



Resolving Faulty Products to Minimise COPQ

Industry: Automotive

Situation:

A global automotive Tier 1 supplier experienced increasing internal Costs of Poor Quality (COPQ), negatively impacting profitability, operational efficiency, and manufacturing performance across multiple international production segments.

Internal failure costs — a contributor of the overall COPQ — exceeded the defined business targets and continued to rise in several manufacturing areas. The organisation required a sustainable reduction of systemic quality losses while simultaneously protecting operational performance and profitability.

At the time, internal failure costs exceeded the defined milestone by 0.71%, while a maximum target of 2% had been established. A global improvement initiative covering 14 production segments worldwide was launched with the objective of reducing internal failure costs to 1% within two years.

Challenge:

The primary challenge was the identification and reduction of systemic quality losses across highly diverse international automotive operations.

Key challenges included:

- Increasing scrap and rework costs across multiple production segments
- Limited transparency regarding root causes of internal failure costs
- Balancing cost reduction measures with production stability and profitability requirements
- Ensuring sustainable implementation of corrective actions across all global locations

The organisation required not only technical problem-solving, but also operational alignment between quality, production, and management functions.

Actions:

A comprehensive global COPQ reduction programme was developed and implemented across all 14 segments.

Key measures included:

- Systematic analysis of internal failure cost drivers and production losses
- Identification of systemic weaknesses across manufacturing operations
- Development of tailored improvement measures for each production segment
- Alignment of quality objectives with operational and business performance targets
- Implementation of process optimisation and quality control mechanisms
- Coordination of cross-functional improvement activities between production, quality, and management teams
- Continuous monitoring, performance tracking, and adjustment of corrective actions
- Active involvement of stakeholders to ensure sustainable implementation and accountability

The programme focused on reducing operational waste while improving manufacturing stability, process discipline, and financial performance.



Results:

- Successful implementation of the global COPQ reduction programme across all 14 production segments
- Significant reduction of internal failure costs, including scrap and rework
- Achievement of the defined one-year and two-year improvement targets
- Improved process stability and manufacturing performance
- Increased operational efficiency and cost transparency
- Strengthened alignment between quality management and business objectives
- Improved profitability through sustainable reduction of systemic quality losses

The programme demonstrated that effective COPQ reduction requires not only technical quality improvement, but also strong operational governance, cross-functional alignment, and continuous performance management across international manufacturing environments.