Concern and Corrective Action Report
CCAR

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Estēe Lauder Companies
“Estee Lauder Companies have pursued Mrs. Lauder’s goal of quality, innovation and consumer satisfaction.”

“Every step taken from that first year through the one just completed has been guided by the three principles on which she founded the business: quality, innovation and a strong connection to our consumers.”
In the Quality conscience and Competitive business we are all engaged in, it has become a necessity to identify issues as they arise and implement irreversible corrective actions to fix them.

K. Hill from CCAR letter to suppliers, July 2005
Agenda

- CCAR Overview
  - What is CCAR?
  - Why utilize CCAR?
  - How does CCAR work?
  - What are the expected outcomes?
- The CCAR Process
- CCAR Reports
- Measuring Compliance
- Current Status
- Continuous Improvement
- Benefits of CCAR
- Summary
What is CCAR?

- A systematic approach to solving a quality concern
- A closed loop process utilizing the Six Sigma DMAICR model
- A Lessons Learned document and database
Why Adopt CCAR?

- To move from a problem notification system to a problem resolution system
- Resolve issues at their source
- Supplier accountability for root cause and corrective actions
- Improve efficiencies and costs
- Improve incoming and outgoing Quality
How Does CCAR Work?

- An issue with a product, component, or raw material is identified via various sources
  - Incoming inspection (AQL violation/Out of specification)
  - Consumer complaint
  - Production issue
- A Non Conformance Report (NCR) is created for financial tracking
- The person affected, the originator, raises a CCAR in the database on the process owner, the supplier, and tracks the progress
- There is one CCAR raised for every NCR or group of similar NCR’s
What are the Expected Outcomes?

- Identification of supplier controlled material and source containment within 24 hours of being notified
- Understanding of the issue by the supplier and definitive root cause and corrective action within 5 days of being notified
- Implementation plan to address corrective action within 20 days of being notified
- Closure of the issue within the timeframe identified
- Replication of the corrective action across similar products or processes
The Process
Define the Issue

- The facility raising the issue
- The NCR number
- The CCAR number
- Supplier tracking information
- Response review dates
- Concern Owner

 Concern title/description
 Supplier name and number
 Reason for concern and defect code
 Component code and description
 Originator information
## Define the Issue

<table>
<thead>
<tr>
<th>What is the concern?</th>
<th>Describe in precise detail what the issue is and why it is a concern. Utilize drawings and photographs as necessary.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Where on the Product/Process is the concern?</td>
<td>Describe precisely where the concern is, the position relative to the product itself.</td>
</tr>
<tr>
<td>Where was the concern first observed?</td>
<td>Describe specifically where the concern was noted, geographically and at what process stage.</td>
</tr>
<tr>
<td>When was the concern first observed?</td>
<td>Give full details as to when the concern was observed with regard to date, time, and operation.</td>
</tr>
<tr>
<td>What is the magnitude of the concern?</td>
<td>State the magnitude of the concern as a %, PPM ratio, and cost if available.</td>
</tr>
</tbody>
</table>

Provide samples, photos, and drawings. Identify tracking information.
The Process
Measure the Issue

<table>
<thead>
<tr>
<th>Lauder Containment Actions</th>
<th>Qty</th>
<th>Action</th>
<th>Costs to be incurred?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component Stock:</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>VIP Stock:</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finished goods Stock:</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock at Customer:</td>
<td>0</td>
<td></td>
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</tr>
</tbody>
</table>

Measure the extent of the issue at all possible locations, identify actions taken, and inform of the possibility of costs to be charged.

<table>
<thead>
<tr>
<th>Source Containment</th>
</tr>
</thead>
<tbody>
<tr>
<td>This section to be completed by the Vendor or Department contact returned to Originator within 24 hours.</td>
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</table>

<table>
<thead>
<tr>
<th>Containment Action</th>
<th>Qty</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock at Vendor:</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Stock in Transit:</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Stock in Remote Warehouse:</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Next Production Run:</td>
<td>0</td>
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</tbody>
</table>

Supplier measures extent of issue at all possible locations, identifies actions taken and responds within 24 hours of being notified.

Record date information is received to measure compliance.
The Process
Analyze the Issue

<table>
<thead>
<tr>
<th>Cause</th>
<th>Effect</th>
<th>Why</th>
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<tbody>
<tr>
<td>Man</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machine</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Method</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Materials</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Measure</td>
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</tbody>
</table>

Utilize the 6 M's of the cause and effect diagram to determine the direct cause of the effect.

Utilize 5 Why approach on the direct cause to determine the true root cause of the issue.

Record date information is received in order to measure compliance. Must be received within 5 days of notification.
Upon conclusion of the true root cause, the supplier must address the issue with a permanent corrective action. They must decide on a method of verification that will test that the action is robust and agree on this verification with the originator of the CCAR. As each action is completed, the supplier will test to the verification method.

<table>
<thead>
<tr>
<th>Chosen Permanent Corrective Action:</th>
<th>Actions</th>
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<tbody>
<tr>
<td>Verification Method</td>
<td>Verification Result</td>
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The Process
Improve and Control

The implementation plan must be reported to the CCAR originator within 20 days of notification of the issue. This section becomes a working document and will be re-sent as implementation dates are met. Until all activities are completed, any containment put in place within the supplier's process must be maintained.

Record date information is received to measure compliance.
The Process
Replicate the Learning

<table>
<thead>
<tr>
<th>Lessons learned - Where else can this corrective action be utilized:</th>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Team Leader:</th>
<th>Position</th>
<th>Report Closed</th>
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This section to be completed by Quality Engineer on close off of concern

<table>
<thead>
<tr>
<th>Replication: Identify any other Product/Process or process of similar attributes that could be affected by concern</th>
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<table>
<thead>
<tr>
<th>Concern Signed Off</th>
<th>Report Closed Date:</th>
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Replication/lessons learned are provided by the supplier and the originator. Only the originator can sign off on CCAR and officially close it out.
Process Flow

INPUT CONCERN REPORT

SOURCE CONTAINMENT
- All Stock At Source Identified And Controlled?
- Is All Stock In Transit Identified And Controlled?
- Is All Stock Held At A Hub Identified And Controlled?
- Will The Next Production Run Have Containment In Place?

ROOT CAUSE ANALYSIS
- Has True Root Cause Been Identified?
- Has Direct Cause Been Questioned?
- Has Direct Cause Been Identified?
- Has Probable Cause Been Considered?
- Is Concern Recorded As An Effect?

CORRECTIVE ACTIONS
- Are Corrective Actions Identified?
- Has Verification Method been Identified?
- Has Corrective Action Been Identified?
- Has Corrective Action Been Verified?
- Has Progress Been Completed?
- Has Implementation Date Been Highlighted?
- Has Responsibility Been Allocated?
- Have All Corrective Actions Been Listed?

IMPLEMENTATION
- Have Lessons Learnt Been Documented?
- Has Corrective Action Report Been Signed Off?
- Has Team Been Congratulated?

OUTPUT CONCERN & CORRECTIVE ACTION REPORT
CCAR Report Generation

To facilitate tracking compliance to the CCAR review dates, reports are generated for:

- Open CCAR’s by site, supplier, and defect code
- CCAR’s that have missed the 24 hr review deadline
- CCAR’s that have missed the 5 day review deadline
- CCAR’s that have missed the 20 day review deadline
Measuring Compliance

Suppliers will be measured on their compliance to the CCAR review dates on a monthly basis via the Global Quality Measurement System (GQMS)

<table>
<thead>
<tr>
<th>Raw Material Suppliers</th>
<th>Deliveries</th>
<th>Total Rejects</th>
<th>Highly Critical</th>
<th>Critical</th>
<th>Major</th>
<th>Minor</th>
<th>Weighted % Rejects</th>
<th>Points</th>
<th>Percent Rejects</th>
<th>Critical Issues/Complaints</th>
<th>Compliance to CCAR time requirements</th>
<th>Responsiveness</th>
<th>Problem Mgmt Cost</th>
<th>Other Deductions</th>
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<tbody>
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Global Quality Supplier Measurement - Monthly Supplier Performance Report

- **Minimal time or little cost:** < $1,000 or Manager
- **$1,000 - $5,000 or Director:** $5,000 - $10,000
- **> $5,000 or VP:** > $10,000
CCAR
Current Status

- Use of CCAR communicated to suppliers and supported by GSR
- Access database established to track CCAR’s
  - Shared database for US facilities
  - Separate shared database for Canadian facilities
  - Site specific database for European facilities
- Originator controlled data entry
- Process accepted by suppliers
CCAR
Continuous Improvement

- Move from Access based system to Web based system
  - Suppliers responsible for data entry
  - Lessons learned capability globally
- Convert current systems to SAP
  - Incorporate CCAR into SAP system
Benefits Seen Utilizing CCAR

- Immediate supplier response
- Resolution of problem vs. strictly containment
- Heightened awareness of quality issues
- Consistent global system
- Facilitation of teamwork
  - QA, SRP, GSR, Mfg.
CCAR Summary

- A systematic approach to problem solving utilizing the Six Sigma DMAICR model
- A closed loop system focusing on problem resolution rather than containment
- A lessons learned database
- A method to measure supplier performance
- A means to facilitate teamwork across functional areas
- A global system that deals with suppliers and issues in a common fashion