

Value Service - Schenectady
September 9, 1960

Mr. H. B. Miller
Manufacturing Services
NEW YORK OFFICE

Dear Hal:

As for myself--as I now look ahead--

Would like to make one more important contribution.

Would like to retire at 61 on May 1, 1965.

From my point of vantage, I don't know about many of the specific important needs of the Company other than in the Value area. I know you and your associates do, and I would like your suggestions to also include them.

L. D. Miles/M

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Dear Hal;

The General Electric value program is at the crossroads...I don't know which way to go...we need your guidance.

In summary, WE HAVE PROVEN THAT...

- ..the use of Value Analysis techniques efficiently identifies any needed amount of unnecessary cost in any type of product.
- ..we have for General Electric a Value Control system which starts after the determination of appropriate costs from the marketing viewpoint projected many years into the future, and achieves them.
- ..value standards are valid and their use propels toward vastly lower cost levels as well as forces product innovation now so sorely needed.
- ..the value program concepts greatly increase the yield from indirect employees.
- ..through use of value techniques in value workshops, large amounts of unnecessary cost can be promptly identified.
- ..value program techniques used during new product design shorten design period, reduce development cost, and assure product value leadership.
- ..in value analysis techniques, General Electric has a unique sales tool to provide a new system of selling and increasing orders in important areas of our business.

If you or other top management believe there is anything more we should prove, or if you or they have any doubt about the proof of those listed, we'll make that first order of business.

Page 2

**Mr. H. B. Miller
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Meanwhile we will predict that within a few months in Philadelphia we will have capped off all of this by again proving that on a newly designed major product at the heart of our business the use of these proven techniques will result in prompt and efficient removal of 40 percent of the cost without depreciation of quality or customer values. We believe that this type of results should command top attention and action--we doubt that any other company service could do the same.

It seems irresponsible for us to continue spending the Company's money to prove even more feasibility while the company's business in so many departments suffers lack of growth, declining orders, or falling profits due to the lack of use of the value practices already proven and available to them.

Isn't it time for the Company to implement these and other similar drastically improved value practices on an organized professional continuing basis in all departments so that the problem of securing appropriate costs will be reduced to the same size, or less than, the problem of securing appropriate performance, appropriate shipments, etc.?

Mr. Strickland, at the Materials Managers' meeting, said, "There are plenty of needs and plenty of solutions." Our outstanding successes result when we match up needs with appropriate solutions. As concerns appropriateness of costs, isn't the need clear? and isn't the solution appropriate and timely?

On the attached pages, I am showing some of the resources in trained and competent leadership which are now in place. These men would take programs of the kind and size listed in their stride. Several of them could lead other types of value programs of similar magnitude.

We need a sense of direction and balance from you folks at high levels before it is efficient to pursue this planning in greater detail.

**L. D. Miles/M
Att.**

**FIVE MEN CHOSEN FOR COMPETENCE AND EXPERIENCE
ARE FULLY TRAINED AND READY TO MAKE LARGE
CONTRIBUTION**

Each could contribute through leadership in several areas--
one is described in each case.

PRENDERGAST

..... with three or four supporting people whom he would direct.

Execute 100 Value Workshops through a two-year period.

COST \$1,000,000 for the two-year period.

RETURN 25% increased yield from the work of 5000
indirect people.

Large continuing benefits to 2000 other en-
gineering, manufacturing, and marketing
personnel.

\$150,000,000 per year of unnecessary cost
identified.

\$50,000,000 at annual rate of increased
earnings before taxes.

HVAMB

..... with five to ten men

Install Value Control in most departments of Company throughout a three-year period.

Provide consultation, training, aid in men selection, measurements, and other essential help.

COST

\$1,000,000 to \$1,500,000 for three years.

YIELD

End the problem of unsuitable costs in the most critical thirty departments of the Company.

Reduce the problem of unsuitable costs to the same magnitude as other department problems; i. e., unsuitable performance, unsuitable shipments, unsuitable inventory, etc. in the remaining departments of the Company.

Increase present earnings on net sales billed by 25 percent in most departments on a continuing basis.

FOUNTAIN

..... with five to ten men

Teach the use of measured value to engineering and manufacturing and management personnel providing tangible measurements and teaching how to use them to effect cost levels drastically lower in all phases of the company's work.

Continue research to keep lead on competition as they grow in use of good value practices. Five years of work.

COST \$250,000 to \$500,000/year

YIELD Assured value (appropriateness of cost) leadership in the Company's products--if done in parallel with Value Control work and Value Merchandising work here listed-- for a period of ten years.

YOUNG

.....and two others

Speak out and communicate out in appropriate form the general concept and Value Program knowledge which must be provided to equip all decision-making people with the knowledge and information they require to initiate, develop, and utilize drastically different and improved value practices. Continuous need.

COST \$100,000 to \$150,000/year

YIELD Get acceptance and assure implementation of appropriate value system and resources.

Essential and accelerated growth of understanding resulting in increased dollar yield in all improved value practice programs.

BARROWS

Alternative #1

Get good value practices used in all company cost reduction programs. Get some outdated practices, such as credit splitting, which are still used in some and definitely reduce yield; -eliminated; etc.

Two or three men.

COST \$100,000/year

YIELD Very large

or

Alternative #2

Three to five men... Value Audit team... to quickly and efficiently identify large amounts of unnecessary cost on a "do it" basis--(from any product from any department as requested.

COST \$100,000 to \$150,000/year

YIELD \$3,000,000 to \$8,000,000 of
unnecessary cost identified.

\$2,000,000 to \$5,000,000 implemented.

or

Alternative #3

Develop other essential work.