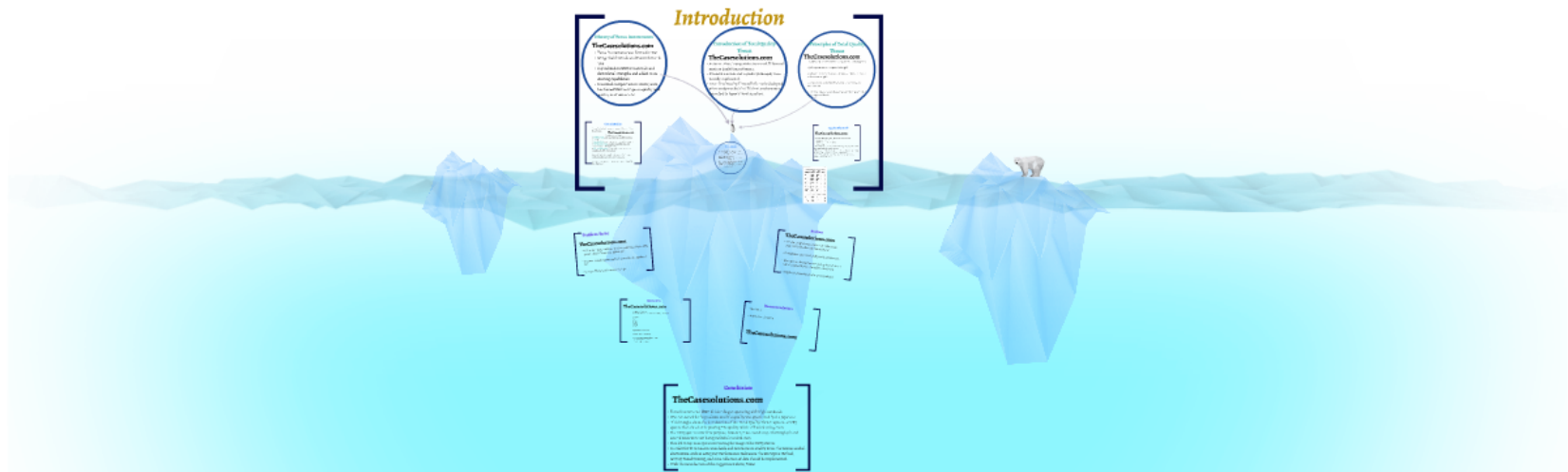


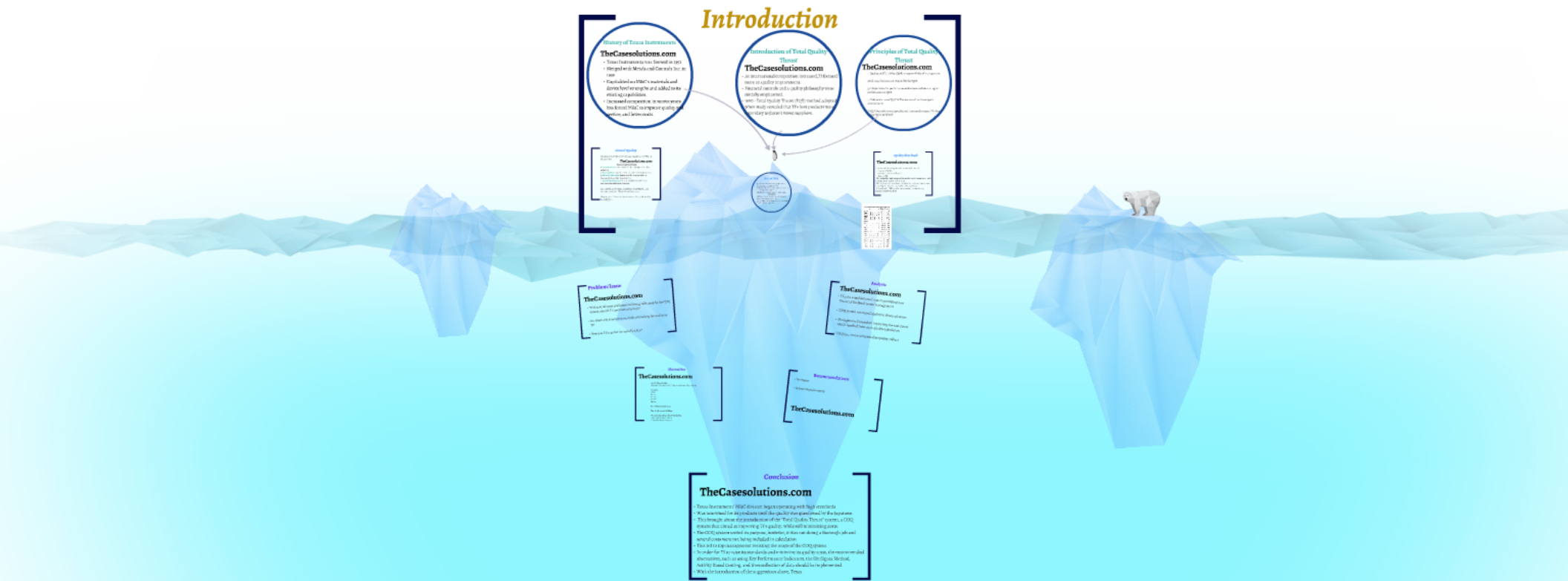
# TheCasesolutions.com



## Reverend Musical Instruments: Playing a Different Tune (B)



# TheCasesolutions.com



# Reverend Musical Instruments: Playing a Different Tune (B)



## History of Texas Instruments

# TheCasesolutions.com

- Texas Instruments was formed in 1951
- Merged with Metals and Controls Inc. in 1959
- Capitalized on M&C's materials and device level strengths and added to its existing capabilities.
- Increased competition in recent years has forced M&C to improve quality and service, and lower costs.

# Quality Blue Book

## TheCasesolutions.com

- 1981 -TI established a "Quality Blue Book" which recorded:
  - product reliability
  - customer feedback on TI quality
  - data on COQ
- The Quality Blue Book compared the actual vs. goals, comparisons - with previous period, and 3-month forecasts
- The book was used to emphasize the idea that quality performance was being judged at the same level as financial performance.
- Cost of Quality (COQ) - performance measure included in every - division's Quality Blue Book

## Problem/Issue

# TheCasesolutions.com

- With several costs and losses not being addressed by the COQ system, should TI continue utilizing it?
- Are there any alternative methods of tracking the quality at TI?
- How can TI improve its cost of quality?

## Alternatives

# TheCasesolutions.com

### **Activity-Based Costing:**

Many COQ elements need to be determined using other methods

### **Six Sigma:**

Define

Measure

Analyze

Improve

Control

### **Key Performance Indicators**

### **Timely Collection of COQ Data**

### **Measure Financial Benefits of High Quality:**

- Hard Dollar Financial Impact
- Soft Dollar Financial Impact

## Recommendations

- Six Sigma
- Activity Based Costing

**TheCasesolutions.com**

## Analysis

# **TheCasesolutions.com**

- TI lacks a sophisticated system providing non-financial feedback to top management
- COQ system measured quality in financial terms
- Management focused on improving the cost driver which resulted from costs quality calculation
- COQ does not institutionalize quality culture



## Conclusion

# TheCasesolutions.com

- Texas Instruments' M&C division began operating with high standards
- Was renowned for its products until the quality was questioned by the Japanese.
- This brought about the introduction of the "Total Quality Thrust" system, a COQ system that aimed at improving TI's quality, while still minimizing costs.
- The COQ system served its purpose, however, it was not doing a thorough job and several costs were not being included in calculation
- This led to top management resisting the usage of the COQ system
- In order for TI to raise its standards and minimize its quality costs, the recommended alternatives, such as using Key Performance Indicators, the Six Sigma Method, Activity Based Costing, and time collection of data should be implemented.
- With the introduction of the suggestions above, Texas