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NATIONAL ASSOCIATION OF PURCHASING AGENTS

Convention of the 8th District, Buffalo

October 1, 2, 3, 1953

"Value Buying Forum--The Men We Work With"

Thank you, Jim Berry.

Members of the 8th District and their guests -

The "Men We Work With" in purchasing value analysis covers a wide range. Two weeks ago, we had the opportunity to present the principles and techniques of purchasing value analysis to six groups of military leaders in Washington as a part of their program to obtain "maximum defense at minimum cost." These programs were arranged by the Admiral and the Generals in charge in the respective areas. Our own Harry Erlicher, former Vice President in Charge of Purchasing and long-time active member of the National Association of Purchasing Agents, now retired from our Company but in active duty in the Office of the Undersecretary of the Army, paved the way. It was most stimulating to see the keen interest of our top military personnel in programs for the elimination of unnecessary cost, and to be able to provide experience and techniques which would further assist them.

Some of the men we worked with are buyers -- some are value buyers, the profit-makers -- who in industry can well double their company's profits, and in other businesses save their cost tenfold.

The "buyer" is

friendly
sincere
courteous
fair
honest

He is our starting point - our base line. In value buying, we require all of his characteristics as a starter, and many more in addition. We give him a neutral zero.

The value buyer, however, is also

intelligent
informed

Intelligent enough to interpret what he sees, with knowledge enough to support proper interpretation. He moves us up one point on the value-buying scale.

The value buyer is

open-minded
cooperative

He knows that today's actions are based on yesterday's experiences - and that he, at best, can know only a small part of what is new. So, he cooperates with all people, in the plant and out, to multiply his limited knowledge and ability, by their assistance and skill. We are now two points up on the value scale.

The value buyer is genuinely cost-conscious. He won't be comfortable paying a dollar for an item that is worth a half-dollar, even though the president of the company

says to do it. His personal payoff of satisfaction from his job comes from the knowledge that every dollar he hands out brings a true exchange of value into his company. He raises us another point on the value-buying scale.

The value buyer is
ingenious
creative
understanding

He knows that there are five ways to make a bolt, and that the best way has probably not yet been found. He looks at today's materials and his mind transcends them into the future - into something definite - something more functional - less costly - something different, which accomplishes the same result at lower cost. He buys understandingly. He knows the function bought for every dollar he spends. He sees what the bracket holds, how the paint is applied, where the contacts are used, what the cover protects. He understands the real value which every dollar brings. Now we are getting up into Value buying.

The value buyer is
firm
direct
effective

He knows that buying is serious work - that the future employment of his associates may be determined by his effectiveness. He knows that buying is not a simple, easy past-time. He gets the vital issues. He presents them in a direct, effective manner. He expects, and receives, the consideration which each of his important points deserves. He earns the respect of those with whom he deals. He secures their best materials, the use of their best machines, their best prices, and the best services of their best people. Again we have taken long strides up the scale of real value buying.

Finally, the value buyer is
inspiring
enthusiastic

He has pre-planned objectives. His confidence, and ability, take him to the objectives. He is enthusiastic about each job. His enthusiasm rubs off, and others in his company and in supplier companies are inspired to greater and greater accomplishments. He has brought us to the final level of value buying.

Let's take stock of the buyers we work with. Of course, they must be friendly, sincere, courteous, fair, and honest. That's our starting point. Add the value characteristics to each.

He must be intelligent and informed.
He must be open-minded and cooperative.
He must be genuinely cost conscious.
He must be ingenious, creative, and understanding.
He must be firm, direct, and effective.
He must be inspiring and enthusiastic.

Now we have the man who will use the value material which Ralph Keefer has just told us about, and start us on the road to value buying.

But the "Men We Work With" are also engineers and manufacturing men - yes, and managers. Can we re-do them? Maybe.

Here are the comments of a few engineers who attended a two-day seminar on Value Analysis:

"This is an awakening for me. The ideas and concepts are excellent, and I am wholeheartedly behind the program. I would like to see this Value Analysis Program more widely adopted in all operating departments."

"I was much surprised that I could gain so much of inspiration, ideas, and information in two days."

"A well-organized and planning meeting on a subject of vital interest to any General Electric designer. One of the best meetings it has been my pleasure to attend."

Well, we can at least understand them and help them.

Men go where their habits take them. They go where they were yesterday. Today's products are yesterday's products refined. Habit is powerful.

If we drove a 1999 automobile to your home today, at today's prices, would you buy it? No, you would not!

It took us 40 years to get from the 48" wheel down to the present 16" automobile wheel.

For 25 years, we have been imitating the old ice-box. True, we have left out the ice, put on a light, painted it white, and improved it, but it still is the tomb-stone in the corner of the kitchen. What a treat it was a few weeks ago to see the "refrigerator of today and tomorrow", which will simply be a portion of the kitchen cabinet. The old tomb-stone in the kitchen is going.

For 50 years, we have been imitating the old kitchen range. Yes, we have taken off the reservoir and we heat the water in the basement. We have put on better burners. Again, we have painted it white. Fifty years ago, it had to be located in one position, so that the smoke from the twisted hay or wood or coal had access to the chimney. Now watch the range. Soon you will find spacious ovens conveniently located. Burners with their controls properly and conveniently located in the kitchen arrangement. Gone also will be the old kitchen range.

A few weeks ago, plans for installing a large x-ray equipment, to assure the absence of hidden defects in heavy and important metal sections, called for a protecting ring of \$50,000 worth of concrete. The purpose was to under all circumstances protect adjacent areas from the beam. At the time of installation, the Value Analysis approach was used. The question asked was: "What else will stop x-ray?" "How about using

dirt - will that stop x-rays?" It was found that two feet of dirt provided the same protection that was expected of one foot of concrete. So the specifications were changed, and called for \$5000 worth of soil instead of \$50,000 worth of concrete.

It's hard to get away from habit.

I'd like to conclude with a story told by Mr. Kettering in charge of Research of the General Motors Company. It seems that Mr. Kettering lived in Dayton and drove each week to Detroit for work. He said that he drove it in four hours without excessive speed. One of his associates challenged his statement. He said, "It can't be done." Whereupon Mr. Kettering asked him to ride to Detroit with him the following week-end. After they had completed the trip, Mr. Kettering took out his watch and said, "See - four hours." His friend said, "Yes, but you didn't stay on Route 21."

One of the jobs of purchasing value analysis is to help "The Men We Work With" get off of "Route 21."

L. D. Miles

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