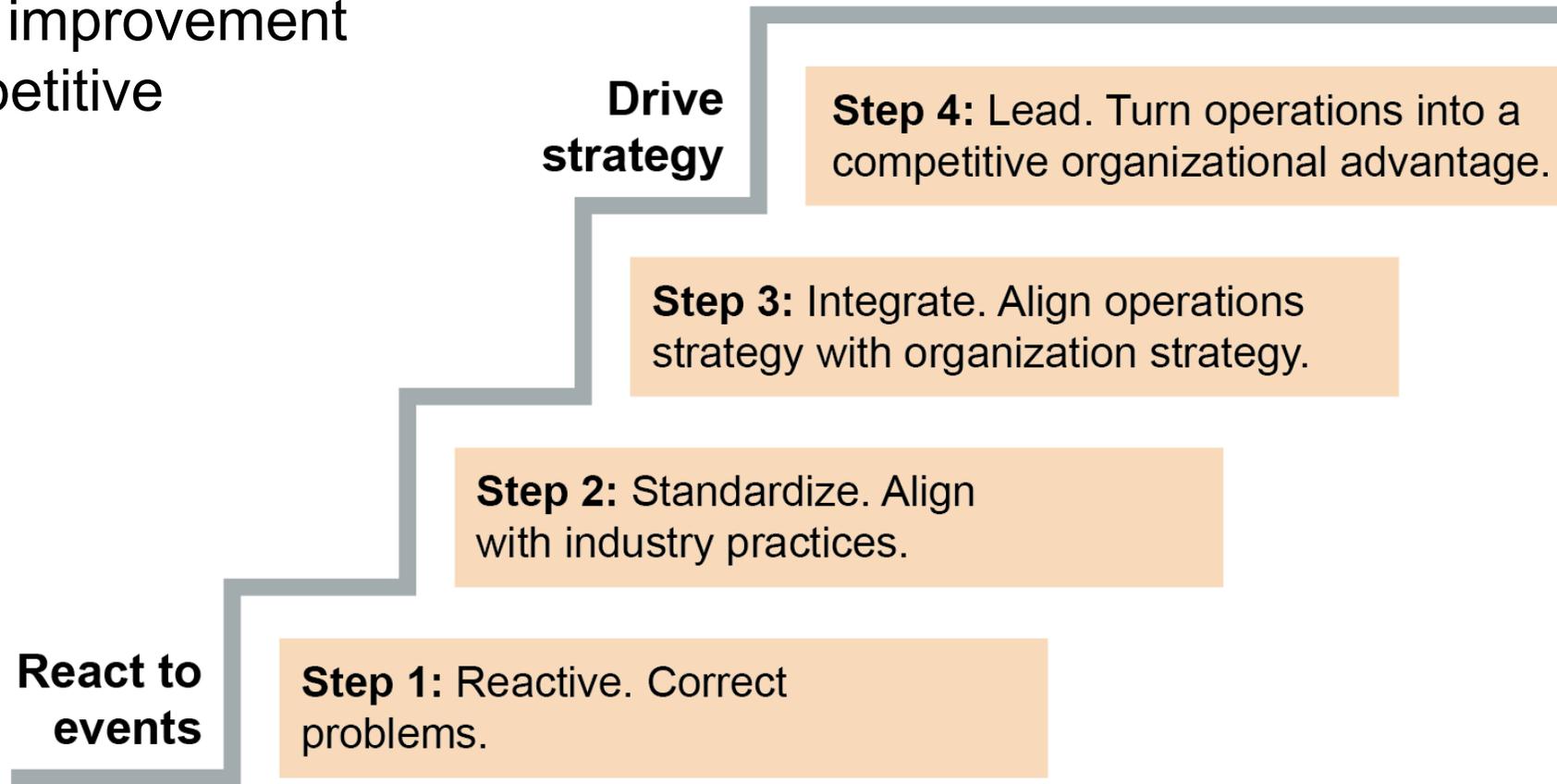
## Continuous Process Improvement



# Topic 1: Continuous Improvement Strategies

## Operations' Evolving Contribution to Competitive Advantage

Continuous improvement drives competitive advantage.



# Topic 1: Continuous Improvement Strategies

## Continuous Improvement Commonalities

### Ensuring employee involvement, empowerment

- Employee involvement
  - All parts of organization are involved and contribute to constructive change.
- Employee empowerment
  - Managers delegate certain duties to subordinates.
  - Generally smaller teams are used to ensure that changes are accomplished quickly and efficiently.

### Focusing on customer

- Customer is ultimate definer of quality.
- What customer is willing to pay for.
- Internal and external customers.

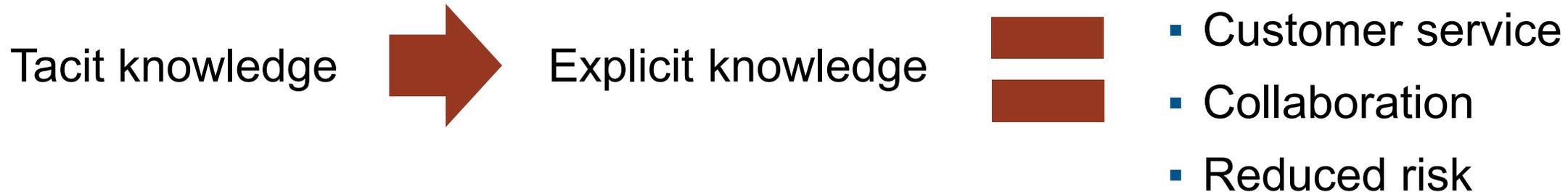
### Sustaining continuous improvement

- Ongoing cycle, “continuous.”
- Sustainable.

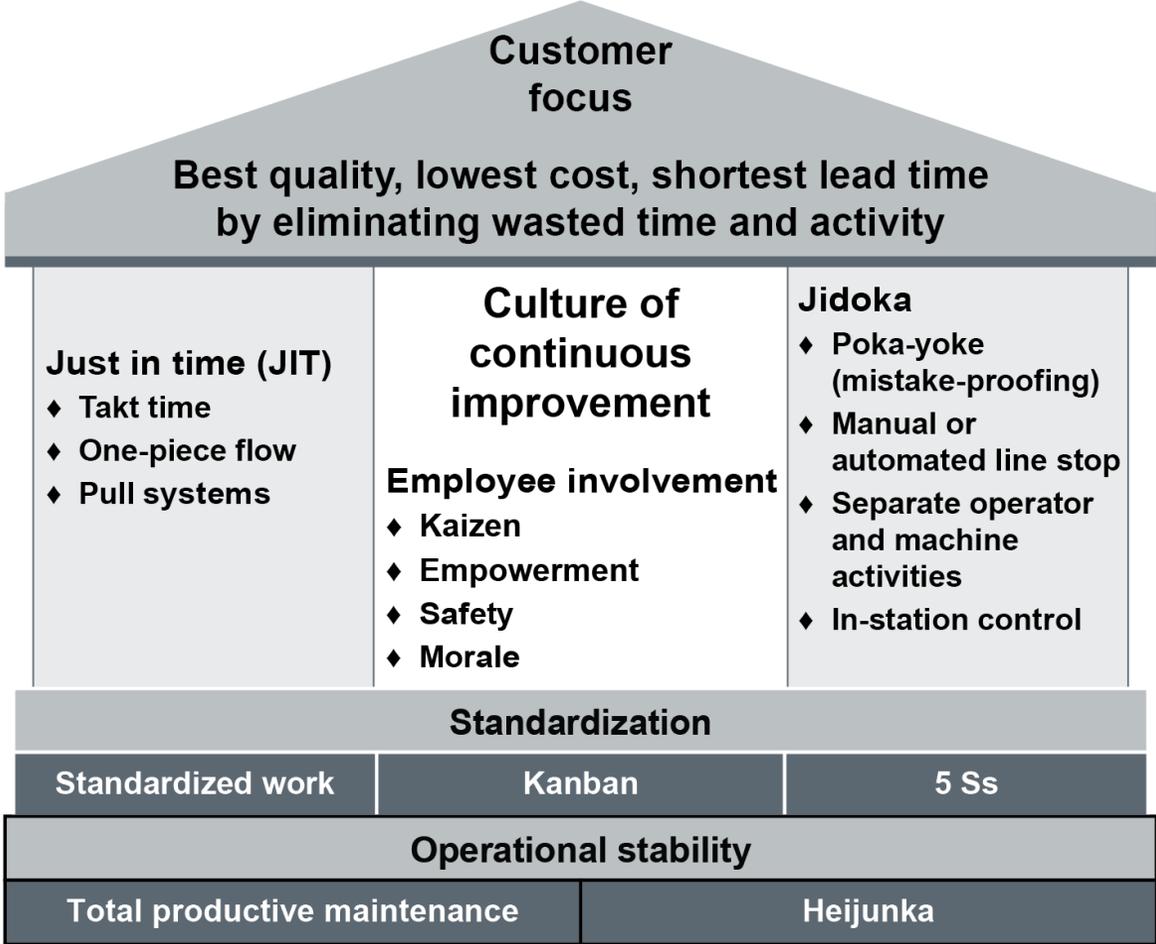
# Topic 1: Continuous Improvement Strategies

## Knowledge Management

**Integrated approach to capture, share, develop, and use organizational knowledge**



## House of Lean (House of Toyota)



## Roof: Eliminate Waste

| Waste                            | Description                              | Examples                                |
|----------------------------------|------------------------------------------|-----------------------------------------|
| <b>Processing</b>                | Unnecessary or inefficient steps         | Scrap, wrong tools                      |
| <b>Movement (transportation)</b> | Excess movement                          | Storage before need, long moves         |
| <b>Methods (motion)</b>          | Wasted time or effort                    | Excess walking, looking for tools       |
| <b>Product defects</b>           | Product or service not to specifications | Repair, rework, replacement, inspection |
| <b>Waiting time</b>              | Queuing delays                           | WIP build-up, waiting for materials     |
| <b>Overproduction</b>            | Production over demand                   | Equipment busy despite no demand        |
| <b>Excess inventory</b>          | Inventory above demand                   | Excess safety stock                     |
| <b>Unused people skills</b>      | Waste of capabilities                    | Not asking shop floor                   |

## Center: Culture of Involvement and Continuous Improvement

- Respect employees.
- Real responsibility for quality.
- Listen to workers on shop floor.

### Foundation: Standardization and Operational Stability

- Level the schedule to process volume/mix using capacity.
- Standardize processes, parts.
- Two tools:
  - Total productive maintenance, or TPM (operator-oriented preventive maintenance)
  - 5Ss (sort, simplify, scrub, standardize, sustain)

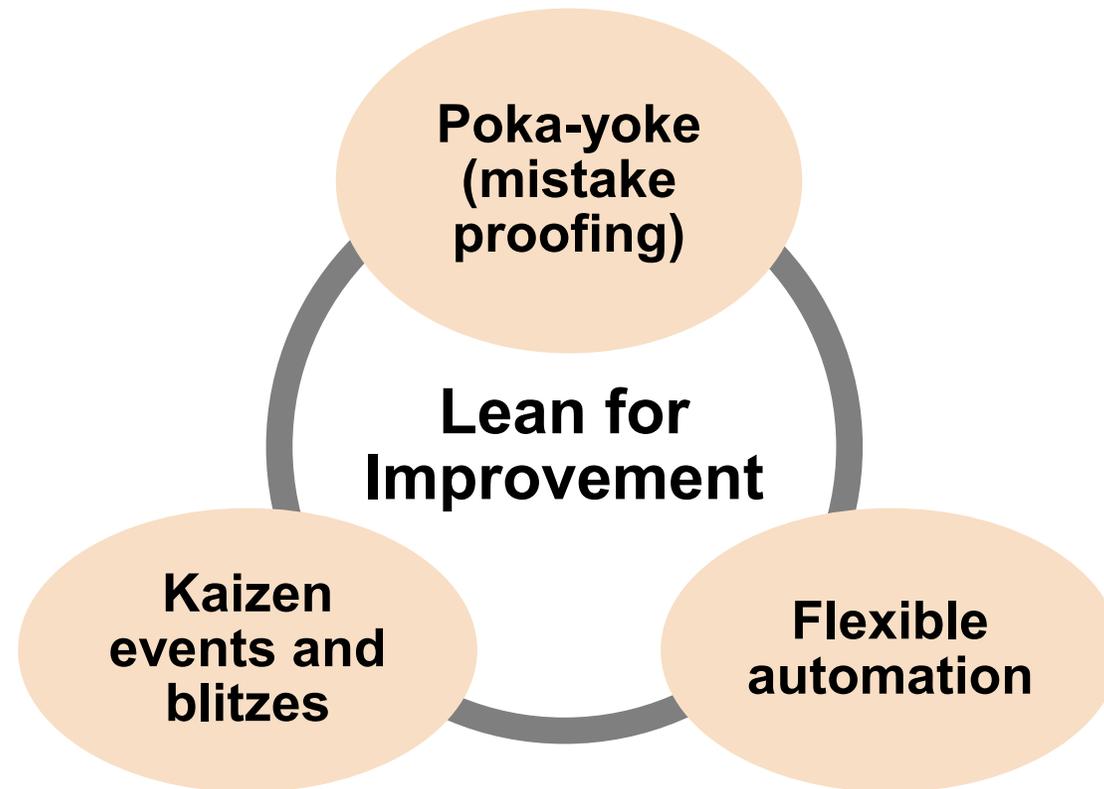
## Pillar One: Just in Time

- Quality: zero defects
- Takt time: Daily demand rate = daily production rate
  - Heijunka: Supply chain on takt time
- One-piece flow (Optimal batch is one unit.)
  - Process flexibility to change volume/mix
  - Operator flexibility (cross-training)
  - Quick setups (short lead times)
- Pull systems (continuous flow production)
  - Cellular reduces WIP and simplifies scheduling
  - Demand pull

## Pillar Two: Jidoka

- Correct first instance: find root cause
  - Mistake-proof process or design
- Automated or manual line stop after defect detected

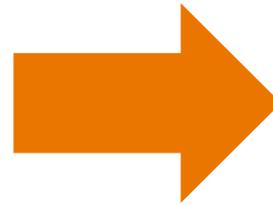
## Lean Tools and Techniques



## Lean Principles for Process Improvement

Reduce WIP and lead time by

- Producing only what is needed to meet customer demand
- Capping finished goods at demand needs
- Improving flexibility of processes and decreasing changeover times.

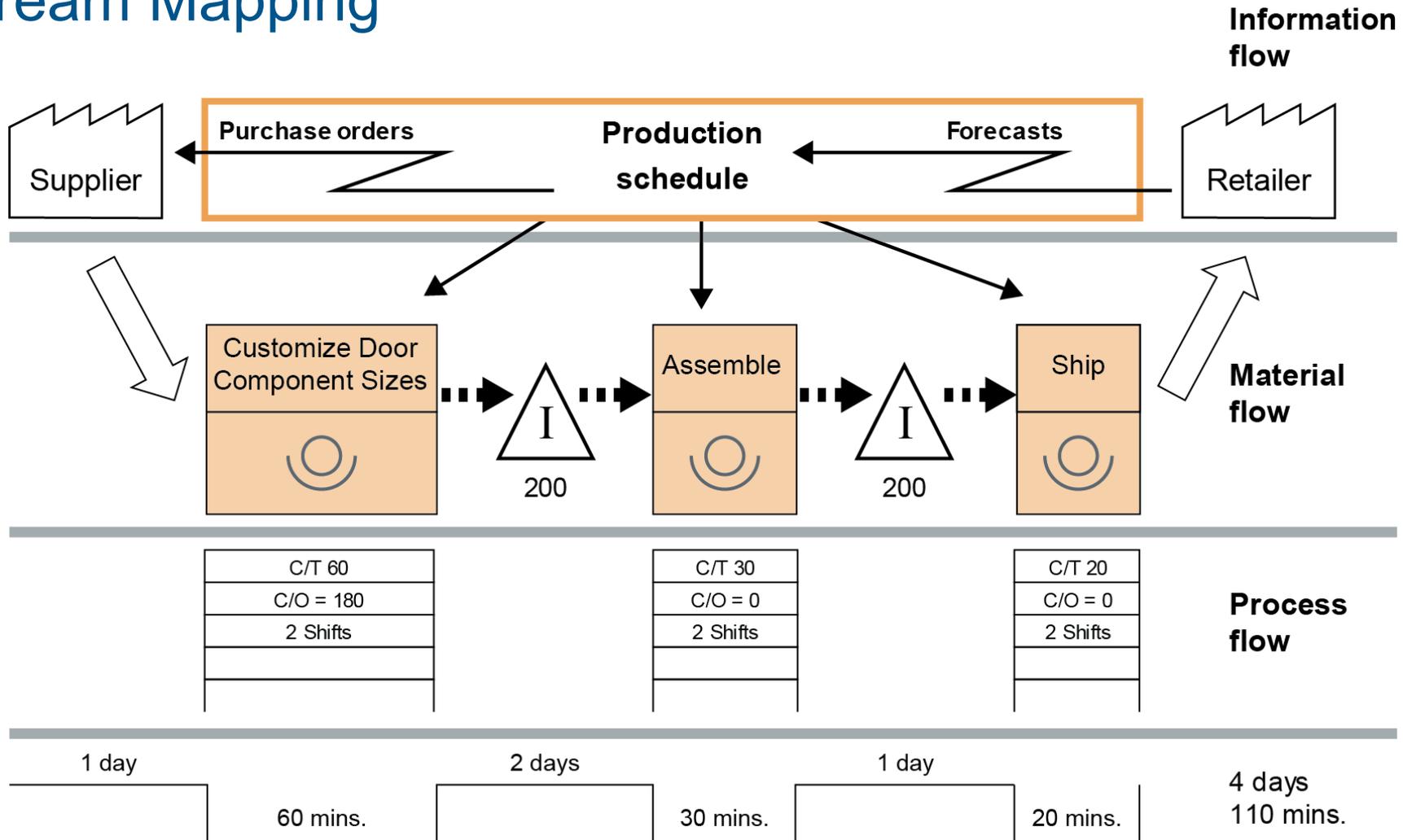


Lean production tools

- Value stream mapping
- Pull systems
- Setup reduction
- Total productive maintenance

# Topic 2: Lean

## Value Stream Mapping



## Pull System

- Demand is matched to supply.
  - Factory produces only what its customers use.
  - Each workstation produces only enough to supply what the next workstation in the process requires.
- Parts inventory may be managed with supermarket approach.
- Synchronous systems control velocity of process flow; results in reduction of lead time.

## Reducing Setup/Changeover Time

Classify internal/external tasks.

Convert internal tasks to external.

Streamline internal setup.

Eliminate adjustments.

Minimize preparation time.

## Total Productive Maintenance (TPM)

- Proactive strategy aimed at both threats and opportunities
- Multiple benefits
  - Reduces downtime and improves dependability
  - Improves quality
  - Improves costs
  - Triggers continuous technology and process improvements
  - Extends life of equipment and protects organization's capital investments
  - Improves worker safety
  - Makes system more resilient to unexpected interruptions

## Overall Equipment Effectiveness (OEE) Metric

| OEE Category         | Six Big Losses         | Examples                                                                               |
|----------------------|------------------------|----------------------------------------------------------------------------------------|
| Loss of availability | Breakdowns             | Unplanned maintenance, tooling failure, motor failure, overheated bearing              |
|                      | Setup and adjustment   | Setup/changeover, operator shortage, major adjustment, material shortage, warm-up time |
| Loss of performance  | Idling and minor stops | Minor adjustment, component jam, blocked sensor, cleaning/checking, delivery blocked   |
|                      | Reduced speed          | Equipment wear, wrong setting, alignment problem                                       |
| Loss of quality      | Quality losses         | Rework, scrap                                                                          |
|                      | Start-up               | Rework, scrap                                                                          |

## Lean in Service Environments

- Use as a framework.
  - Prerequisite: service organization has clear operational objectives.
  - Time required to deliver service is a primary cost driver.
  - Wait time reduction.
- Tactics to implement
    - Common vision
    - Kaizen event or blitz<sup>®</sup>
    - Lean in action

## Employee Involvement and Empowerment

### **Critical success factors**

- Management shapes policy direction.
- Management provides feedback.
- Workers have skills, varying attitudes, and capabilities.
- Quality goal setting is collaborative.
- Management is supportive.
- The culture of the organization is important.

# Topic 3: Employee Empowerment

## Worker Self-Control

### Workers have

- ◆ Knowledge of what to accomplish
- ◆ Knowledge of performance against goals
- ◆ Means of regulating performance



### ...In an environment in which

- ◆ Worker tasks are adequately planned
- ◆ Work is standardized
- ◆ Process variation is under control
- ◆ Workers have access to tools to maintain self-control.



Workers can be held responsible for quality.

Quality problems are worker-controllable.

# Topic 3: Employee Empowerment

## Bonus Rewards Program Exercise

- Manufacturer Y bases its annual employee bonus program mainly on meeting production and profit goals. Quality goals are long-term goals to maintain industry competitiveness.

Assess the strengths and weaknesses of the current bonus program.

- Manufacturer Y is considering a quality-focused employee bonus program, consistent with worker self-control of production and quality, to drive down failure, prevention, and appraisal costs, improve yields, and increase market share.

What criteria can be used to design a new bonus program?

# Topic 3: Employee Empowerment

## Job Enlargement and Enrichment

| Characteristic    | Action                                                                                                                                                             |
|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Skill variety     | Combine sequential tasks. Worker performs more tasks and uses more skills in producing a product (enrichment through horizontal job enlargement).                  |
| Autonomy          | Workers help decide how to do a job because they are closest to the process. They are decision makers and producers (enrichment through vertical job enlargement). |
| Task identity     | Work is assigned to small teams to assemble a product from start to finish. Workers thus see and identify strongly with the finished product.                      |
| Task significance | Workers have authority to communicate directly with customers on production issues.                                                                                |

# Topic 3: Employee Empowerment

## Training

### **Cross-functional training**

- Benefits
  - Cost savings
  - Replacement workers
  - Employee motivation

### **Focused, timely training**

Challenges to reaping benefits from training

- Timeliness
- Wrong things/participants
- Wrong method of delivery
- Over-complication

## Performance Appraisals and Rewards

### Recognition/reward system

- Sense of ownership
- Long-term focus on continuous improvement
- Less service operating cost
- Teamwork
- Minimizes dissatisfaction
- Enhances interest in financial performance of organization

### Appraisals

Direct labor performance measurement categories:

- Ideas
- Teamwork
- Flexibility
- Quantity
- Quality

# Topic 4: Relationship Improvement Tools

## Supply Chain Quality Improvement

### Management endorsement

Publicly endorsing and actively supporting joint planning

Synchronizing operations with suppliers and customers

### Cross-functional quality improvement teams

Coordinating SCM strategies and operations

Finding and attacking chronic problems

Implementing cost-reduction efforts

Creating value, eliminating waste

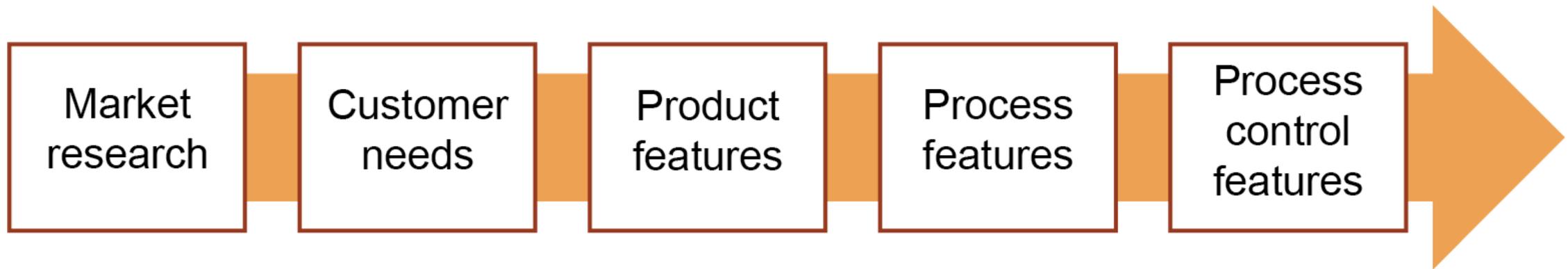
### Pareto analysis

Vital few over trivial many

Cross-functional customer and supplier teams set priorities, resource requirements, and schedules

# Topic 4: Relationship Improvement Tools

## Quality Function Deployment



# Topic 4: Relationship Improvement Tools

## VOC and House of Quality

- Value analysis.
- Voice of the customer (VOC), e.g., “easy graffiti removal”:
  - Direct input from customers regarding needs and experiences
  - Difference between what is value-added versus waste
  - New product features determined by working backward
- Manage tradeoffs.
- Identify and meet all major customer requirements.

Key:

- + Supporting requirement
- Conflicting requirement

| In-Stock, All-Glass Vandal-Proof Double Door |   |                |                              |                               |                                  |                                     |                               |                          | Competitor Evaluation       |     |      |   |   |
|----------------------------------------------|---|----------------|------------------------------|-------------------------------|----------------------------------|-------------------------------------|-------------------------------|--------------------------|-----------------------------|-----|------|---|---|
| Customer Needs                               |   | Priority (1-5) | Vandal proofing              | Glass thickness               | Break-in resistance              | Smooth operation                    | Door durability               | Crashbar durability      | Insulation value            | Low | High |   |   |
| Easy graffiti removal                        | 5 |                |                              |                               |                                  |                                     | -                             |                          |                             | Y   | X    | U |   |
| Break-in resistance, door                    | 5 | +              |                              |                               |                                  |                                     | +                             |                          |                             | Y   | X    | U |   |
| Break-in resistance, lock                    | 5 |                |                              |                               | +                                |                                     | +                             |                          |                             | Y   | U    | X |   |
| Smooth, durable operation                    | 4 |                | -                            | +                             |                                  |                                     | -                             | +                        | -                           | U   | X    | Y |   |
| Long-term attractiveness                     | 3 | -              |                              |                               | +                                |                                     |                               | +                        | +                           |     | U    | Y | X |
| Low maintenance parts                        | 2 |                |                              | +                             | +                                |                                     |                               |                          |                             | U   |      | X | Y |
| Insulation value                             | 1 | +              | +                            |                               |                                  |                                     | +                             |                          |                             |     | U    | Y | X |
| Target Engineering Values                    |   |                | Polycarbonate thickness 1 mm | Tempered glass thickness 4 mm | Floor-to-top lock rods 6mm diam. | Closer hydraulic cylinder 6mm diam. | Stainless steel thickness 3mm | Crashbar springs 8 gauge | Weather seal thickness 2 mm |     |      |   |   |
| Responsibility                               |   |                | C                            | C                             | W                                | F                                   | B                             | B                        | R                           |     |      |   |   |

## Partnership-Based Quality Planning

### Quality planning techniques

- Teams
- Multiple channels
- Value engineering
- Total cost of ownership
- Other quality-related planning activities
- Co-location

### Supplier control steps

1. Assemble cross-functional team.
2. Select critical performance metrics and minimum standards of performance.
3. Assess supplier performance: quality system, business management, product fitness for use.
4. Reduce supplier base: can meet minimum standards.

# Topic 4: Relationship Improvement Tools

## Continuous Improvement Design Activities

| Collaboration Technologies                                                                                                                                                                                                                                                                           | Supplier Feedback                                                                                                                                                                                                                                                                               |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Effective collaboration with supply chain partners requires that your organization share valuable information in real time.</p> <p>ERP systems provide a <b>holistic view of the impact of tradeoffs</b> between conflicting needs in various parts of the organization and the supply chain.</p> | <p>Concept of quality at the source includes receiving quality components from suppliers.</p> <p><b>SIPOC</b></p> <ul style="list-style-type: none"><li><b>S</b> (supplier)</li><li><b>I</b> (input)</li><li><b>P</b> (process)</li><li><b>O</b> (output)</li><li><b>C</b> (customer)</li></ul> |

## Six Sigma

- Six sigma and lean six sigma
- Objectives
  - High customer satisfaction
  - Low product return rates
  - Systematic reduction in variation in all processes to no more than 3.4 defects per million opportunities
  - Upper and lower specification limits that create doorway twice as wide as vast majority of process spread (six sigma control limits)

# Topic 5: Structured Problem-Solving Tools

## Six Sigma Methodology

- Combined approach for process improvement and problem solving partly based on lean.
- Initiate at top levels of management and translate into goals and guidelines at middle levels.
- Major concepts:
  - Begin with customer's needs in mind.
  - Variation is cause of defects.
  - Output of any process is function of its inputs.

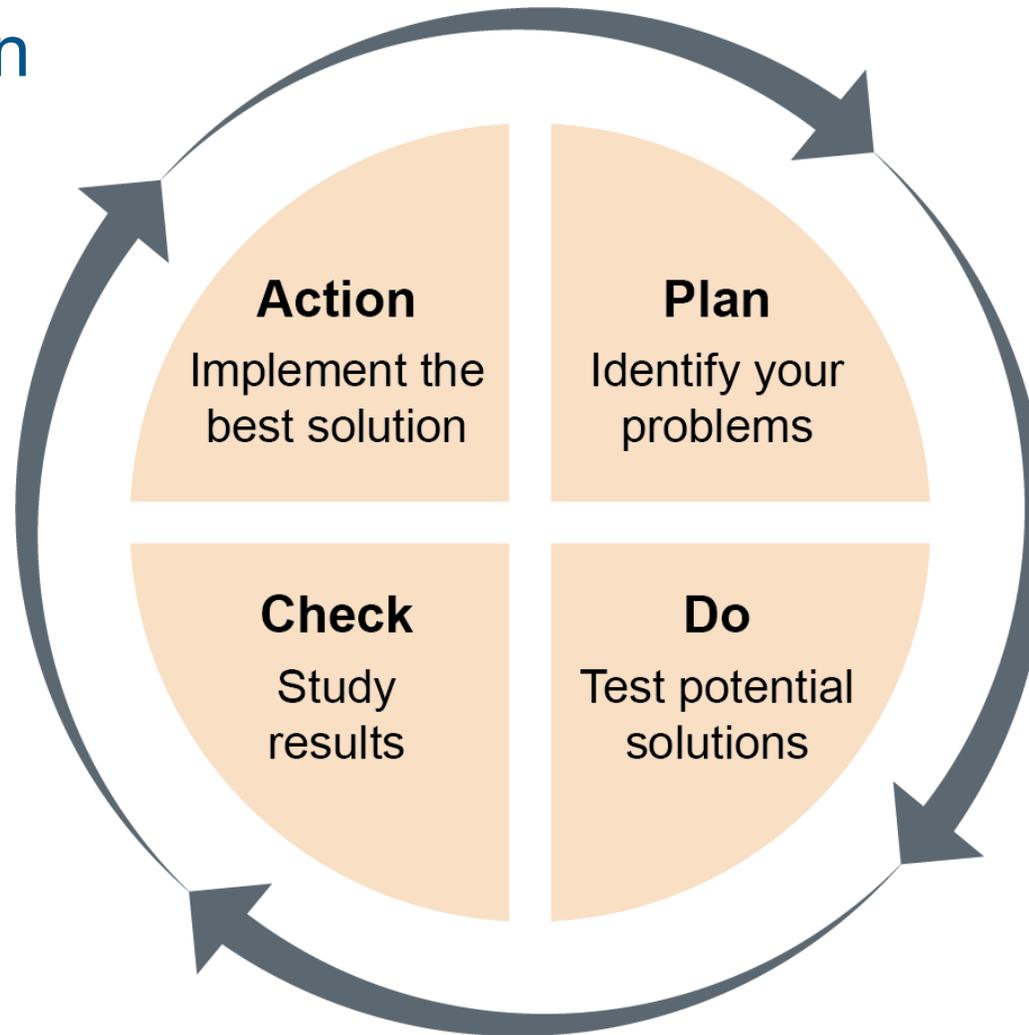
# Topic 5: Structured Problem-Solving Tools

## Six Sigma and DMAIC

- Emphasis on measuring results and making fact-based decisions
- DMAIC process
  - **D**efine
  - **M**easure
  - **A**nalyze
  - **I**mprove
  - **C**ontrol

# Topic 5: Structured Problem-Solving Tools

## Plan-Do-Check-Action (PDCA) Cycle



# Topic 5: Structured Problem-Solving Tools

## Additional Tools

### Brainstorming

- Generate ideas.
- All team members have an opportunity to participate.

### Nominal group technique

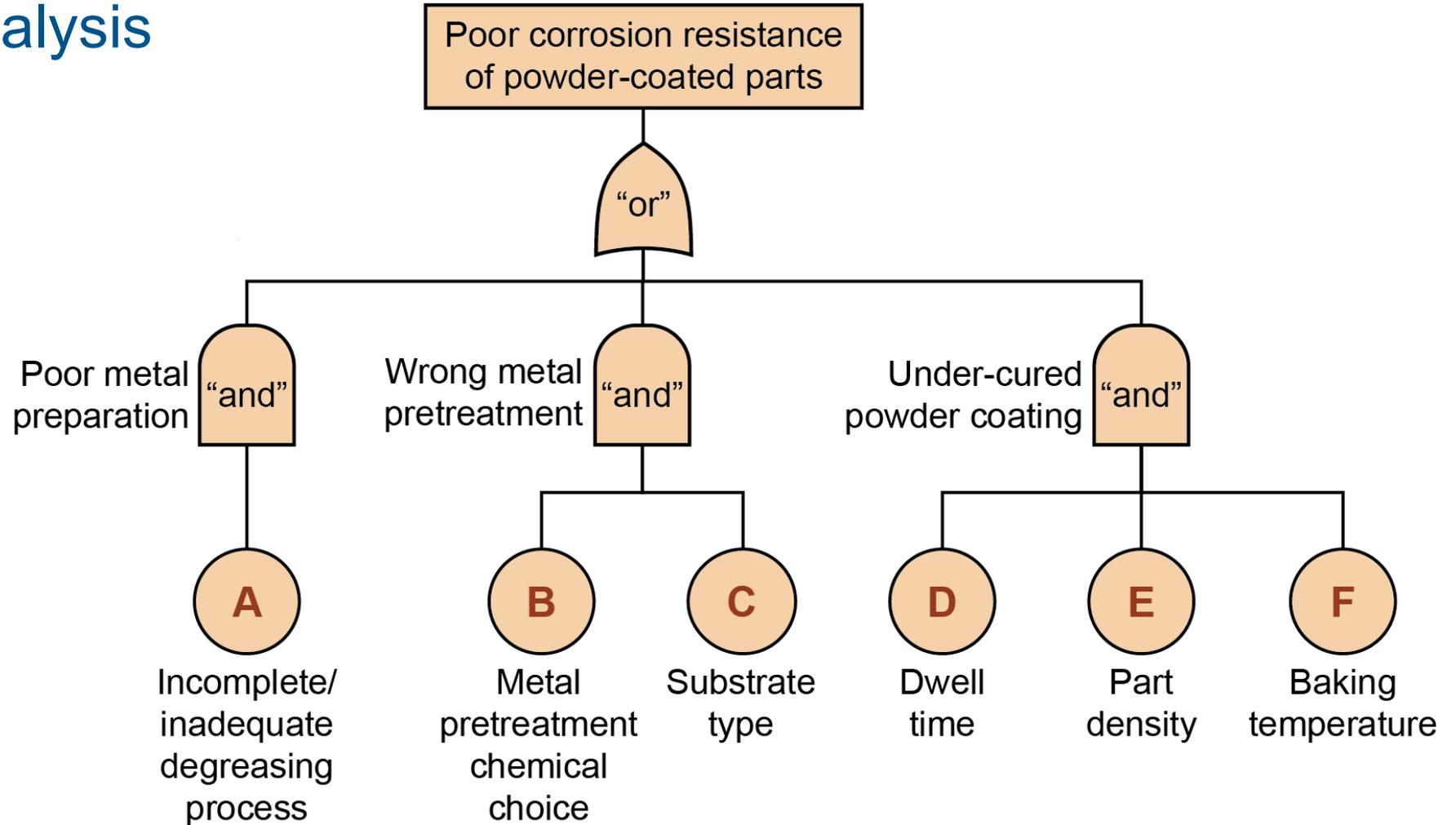
- Similar to brainstorming.
- Ideas shared one by one.
- Ideas are prioritized by group.

### Root cause analysis

- Used in control charting and cause-and-effect diagramming.
- Determines core problem.

# Topic 5: Structured Problem-Solving Tools

## Fault Tree Analysis



# Topic 5: Structured Problem-Solving Tools

## Design of Experiments (DOE)

### DOE

- Impact of input variables on output variables

### Minimize impact of noise factors through...

- Blocking
- Randomization
- Repetition.

### Taguchi methodology

- Focus on the robustness of the product.
- Design the product to be insensitive.
- Minimize variation around a target value.

## Benchmarking

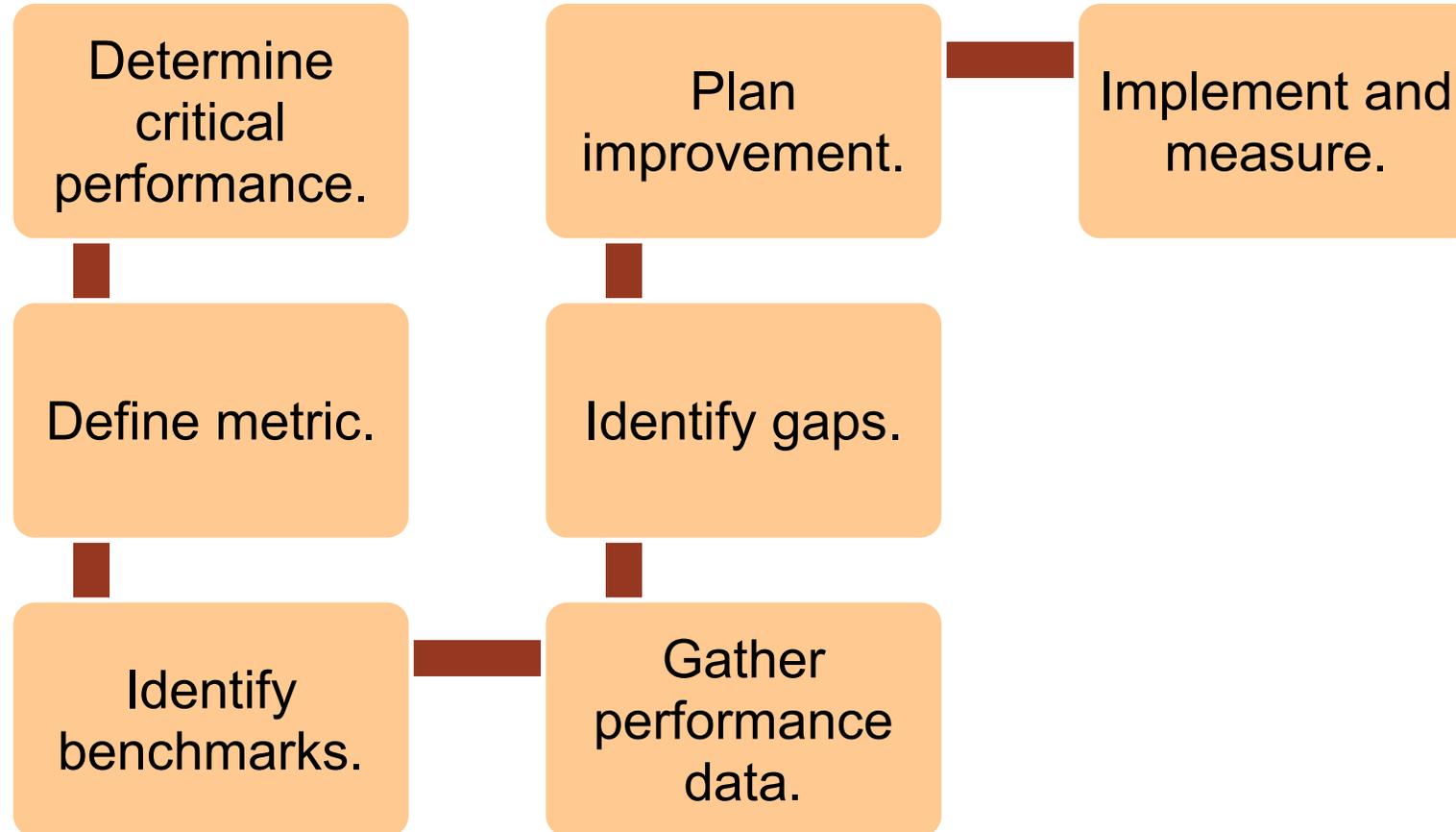
### **Benchmark measures**

Measures used to establish goals for improvements; often derived from best-in-class achievements.

- Used at different levels, from strategy to operations processes.
- Targets may use internal or external performance measures.

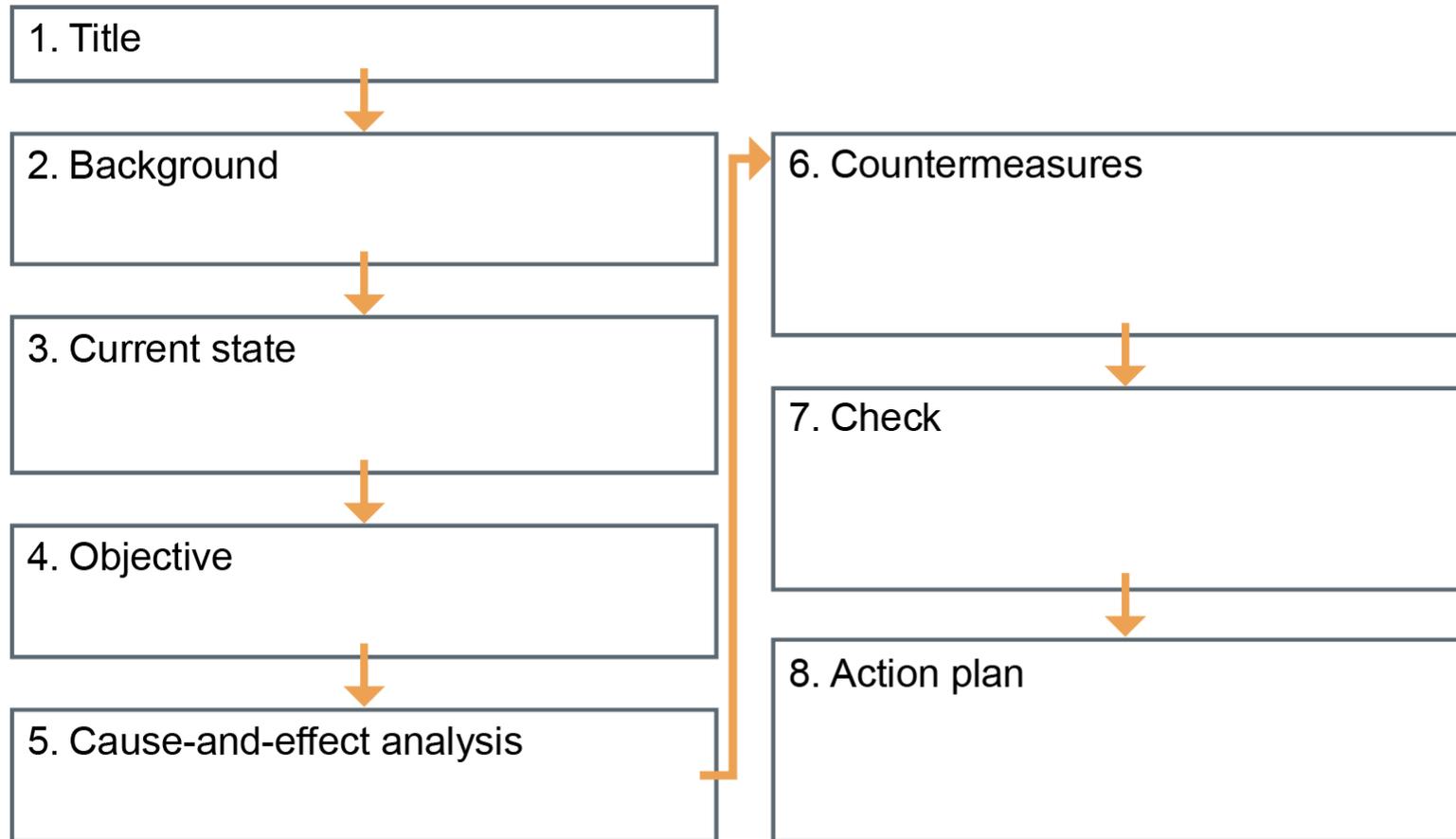
# Topic 6: Additional Process Improvement Tools

## Benchmarking Process



# Topic 6: Additional Process Improvement Tools

## A3 Problem Solving



## Problem Solving A3 Report Discussion

1. Is the following title for a report acceptable? Why or why not?  
*“Improve picking accuracy in the warehouse with monthly training sessions.”*
2. An experienced warehouse staff member writes the A3 report. The person asks the team to list three main causes of picking errors, and then has a meeting to rank the causes in order of importance so that the team can identify countermeasures. Do you agree with this step? Why or why not?
3. The meeting ends with a strong consensus that monthly training is not the most important countermeasure. Workers conclude that the error rate is higher on shifts in which the number of items picked per worker is highest. Management pressure to meet order fill rate targets is the most probable cause. They recommend adding more workers to the night shift where pick volume is as high as the day shift but with 25% fewer pickers. Management approves this recommendation, and the countermeasure is rolled out to all warehouses. Do you agree with this action from a PDCA cycle standpoint?

## Work Area Design Activities

**Goal: Reduce the number of mistakes.**

1. Develop standardized work.
2. Define the work area.



Examples:

- Production capacity chart
- Standardized work combination table
- Standardized work analysis chart
- Job element sheets

# Topic 7: Work Area Design

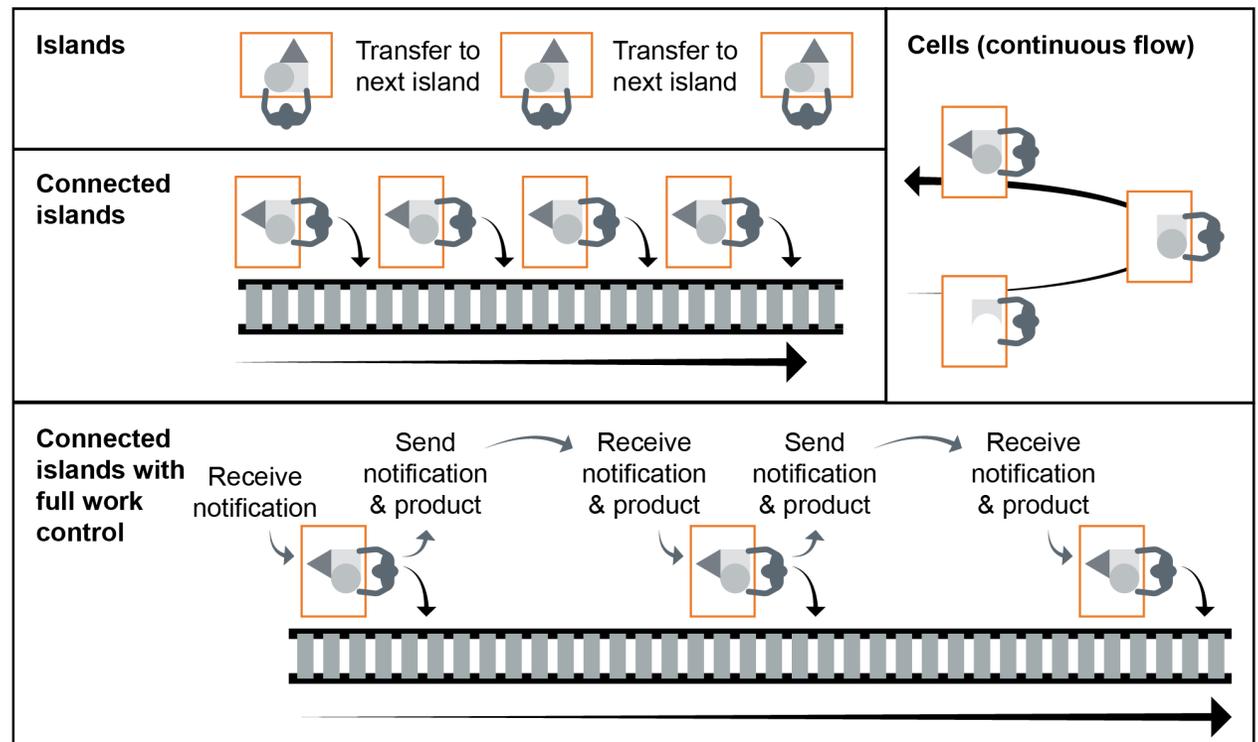
## Standardized Work

### Tools and equipment layout

Three principles:

- Economy of motion in obtaining, using, and returning tools
- Visibility of tools to facilitate finding and selection
- Ergonomics of using, lifting, and moving tools and materials

## Workplace layout



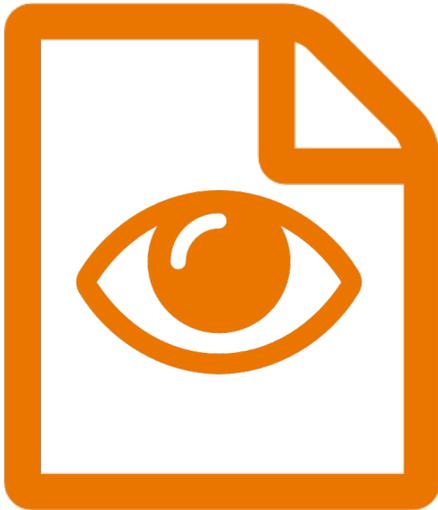
# Topic 7: Work Area Design

## Additional Work Area Design Activities

| <b>Changeovers</b>                                                                                                                                                  | <b>Simulation and Modeling</b>                                                                            | <b>Automation</b>                                                                                                                                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Time when equipment is unavailable due to tooling, material, part, program, or other changes to production that must be performed while equipment is stopped</p> | <p>Use of software to make computer models of manufacturing systems to analyze and test system design</p> | <p>Competitive advantage in today's manufacturing world; allows companies to mass-produce products at outstanding speed and with repeatability and quality</p> |

## Visual Techniques

Visual management techniques



- Visual workplace
- Visual management triangle
- Clean workplace
- Visual system
- Visual communication
- Visual workplace reporting

# Topic 8: Process Variation

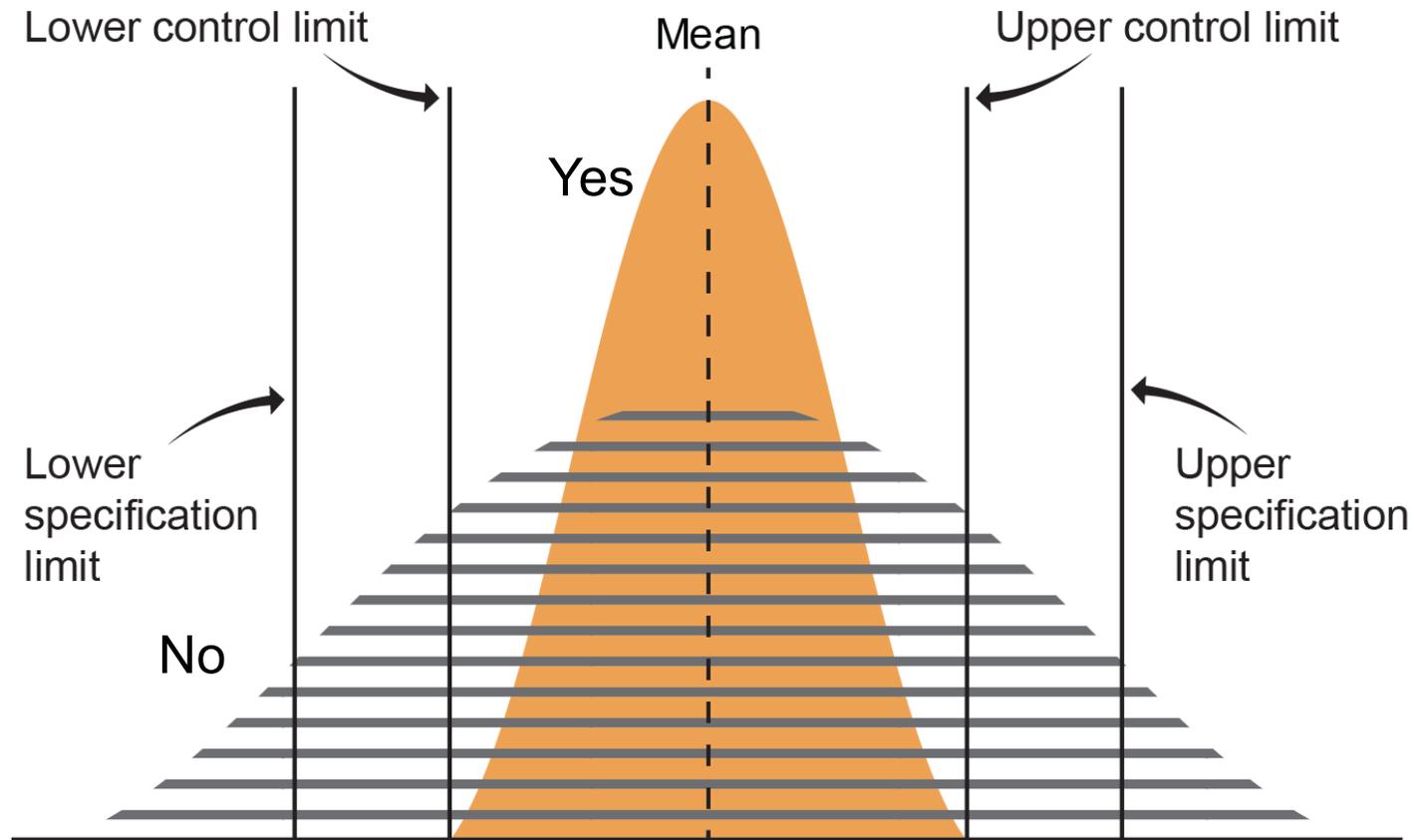
## Conformance and Variation

- Conformance: has met specification, contract, or regulatory requirements
- Variation: special or common cause, tampering, or structural variation
- Common cause (random causes): inherent variation
  - Predictable
  - Categorize to help design process to minimize impact
  - The ideal: Only these are present
- Assignable cause (special cause): can be isolated
  - Root cause exists and can be responded to
  - Does not happen by chance, e.g., worn part
  - Unpredictable changes
  - Not stable over time

# Topic 8: Process Variation

## Statistical Process Control (SPC)

### Is the process capable?



## Specification Limits Versus Control Limits

- Lower and upper specification limits (LSL and USL)
  - Set by customer and/or engineering
  - Independent of process used (results, not how got there)
  - Voice of the customer
- Lower and upper control limits (LCL and UCL)
  - Set by statistical observations of standard deviations
  - Process specifications (capable of producing results within specifications?)
  - Voice of the process

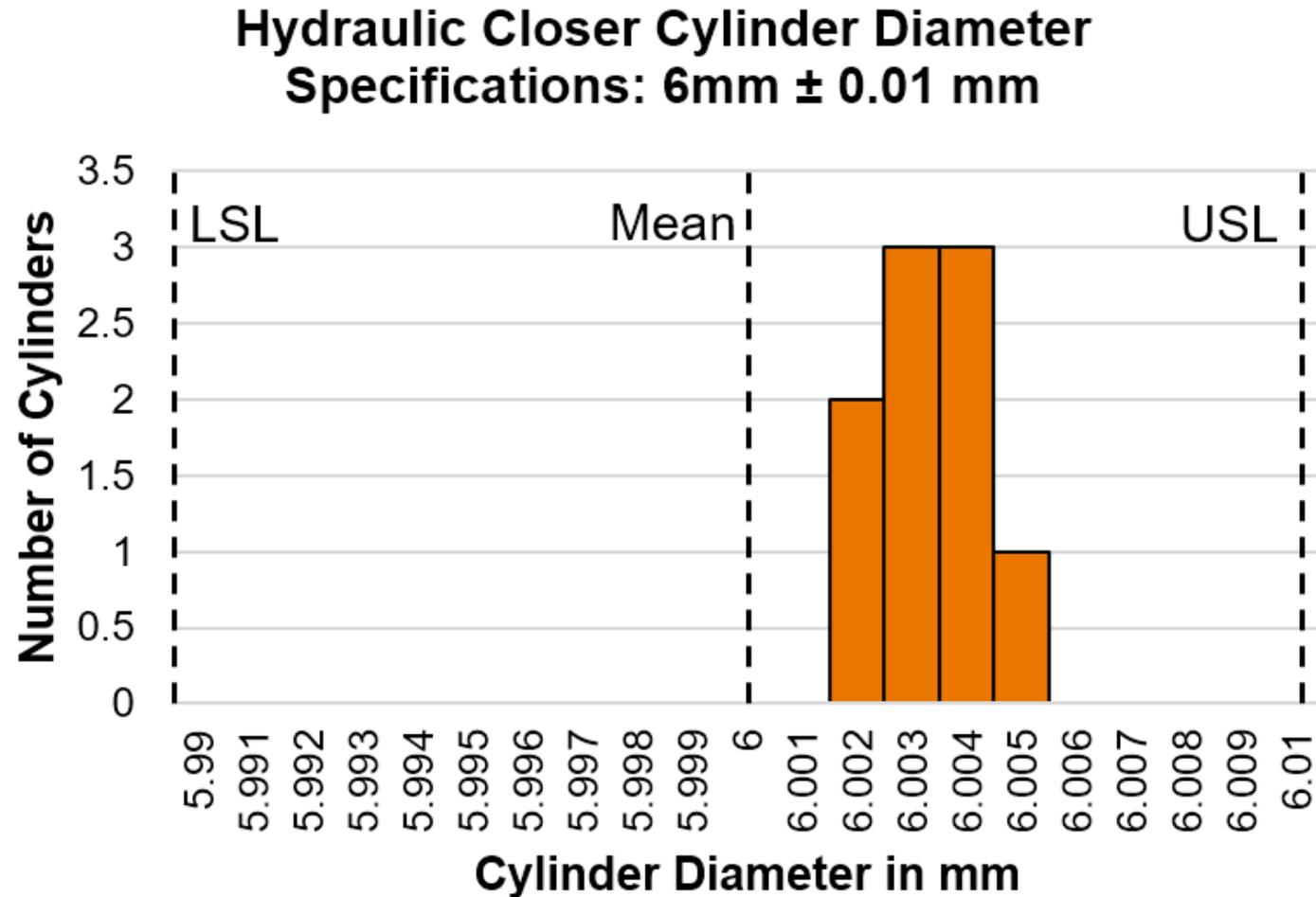
## Normal Distributions and Standard Deviation (SD)

- Normal distribution (bell curve)
  - Smooths out (normalizes) samples to generalize pattern
  - Shows range and standard deviation.
- A result will fall within
  - 1 SD ( $1\sigma$ ) of the average 68.3% of time
  - 2 SD ( $2\sigma$ ) of the average 95.4% of time
  - 3 SD ( $3\sigma$ ) of the average 99.7% of time.
- If 1 SD is a large number of units (or other thing measured), then wide variation.

# Topic 8: Process Variation

## Statistical Process Control with Shift in Mean

Control limits are 5.994 to 6.006, so in control, but shift in mean should be investigated.



## SPC Versus Inspection

- Product inspection is form of waste
  - Inspection of finished goods detects only defects
  - Hard to find root cause
- Statistical process control
  - Monitors process against statistical control limits
  - Detects when processes are getting out of control
  - Corrective action (preventive)

## Control Charts

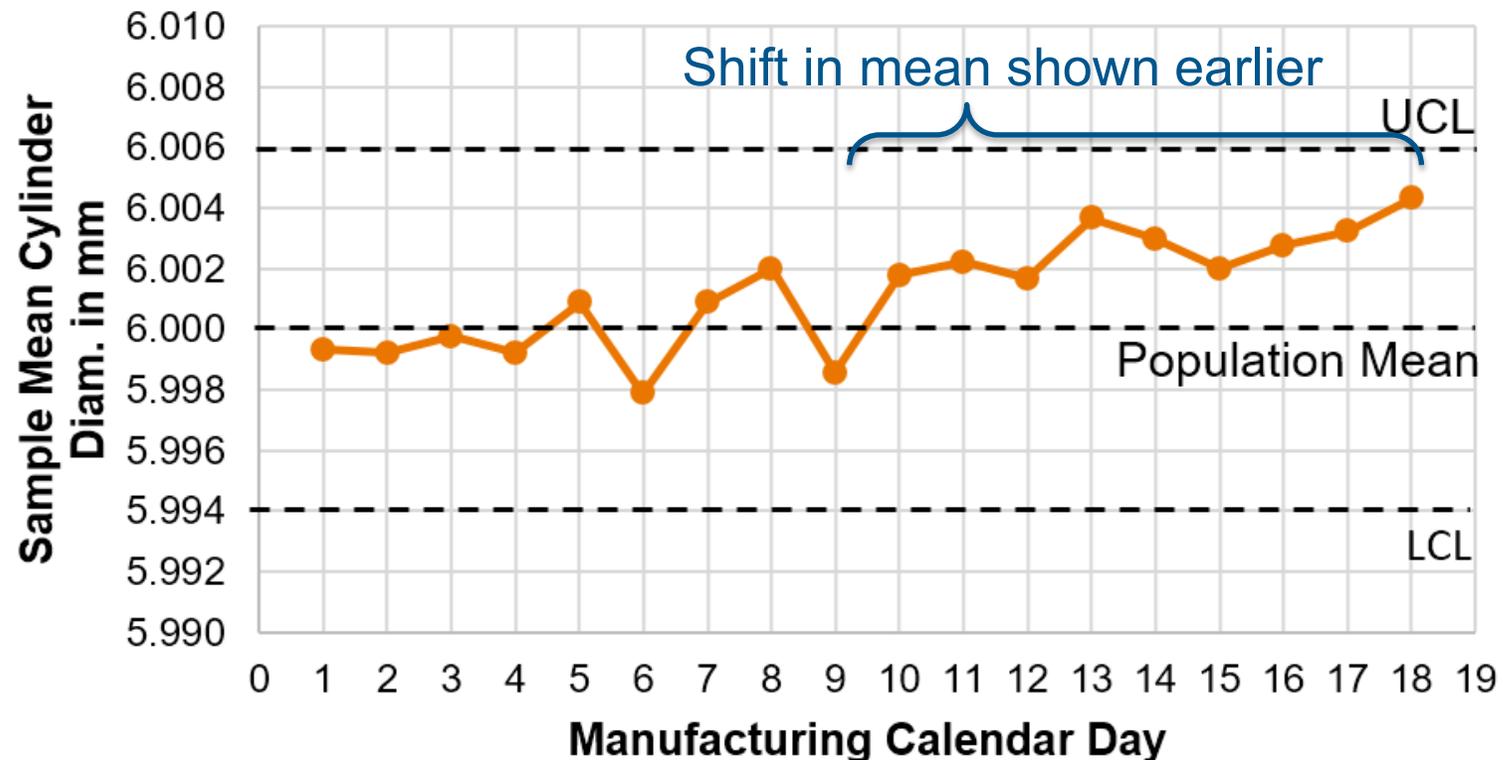
### Types of control charts

- **X-bar-chart**
  - Population mean.
  - Average of samples for given day. (3 to 9 are common.)
- **R-chart**
  - Range of sample results (highest – lowest).
- **P-chart**
  - Percentage variation from mean with UCL and/or LCL.
  - Sample size can vary between samples, still comparable.

# Topic 8: Process Variation

## Control Charts: $\bar{X}$ - (X-bar-) Chart

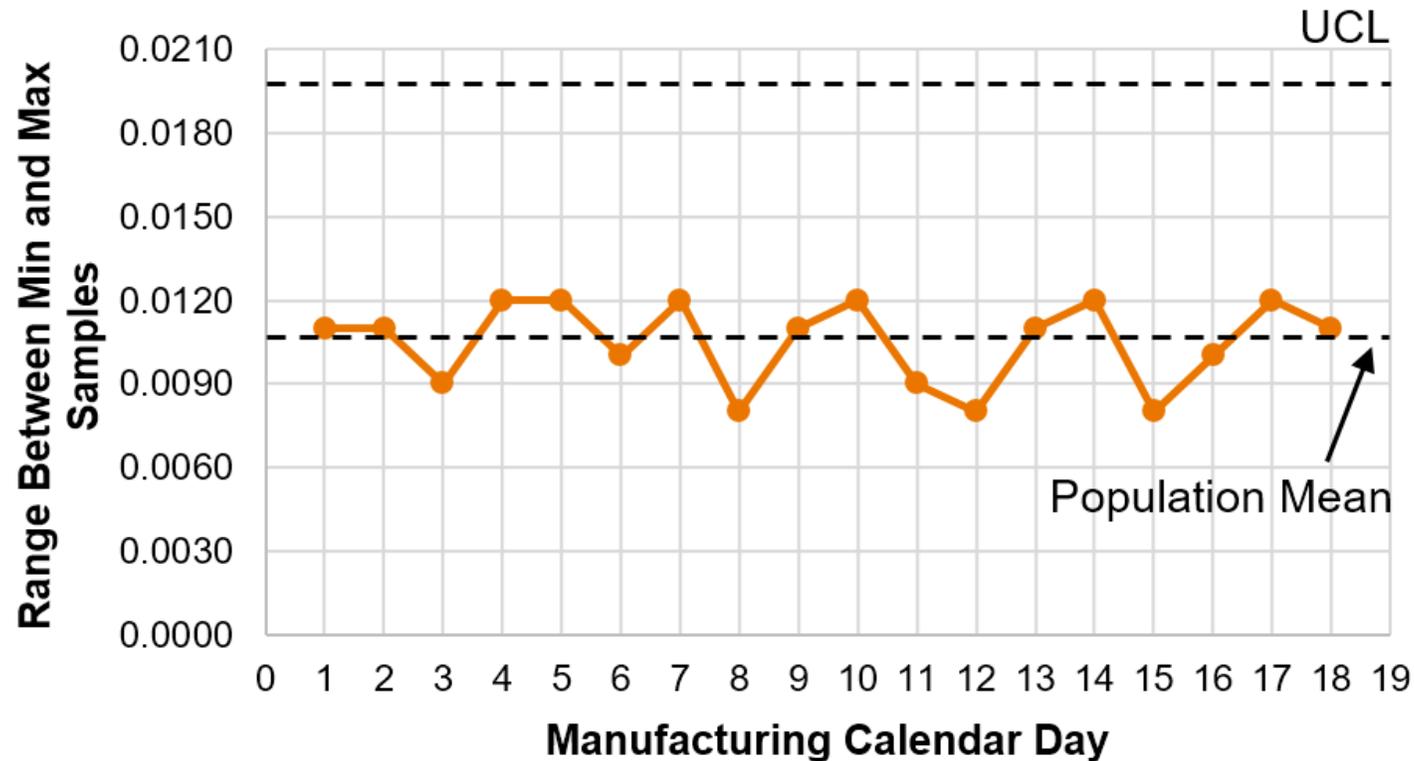
Like bell curve turned on side to show results over time. X-bar is sample mean.



# Topic 8: Process Variation

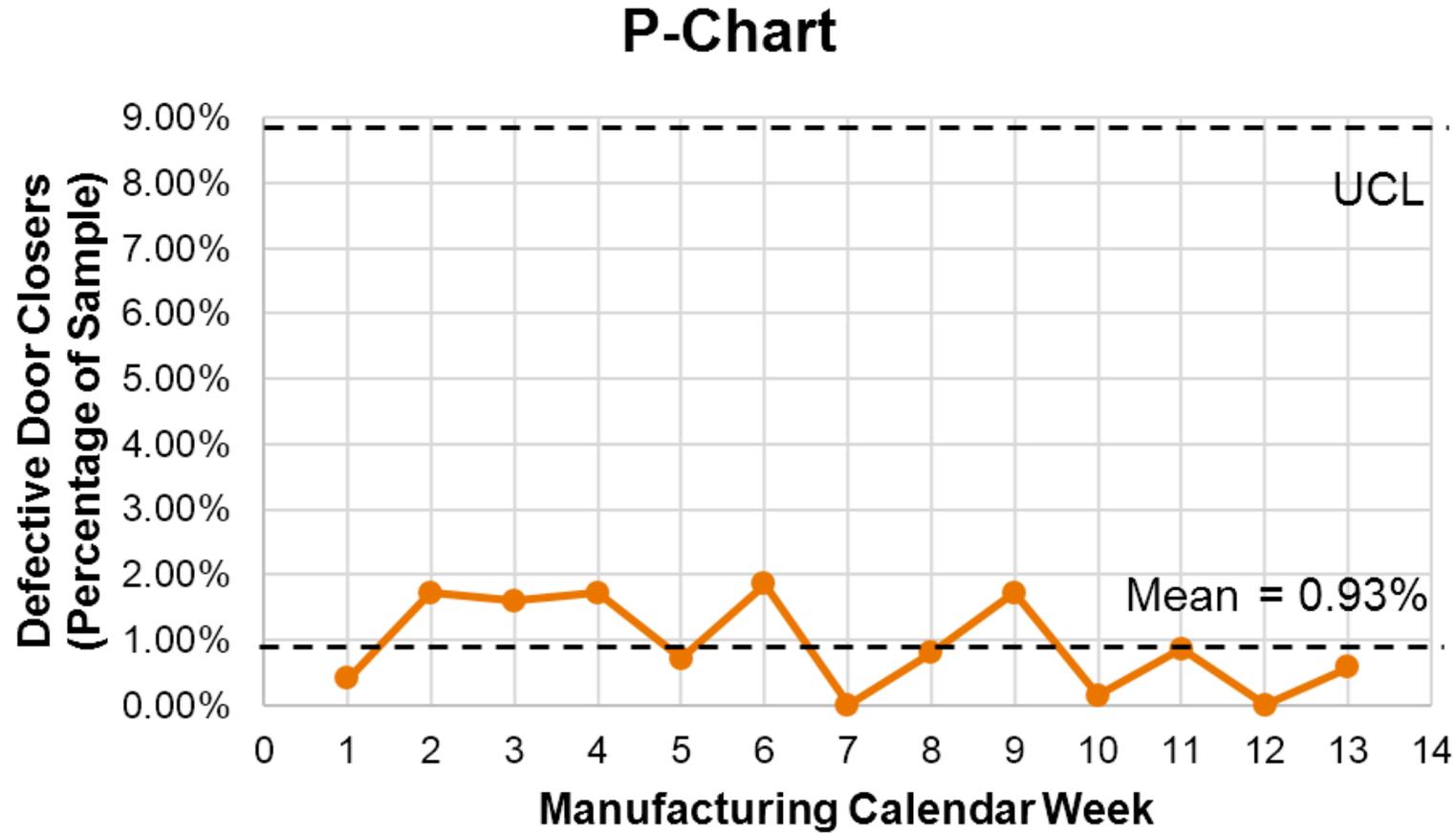
## Control Charts: R-Chart

Chart of sample range (highest minus lowest)



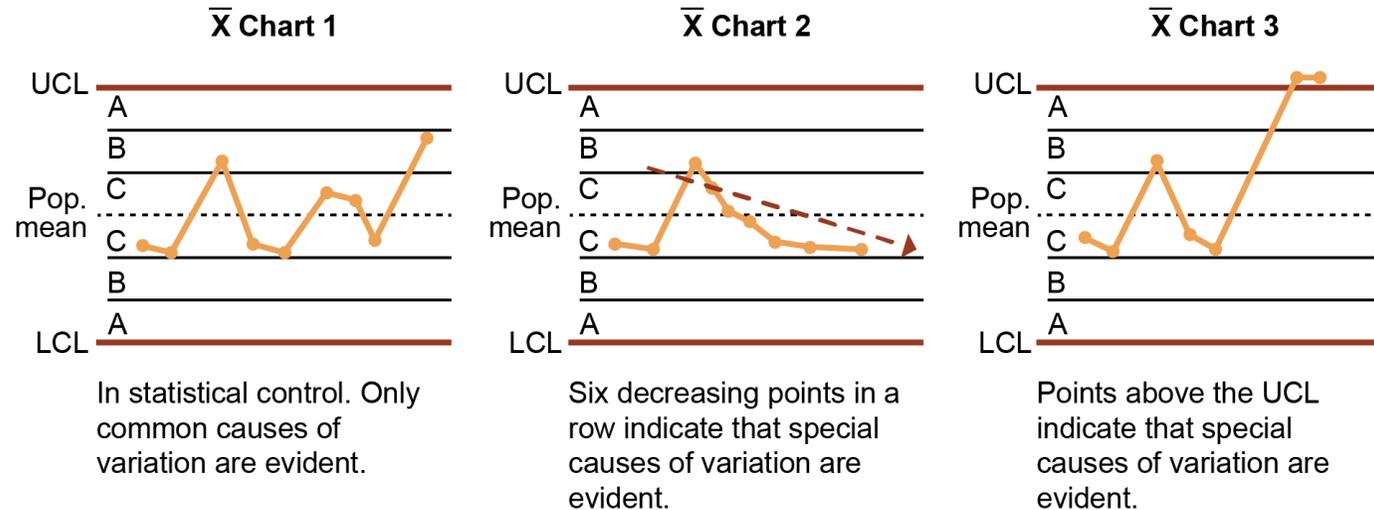
# Topic 8: Process Variation

## Control Charts: P-Chart



# Topic 8: Process Variation

## Control Charts: Application



### Nelson's tests for special causes (four examples)

1 point beyond zone A (e.g., Chart 3)

9 or more points in a row above (or below) mean

6 points in row steadily increasing or decreasing (e.g., Chart 2)

4 out of 5 points in a row in zone B or beyond

## Statistical Quality Control

### Attribute sampling

1. Take a sample of a specified quality characteristic for each unit. Each unit is classified as acceptable or defective.
2. Summarize these into a simple statistic, such as sample average.
3. Compare the observed values to the allowable standard values defined in the quality plan.
4. Make a decision to accept or reject the lot.

### Variable sampling

1. Take a sample and a measurement of a specified quality characteristic for each unit.
2. Summarize these into a simple statistic, such as a sample average.
3. Compare the observed values to the allowable standards defined in the quality plan.
4. Make a decision to accept or reject the lot.

# Topic 8: Process Variation

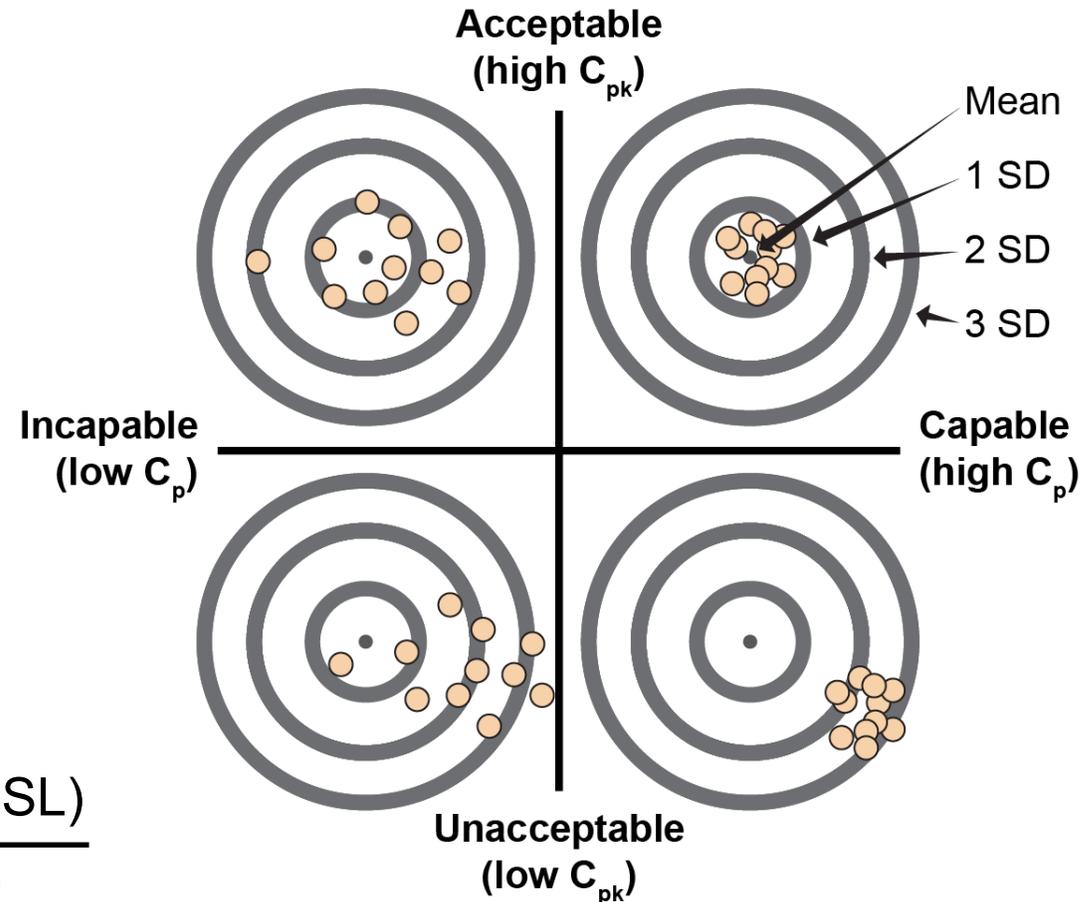
## Process Capability Analysis

### ■ Capability

$$C_p = \frac{USL - LSL}{6 \times SD}$$

### ■ Acceptability

$$C_{pk} = \text{Lesser of } \frac{(USL - \text{Mean})}{3 \times SD} \text{ or } \frac{(\text{Mean} - LSL)}{3 \times SD}$$



## Uses for Process Capability Analysis

- Predicting extent of variability that processes will exhibit, to set realistic specification limits
- Choosing most appropriate process for tolerances to be met
- Providing quantified basis for schedule of periodic process control checks and readjustments
- Assigning machines to best-suited classes of work
- Testing theories for causes of defects during quality improvement programs
- Serving as basis for specifying quality performance requirements for purchased machines
- Planning interrelationship of sequential processes