## Business Statistics

For Contemporary

Decision Making

5th Edition

Ken Black

## **Contents**

## PREFACE xxi ABOUT THE AUTHOR xxxii

CHAPTER		CHAPTER 2
Introduction to Statistics	2	Charts and Graphs 18
DECISION DILEMMA: Statistics Describe the St of Business in India's Countryside 3	ate	<b>DECISION DILEMMA</b> : Energy Consumption Around the World 19
1.1 STATISTICS IN BUSINESS 4  Marketing 4  Management 4  Finance 4  Economics 4  Accounting 4  Management Information Systems 5		<ul> <li>2.1 FREQUENCY DISTRIBUTIONS 20 Class Midpoint 20 Relative Frequency 21 Cumulative Frequency 21</li> <li>2.2 GRAPHICAL DEPICTION OF DATA 23 Histograms 23</li> </ul>
1.2 BASIC STATISTICAL CONCEPTS 5  1.3 DATA MEASUREMENT 8  Nominal Level 8  Ordinal Level 9  Interval Level 9  Ratio Level 10  Comparison of the Four Levels of Data  Statistical Analysis Using the Computer:  Excel and MINITAB 11	10	Using Histograms to Get an Initial Overview of the Data 25  Frequency Polygons 26 Ogives 26 Pie Charts 26 Stem and Leaf Plots 29 Pareto Charts 31  2.3 GRAPHICAL DEPICTION OF TWO-VARIABLE NUMERICAL DATA: SCATTER PLOTS 34
Summary 13  Key Terms 13  Supplementary Problems 13  Analyzing the Databases 14  CASE: DiGiorno Pizza: Introducing a Frozen Pizacompete with Carry-Out 16	zza to	Summary 37  Key Terms 37  Supplementary Problems 38  Analyzing the Databases 41  CASE: Soap Companies Do Battle 42  Using the Computer 43

CHAPTER 3	3.5 MEASURES OF ASSOCIATION 80
Descriptive Statistics 46	Correlation 80
DECISION DILEMMA: Laundry Statistics 47	3.6 DESCRIPTIVE STATISTICS ON THE COMPUTER 84 Summary 86 Key Terms 87
3.1 MEASURES OF CENTRAL TENDENCY: UNGROUPED DATA 48  Mode 48  Median 48  Mean 49  Percentiles 51  Steps in Determining the Location of a Percentile 51	Formulas 87 Supplementary Problems 88 Analyzing the Databases 93 CASE: Coca-Cola Goes Small in Russia 93 Using the Computer 94 CHAPTER 4
Quartiles 52  3.2 MEASURES OF VARIABILITY: UNGROUPED DATA 55  Range 56	Probability 96  DECISION DILEMMA: Equity of the Sexes in the Workplace 97
Interquartile Range 56  Mean Absolute Deviation, Variance, and Standard Deviation 57  Mean Absolute Deviation 59  Variance 59  Standard Deviation 60  Meaning of Standard Deviation 60  Empirical Rule 60  Chebyshev's Theorem 62  Population versus Sample Variance and Standard Deviation 63  Computational Formulas for Variance and Standard Deviation 64  z Scores 66  Coefficient of Variation 66	<ul> <li>4.1 INTRODUCTION TO PROBABILITY 98</li> <li>4.2 METHODS OF ASSIGNING PROBABILITIES 98     Classical Method of Assigning Probabilities 98     Relative Frequency of Occurrence 99     Subjective Probability 100</li> <li>4.3 STRUCTURE OF PROBABILITY 100     Experiment 100     Event 100     Elementary Events 100     Sample Space 101     Unions and Intersections 102     Mutually Exclusive Events 102     Independent Events 102</li> </ul>
3.3 MEASURES OF CENTRAL TENDENCY AND VARIABILITY: GROUPED DATA 70  Measures of Central Tendency 70  Mean 70  Mode 71  Measures of Variability 71  3.4 MEASURES OF SHAPE 76	Collectively Exhaustive Events 103  Complementary Events 103  Counting the Possibilities 104  The mn Counting Rule 104  Sampling from a Population with Replacement 104  Combinations: Sampling from a Population without Replacement 104
Skewness 76  Skewness and the Relationship of the Mean,  Median, and Mode 76  Coefficient of Skewness 77	4.4 MARGINAL, UNION, JOINT, AND CONDITIONAL PROBABILITIES 105 4.5 ADDITION LAWS 107 Probability Matrices 108

Complement of a Union

Special Law of Addition

111

112

Kurtosis

78

**78** 

Box and Whisker Plots

	Special Law of Multiplication 117	Formulas 133
4.7	CONDITIONAL PROBABILITY 120	Supplementary Problems 133
	Independent Events 123	Analyzing the Databases 137
4.8	REVISION OF PROBABILITIES: BAYES' RULE 127	CASE: Colgate-Palmolive Makes a "Total" Effort 137
UN	IT II • DISTRIBUTIONS AND SAMPLING	
CHA	APTER 5	Supplementary Problems 174
		Analyzing the Databases 179
וע	screte Distributions 140	CASE: Kodak Transitions Well into the Digital
DEC	ISION DILEMMA: Life with a Cell Phone 141	Camera Market 179 Using the Computer 180
5.1	DISCRETE VERSUS CONTINUOUS DISTRIBUTIONS 142	CHAPTER 6
5.2	DESCRIBING A DISCRETE DISTRIBUTION 143	<b>Continuous Distributions</b> 182
	Mean, Variance, and Standard Deviation of Discrete Distributions 144	DECISION DILEMMA: The Cost of Human Resources 183
	Mean or Expected Value 144	6.1 THE UNIFORM DISTRIBUTION 183
	Variance and Standard Deviation of a Discrete Distribution 144	Determining Probabilities in a Uniform Distribution 185
5.3	BINOMIAL DISTRIBUTION 147	Using the Computer to Solve for Uniform
	Solving a Binomial Problem 148	Distribution Probabilities 187
	Using the Binomial Table 151	6.2 NORMAL DISTRIBUTION 188
	Using the Computer to Produce a Binomial Distribution 152	History of the Normal Distribution 189
	Mean and Standard Deviation of a	Probability Density Function of the Normal
	Binomial Distribution 153	Distribution 189
	Graphing Binomial Distributions 154	Standardized Normal Distribution 190
5.4	POISSON DISTRIBUTION 158	Solving Normal Curve Problems 191
	Working Poisson Problems by Formula 159	Using the Computer to Solve for Normal Distribution Probabilities 197
	Using the Poisson Tables 161	6.3 USING THE NORMAL CURVE TO APPROXIMATE
	Mean and Standard Deviation of	BINOMIAL DISTRIBUTION PROBLEMS 200
	a Poisson Distribution 162	Correcting for Continuity 202
	Graphing Poisson Distributions 162	6.4 EXPONENTIAL DISTRIBUTION 206
	Using the Computer to Generate Poisson Distributions 163	Probabilities of the Exponential Distribution 206
	Approximating Binomial Problems by the Poisson Distribution 163	Using the Computer to Determine Exponential Distribution Probabilities 209
5.5	HYPERGEOMETRIC DISTRIBUTION 168	Summary 211
-	Using the Computer to Solve for Hypergeometric	Key Terms 212 Formulas 212
	Distribution Probabilities 170	Formulas 212 Supplementary Problems 212
	mary 173	Analyzing the Databases 215
-	Terms 174	CASE: Mercedes Goes After Younger Buyers 216
Form	nulas 174	Using the Computer 217

Summary

**Key Terms** 

132

133

4.6 MULTIPLICATION LAWS

General Law of Multiplication

115

115

<u>Dis</u>	mpling and Sampling stributions 218 ISION DILEMMA: What Is the Attitude of Maquiladora Workers? 219 SAMPLING 219	Convenience Sampling 226  Judgment Sampling 227  Quota Sampling 227  Snowball Sampling 228  Sampling Error 228  Nonsampling Errors 228  7.2 SAMPLING DISTRIBUTION OF \$\overline{x}\$ 230
	Reasons for Sampling 220 Reasons for Taking a Census 221 Frame 221 Random versus Nonrandom Sampling 221 Random Sampling Techniques 222 Simple Random Sampling 222 Stratified Random Sampling 223 Systematic Sampling 224	Sampling from a Finite Population 237  7.3 SAMPLING DISTRIBUTION OF p 239  Summary 243  Key Terms 244  Formulas 244  Supplementary Problems 244  Analyzing the Databases 247  CASE: Shell Attempts to Return to Premiere Status 247
CH/	Cluster (or Area) Sampling 225  IT III • MAKING INFERENCES ABOUT F  APTER 8  atistical Inference: Estimation r Single Populations 25	Using the Computer to Construct Confidence Intervals of the Population Proportion 271  8.4 ESTIMATING THE POPULATION VARIANCE 273
	SION DILEMMA: Compensation for Purchasing Managers 253  ESTIMATING THE POPULATION MEAN USING THE z STATISTIC (σ KNOWN) 255  Finite Correction Factor 258  Estimating the Population Mean Using the z Statistic when the Sample Size is Small 259  Using the Computer to Construct z Confidence	Determining Sample Size When Estimating p 279  Summary 282  Key Terms 282  Formulas 282  Supplementary Problems 283  Analyzing the Databases 286  CASE: Thermatrix 286  Using the Computer 287
8.2	Intervals for the Mean 260  ESTIMATING THE POPULATION MEAN USING THE t STATISTIC (σ UNKNOWN) 262  The t Distribution 263  Robustness 263  Characteristics of the t Distribution 263  Reading the t Distribution Table 263  Confidence Intervals to Estimate the Population Mean	CHAPTER 9 Statistical Inference: Hypothesis Testing for Single Populations 290  DECISION DILEMMA: Business Referrals 291
	Using the t Statistic 264  Using the Computer to Construct t Confidence Intervals for the Mean 266	9.1 INTRODUCTION TO HYPOTHESIS TESTING 292  Types of Hypotheses 293  Research Hypotheses 294

269

Statistical Hypotheses

294

CHAPTER 7

8.3 ESTIMATING THE POPULATION PROPORTION

Nonrandom Sampling

226

10.1 HYPOTHESIS TESTING AND CONFIDENCE INTERVALS ABOUT THE DIFFERENCE IN TWO MEANS USING THE z	DECISION DILEMMA: Job and Career Satisfaction of Foreign Self-Initiated Expatriates 405	
DECISION DILEMMA: Comparing Austria to France on Labor Statistics 345	Design of Experiments 404	
Two Populations 344	Analysis of Variance and	
Statistical Inferences about	CHAPTER	
CHAPTER 10	Using the Computer 400	
	CASE: Seitz Corporation: Producing Quality Gear-Driven and Linear-Motion Products 399  Using the Computer 400	
Using the Computer 341	Analyzing the Databases 399	
CASE: Frito-Lay Target the Hispanic Market 340	Supplementary Problems 394	
Supplementary Problems 337 Analyzing the Databases 339	Formulas 393	
Formulas 336	Key Terms 393	
Key Terms 336	Summary 393	
Summary 335	Using the Computer to Test Hypotheses About Two Population Variances 388	
Effect of Increasing Sample Size on the Rejection Limits 331	10.5 TESTING HYPOTHESES ABOUT TWO POPULATION VARIANCES 384	
Some Observations About Type II Errors 330 Operating Characteristic and Power Curves 330	Using the Computer to Analyze the Difference in Two Proportions 382	
9.6 SOLVING FOR TYPE II ERRORS 326	Confidence Intervals 381	
9.5 TESTING HYPOTHESES ABOUT A VARIANCE 322	Hypothesis Testing 377	
Using the Computer to Test Hypotheses About a Population Proportion 321	10.4 STATISTICAL INFERENCES ABOUT TWO POPULATION PROPORTIONS, $p_1 - p_2 = 377$	
9.4 TESTING HYPOTHESES ABOUT A PROPORTION 316	Confidence Intervals 372	
Using the Computer to Test Hypotheses About a Population Mean Using the $t$ Test 313	Using the Computer to Make Statistical Inferences About Two Related Populations 370	
USING THE $t$ STATISTIC ( $\sigma$ UNKNOWN) 310	Hypothesis Testing 368	
Population Mean Using the z Statistic 308  9.3 TESTING HYPOTHESES ABOUT A POPULATION MEAN	10.3 STATISTICAL INFERENCES FOR TWO RELATED POPULATIONS 367	
Hypotheses 305 Using the Computer to Test Hypotheses About a	Population Means Using the <i>t</i> Test 360  Confidence Intervals 362	
Using the Critical Value Method to Test	Confidence Intervals About the Difference in Two	
Using the <i>p</i> -Value to Test Hypotheses 304	Using the Computer to Test Hypotheses and Construct	
USING THE z STATISTIC (σ KNOWN) 301  Testing the Mean with a Finite Population 303	VARIANCES UNKNOWN 357  Hypothesis Testing 357	
9.2 TESTING HYPOTHESES ABOUT A POPULATION MEAN	INDEPENDENT SAMPLES AND POPULATION	
Type I and Type II Errors 300	10.2 HYPOTHESIS TESTING AND CONFIDENCE INTERVALS ABOUT THE DIFFERENCE IN TWO MEANS:	
Rejection and Nonrejection Regions 299	the $z$ Test 354	
Using the HTAB System to Test Hypotheses 297	Difference in Two Population Means Using	
Substantive Hypotheses 796	Using the Compilier to Test Hynotheses About the	

348

11.1 INTRODUCTION TO DESIGN OF EXPERIMENTS

409

11.2 THE COMPLETELY RANDOMIZED DESIGN

(ONE-WAY ANOVA)

406

STATISTIC (POPULATION VARIANCES KNOWN)

348

352

Hypothesis Testing

Confidence Intervals

One-Way Analysis of Variance 409 Reading the F Distribution Table 413 Using the Computer for One-Way ANOVA 414 Comparison of F and t Values 414  11.3 MULTIPLE COMPARISON TESTS 421 Tukey's Honestly Significant Difference (HSD) Test: The Case of Equal Sample Sizes 421 Using the Computer to Do Multiple Comparisons 423 Tukey-Kramer Procedure: The Case of Unequal Sample Sizes 425  11.4 THE RANDOMIZED BLOCK DESIGN 429	Testing a Population Proportion by Using the Chi-Square Goodness-of-Fit Test as an Alternative Technique to the z Test 474  12.2 CONTINGENCY ANALYSIS: CHI-SQUARE TEST OF INDEPENDENCE 479  Summary 488  Key Terms 488  Formulas 488  Supplementary Problems 488  Analyzing the Databases 490  CASE: Foot Locker in the Shoe Mix 490  Using the Computer 491
Using the Computer to Analyze Randomized Block Designs 433  11.5 A FACTORIAL DESIGN (TWO-WAY ANOVA) 439 Advantages of the Factorial Design 439	CHAPTER 13
Factorial Designs with Two Treatments 440 Applications 440 Statistically Testing the Factorial Design 441	Nonparametric Statistics 492  DECISION DILEMMA: How Is the Doughnut Business? 493
Interaction 442 Using a Computer to Do a Two-Way ANOVA 447  Summary 456 Key Terms 457  Formulas 457  Supplementary Problems 458 Analyzing the Databases 462  CASE: Tyco Valves & Controls Sells Clarkson Products 462  Using the Computer 464	13.1 RUNS TEST 495 Small-Sample Runs Test 496 Large-Sample Runs Test 497  13.2 MANN-WHITNEY $U$ TEST 500 Small-Sample Case 500 Large-Sample Case 502  13.3 WILCOXON MATCHED-PAIRS SIGNED RANK TEST 508 Small-Sample Case $(n \le 15)$ 508 Large-Sample Case $(n > 15)$ 510
CHAPTER 12  Analysis of Categorical Data 466  DECISION DILEMMA: Selecting Suppliers in the Electronics Industry 467	13.4 KRUSKAL-WALLIS TEST 516  13.5 FRIEDMAN TEST 521  13.6 SPEARMAN'S RANK CORRELATION 527  Summary 532  Key Terms 533
12.1 CHI-SOUARE GOODNESS-OF-FIT TEST 468	Using the Computer 540

CASE: Delta Wire Uses Training as a Weapon

589

Using the Computer

CHAPTER 14	CHAPTER 15
Simple Regression Analysis	Multiple Regression Analysis 592
DECISION DILEMMA: Predicting International Hourly Wa by the Price of a Big Mac™ 543	ages <b>DECISION DILEMMA</b> : Are You Going to Hate Your New Job? 593
<ul> <li>14.1 INTRODUCTION TO SIMPLE REGRESSION ANALYSIS 544</li> <li>14.2 DETERMINING THE EQUATION OF THE REGRESSION LINE 545</li> <li>14.3 RESIDUAL ANALYSIS 552 Using Residuals to Test the Assumptions of the</li> </ul>	<ul> <li>15.1 THE MULTIPLE REGRESSION MODEL 594         Multiple Regression Model with Two Independent Variables (First-Order) 595         Determining the Multiple Regression Equation 596         A Multiple Regression Model 596     </li> <li>15.2 SIGNIFICANCE TESTS OF THE REGRESSION MODEL AND ITS COEFFICIENTS 601</li> </ul>
Regression Model 554 Using the Computer for Residual Analysis 555  14.4 STANDARD ERROR OF THE ESTIMATE 558	Testing the Overall Model 601 Significance Tests of the Regression Coefficients 603
14.4 STANDARD ERROR OF THE ESTIMATE 558  14.5 COEFFICIENT OF DETERMINATION 562  Relationship between $r$ and $r^2$ 564	15.3 RESIDUALS, STANDARD ERROR OF THE ESTIMATE, AND R <sup>2</sup> 606 Residuals 606
14.6 HYPOTHESIS TESTS OF SLOPE OF THE REGRESSION MODEL AND TESTING THE OVERALL MODEL 564  Testing the Slope 564  Testing the Overall Model 568	SSE and Standard Error of the Estimate 607 Coefficient of Multiple Determination $(R^2)$ 608 Adjusted $R^2$ 609
14.7 <b>ESTIMATION</b> 569  Confidence Intervals to Estimate the Conditional Mean of $y: \mu_{y x}$ 569  Prediction Intervals to Estimate a Single Value of $y$ 570	15.4 INTERPRETING MULTIPLE REGRESSION  COMPUTER OUTPUT 611  A Reexamination of the Multiple Regression Output 611  Summary 615  Key Terms 616
14.8 USING REGRESSION TO DEVELOP A FORECASTING TREND LINE 573  Determining the Equation of the Trend Line 574  Forecasting Using the Equation of the Trend Line 575  Alternate Coding for Time Periods 576	Formulas 616 Supplementary Problems 616 Analyzing the Databases 619 CASE: Starbucks Introduces Debit Card 619 Using the Computer 620
14.9 INTERPRETING THE OUTPUT 579 Summary 583 Key Terms 583	CHAPTER   6 Building Multiple Regression Models 622
Formulas 583 Supplementary Problems 584 Analyzing the Databases 587	DECISION DILEMMA: Determining Compensation for CEOs 623

588

16.1 NONLINEAR MODELS: MATHEMATICAL

624

TRANSFORMATION

Polynomial Regression 624 Tukey's Ladder of Transformations 627	Holt's Two-Parameter Exponential Smoothing Method 685
Regression Models with Interaction 628	17.4 SEASONAL EFFECTS 687
Model Transformation 630	Decomposition 687
16.2 INDICATOR (DUMMY) VARIABLES 636	Finding Seasonal Effects with the Computer 690
16.3 MODEL-BUILDING: SEARCH PROCEDURES 642 Search Procedures 644	Winters' Three-Parameter Exponential Smoothing Method 690
All Possible Regressions 644	17.5 AUTOCORRELATION AND AUTOREGRESSION 692
Stepwise Regression 644	Autocorrelation 692
Forward Selection 648	Ways to Overcome the Autocorrelation Problem 695
Backward Elimination 648	Addition of Independent Variables 695
16.4 MULTICOLLINEARITY 652	Transforming Variables 696
Summary 656	Autoregression 696
Key Terms 657 Formulas 657	17.6 INDEX NUMBERS 699
Supplementary Problems 657	Simple Index Numbers and Unweighted Aggregate Price Indexes 700
Analyzing the Databases 660	Unweighted Aggregate Price Index Numbers 700
CASE: Virginia Semiconductor 661	Weighted Aggregate Price Index Numbers 701
Using the Computer 662	Laspeyres Price Index 702
	Paasche Price Index 703
1 <del></del>	
CHAPTER 17	Summary 708
- · · ·	Summary 708 Key Terms 709
Time-Series Forecasting and	Key Terms 709 Formulas 709
Time-Series Forecasting and	Key Terms 709 Formulas 709 Supplementary Problems 709
Time-Series Forecasting and	Key Terms 709 Formulas 709 Supplementary Problems 709 Analyzing the Databases 714
Time-Series Forecasting and Index Numbers 664  DECISION DILEMMA: Forecasting Air Pollution 665	Key Terms 709 Formulas 709 Supplementary Problems 709 Analyzing the Databases 714 CASE: Debourgh Manufacturing Company 714
Time-Series Forecasting and Index Numbers 664  DECISION DILEMMA: Forecasting Air Pollution 665  17.1 INTRODUCTION TO FORECASTING 666	Key Terms 709 Formulas 709 Supplementary Problems 709 Analyzing the Databases 714
Time-Series Forecasting and Index Numbers 664  DECISION DILEMMA: Forecasting Air Pollution 665  17.1 INTRODUCTION TO FORECASTING 666  Time-Series Components 666	Key Terms 709 Formulas 709 Supplementary Problems 709 Analyzing the Databases 714 CASE: Debourgh Manufacturing Company 714 Using the Computer 716
Time-Series Forecasting and Index Numbers 664  DECISION DILEMMA: Forecasting Air Pollution 665  17.1 INTRODUCTION TO FORECASTING 666	Key Terms 709 Formulas 709 Supplementary Problems 709 Analyzing the Databases 714 CASE: Debourgh Manufacturing Company 714
Time-Series Forecasting and Index Numbers 664  DECISION DILEMMA: Forecasting Air Pollution 665  17.1 INTRODUCTION TO FORECASTING 666 Time-Series Components 666 The Measurement of Forecasting Error 667 Error 667	Key Terms 709 Formulas 709 Supplementary Problems 709 Analyzing the Databases 714 CASE: Debourgh Manufacturing Company 714 Using the Computer 716 CHAPTER 18
Time-Series Forecasting and Index Numbers 664  DECISION DILEMMA: Forecasting Air Pollution 665  17.1 INTRODUCTION TO FORECASTING 666 Time-Series Components 666 The Measurement of Forecasting Error 667 Error 667 Mean Absolute Deviation (MAD) 667	Key Terms 709 Formulas 709 Supplementary Problems 709 Analyzing the Databases 714 CASE: Debourgh Manufacturing Company 714 Using the Computer 716
Time-Series Forecasting and Index Numbers 664  DECISION DILEMMA: Forecasting Air Pollution 665  17.1 INTRODUCTION TO FORECASTING 666 Time-Series Components 666 The Measurement of Forecasting Error 667 Error 667 Mean Absolute Deviation (MAD) 667 Mean Square Error (MSE) 668  17.2 SMOOTHING TECHNIQUES 670	Key Terms 709 Formulas 709 Supplementary Problems 709 Analyzing the Databases 714 CASE: Debourgh Manufacturing Company 714 Using the Computer 716 CHAPTER 18
Time-Series Forecasting and Index Numbers 664  DECISION DILEMMA: Forecasting Air Pollution 665  17.1 INTRODUCTION TO FORECASTING 666 Time-Series Components 666 The Measurement of Forecasting Error 667 Error 667 Mean Absolute Deviation (MAD) 667 Mean Square Error (MSE) 668  17.2 SMOOTHING TECHNIQUES 670 Naïve Forecasting Models 670	Key Terms 709 Formulas 709 Supplementary Problems 709 Analyzing the Databases 714 CASE: Debourgh Manufacturing Company 714 Using the Computer 716  CHAPTER   8 Statistical Quality Control 718  DECISION DILEMMA: Italy's Piaggio Makes a Comeback 719
Time-Series Forecasting and Index Numbers 664  DECISION DILEMMA: Forecasting Air Pollution 665  17.1 INTRODUCTION TO FORECASTING 666 Time-Series Components 666 The Measurement of Forecasting Error 667 Error 667 Mean Absolute Deviation (MAD) 667 Mean Square Error (MSE) 668  17.2 SMOOTHING TECHNIQUES 670 Naïve Forecasting Models 670 Averaging Models 671	Key Terms 709 Formulas 709 Supplementary Problems 709 Analyzing the Databases 714 CASE: Debourgh Manufacturing Company 714 Using the Computer 716  CHAPTER 18 Statistical Quality Control 718  DECISION DILEMMA: Italy's Piaggio Makes a Comeback 719  18.1 INTRODUCTION TO QUALITY CONTROL 720
Time-Series Forecasting and Index Numbers 664  DECISION DILEMMA: Forecasting Air Pollution 665  17.1 INTRODUCTION TO FORECASTING 666 Time-Series Components 666 The Measurement of Forecasting Error 667 Error 667 Mean Absolute Deviation (MAD) 667 Mean Square Error (MSE) 668  17.2 SMOOTHING TECHNIQUES 670 Naïve Forecasting Models 670 Averaging Models 671 Simple Averages 671	Key Terms 709 Formulas 709 Supplementary Problems 709 Analyzing the Databases 714 CASE: Debourgh Manufacturing Company 714 Using the Computer 716  CHAPTER   8 Statistical Quality Control 718  DECISION DILEMMA: Italy's Piaggio Makes a Comeback 719  18.1 INTRODUCTION TO QUALITY CONTROL 720 What Is Quality Control? 720
Time-Series Forecasting and Index Numbers 664  DECISION DILEMMA: Forecasting Air Pollution 665  17.1 INTRODUCTION TO FORECASTING 666 Time-Series Components 666 The Measurement of Forecasting Error 667 Error 667 Mean Absolute Deviation (MAD) 667 Mean Square Error (MSE) 668  17.2 SMOOTHING TECHNIQUES 670 Naïve Forecasting Models 670 Averaging Models 671 Simple Averages 671 Moving Averages 671	Key Terms 709 Formulas 709 Supplementary Problems 709 Analyzing the Databases 714 CASE: Debourgh Manufacturing Company 714 Using the Computer 716  CHAPTER   8 Statistical Quality Control 718  DECISION DILEMMA: Italy's Piaggio Makes a Comeback 719  18.1 INTRODUCTION TO QUALITY CONTROL 720 What Is Quality Control? 720 Total Quality Management 721
Time-Series Forecasting and Index Numbers  DECISION DILEMMA: Forecasting Air Pollution 665  17.1 INTRODUCTION TO FORECASTING 666 Time-Series Components 666 The Measurement of Forecasting Error 667 Error 667 Mean Absolute Deviation (MAD) 667 Mean Square Error (MSE) 668  17.2 SMOOTHING TECHNIQUES 670 Naïve Forecasting Models 670 Averaging Models 671 Simple Averages 671 Moving Averages 671 Weighted Moving Averages 673	Key Terms 709 Formulas 709 Supplementary Problems 709 Analyzing the Databases 714 CASE: Debourgh Manufacturing Company 714 Using the Computer 716  CHAPTER   8 Statistical Quality Control 718  DECISION DILEMMA: Italy's Piaggio Makes a Comeback 719  18.1 INTRODUCTION TO QUALITY CONTROL 720 What Is Quality Control? 720 Total Quality Management 721 Some Important Quality Concepts 723
Time-Series Forecasting and Index Numbers  DECISION DILEMMA: Forecasting Air Pollution 665  17.1 INTRODUCTION TO FORECASTING 666 Time-Series Components 666 The Measurement of Forecasting Error 667 Error 667 Mean Absolute Deviation (MAD) 667 Mean Square Error (MSE) 668  17.2 SMOOTHING TECHNIQUES 670 Naïve Forecasting Models 670 Averaging Models 671 Simple Averages 671 Moving Averages 671 Weighted Moving Averages 673 Exponential Smoothing 675	Key Terms 709 Formulas 709 Supplementary Problems 709 Analyzing the Databases 714 CASE: Debourgh Manufacturing Company 714 Using the Computer 716  CHAPTER   8 Statistical Quality Control 718  DECISION DILEMMA: Italy's Piaggio Makes a Comeback 719  18.1 INTRODUCTION TO QUALITY CONTROL 720 What Is Quality Control? 720 Total Quality Management 721 Some Important Quality Concepts 723 Benchmarking 723
Time-Series Forecasting and Index Numbers  DECISION DILEMMA: Forecasting Air Pollution 665  17.1 INTRODUCTION TO FORECASTING 666 Time-Series Components 666 The Measurement of Forecasting Error 667 Error 667 Mean Absolute Deviation (MAD) 667 Mean Square Error (MSE) 668  17.2 SMOOTHING TECHNIQUES 670 Naïve Forecasting Models 670 Averaging Models 671 Simple Averages 671 Weighted Moving Averages 673 Exponential Smoothing 675  17.3 TREND ANALYSIS 680	Key Terms 709 Formulas 709 Supplementary Problems 709 Analyzing the Databases 714 CASE: Debourgh Manufacturing Company 714 Using the Computer 716  CHAPTER   8 Statistical Quality Control 718  DECISION DILEMMA: Italy's Piaggio Makes a Comeback 719  18.1 INTRODUCTION TO QUALITY CONTROL 720 What Is Quality Control? 720 Total Quality Management 721 Some Important Quality Concepts 723 Benchmarking 723 Just-in-Time Inventory Systems 723
Time-Series Forecasting and Index Numbers  DECISION DILEMMA: Forecasting Air Pollution 665  17.1 INTRODUCTION TO FORECASTING 666 Time-Series Components 666 The Measurement of Forecasting Error 667 Error 667 Mean Absolute Deviation (MAD) 667 Mean Square Error (MSE) 668  17.2 SMOOTHING TECHNIQUES 670 Naïve Forecasting Models 670 Averaging Models 671 Simple Averages 671 Moving Averages 671 Weighted Moving Averages 673 Exponential Smoothing 675	Key Terms 709 Formulas 709 Supplementary Problems 709 Analyzing the Databases 714 CASE: Debourgh Manufacturing Company 714 Using the Computer 716  CHAPTER   8 Statistical Quality Control 718  DECISION DILEMMA: Italy's Piaggio Makes a Comeback 719  18.1 INTRODUCTION TO QUALITY CONTROL 720 What Is Quality Control? 720 Total Quality Management 721 Some Important Quality Concepts 723 Benchmarking 723

Six Sigma 727 Design for Six Sigma 729 Lean Manufacturing 729 Team Building 730	The following materials are available at: www.wiley.com/college/black
18.2 PROCESS ANALYSIS 731 Flowcharts 732	CHAPTER 19
Pareto Analysis 733	Decision Analysis C19-2
Cause-and-Effect (Fishbone) Diagrams 733 Control Charts 735 Check Sheets or Checklists 736	DECISION DILEMMA: Decision Making at the CEO Level C19-3
Histogram 737 Scatter Chart or Scatter Diagram 737	19.1 THE DECISION TABLE AND DECISION MAKING UNDER CERTAINTY C19-4
18.3 CONTROL CHARTS 738	Decision Table C19-5
Variation 738	Decision Making Under Certainty C19-6
Types of Control Charts 739	19.2: DECISION MAKING UNDER UNCERTAINTY C19-6
$\overline{x}$ Chart 739	Maximax Criterion C19-6
R Charts 742	Maximin Criterion C19-7
p Charts 744	Hurwicz Criterion C19-7
c Charts 747	Minimax Regret C19-9
Interpreting Control Charts 749	19.3 DECISION MAKING UNDER RISK C19-14
18.4 ACCEPTANCE SAMPLING 754	Decision Trees C19-14
Single-Sample Plan 755	Expected Monetary Value (EMV) C19-14
Double-Sample Plan 755	Expected Value of Perfect Information C19-18
Multiple-Sample Plan 756	Utility C19-19
Determining Error and OC Curves 756 Summary 762	19.4 REVISING PROBABILITIES IN LIGHT OF SAMPLE INFORMATION C19-22
Key Terms 763	Expected Value of Sample Information C19-25
Formulas 763	Summary C19-33
Supplementary Problems 764	Key Terms C19-33
Analyzing the Databases 768	Formula C19-34
CASE: Robotron-Elotherm 769	Supplementary Problems C19-34
Using the Computer 770	Analyzing the Databases C19-36
	CASE: Fletcher-Terry: On the Cutting Edge C19-36
APPENDIX A: TABLES 773	
	Cumplement I. Cummetica
APPENDIX B: ANSWERS TO SELECTED	Supplement 1: Summation
ODD-NUMBERED QUANTITATIVE	Notation S1-1
PROBLEMS 813	
GLOSSARY 823	Supplement 2: Derivation of Simple Regression Formulas for
INDEX 833	Slope and $y$ Intercept $S2-1$
··· — VVV	

Six Sigma

## Supplement 3: Advanced

HOLT'S METHOD

SEASONALITY: WINTER'S METHOD Some Practice Problems

S3-5

S3-2

**EXPONENTIAL SMOOTHING WITH BOTH TREND AND** 

**Exponential Smoothing** 

**EXPONENTIAL SMOOTHING WITH TREND EFFECTS:** 

S<sub>3</sub>-1