

HOUSEHOLD REFRIGER

DEPARTMENT

Cost Improvement Program

Report for 1962.

The tabulation at right shows the department's performance for the last four years. The \$M are cost improvements in production and based on budgeted production quantities for the year [redacted]. In general, material & labor only are used by cost people to arrive at these figures. The "%" shows the relationship of these savings to department costs for "material plus cost of operation."

Year	\$M	%
1962	10,995	8.3
1961	8,927	6.9
1960	5,221	4.0
1959	4,640	3.3

*This was well
Needs implement
work
done
Raised
from
5M
to 11
for*

The present Cost Improvement Program started in mid-1960 with recognition that a new approach was needed to bolster accomplishments in cost reduction. The general objectives of the program were:

1. To greatly increase the number of new Cost Reduction ideas.
2. To shorten the time needed to get these ideas into production.

A system of Cost Improvement leagues, teams, budgets, and recognition awards was put in place. Since that time the program has increased in momentum and a number of secondary problems have been met and dealt with. Some of the problems and actions are as follows:

1. To get more ideas--get more people, better directed to the need, and provide recognition for their efforts. Nearly all the Exempt people in Engineering and Manufacturing, and some in Marketing and Finance are working in organized teams. Tangible recognition has been provided. During 1962 this program resulted in 2,757 new projects.
2. How much is a cost reduction really worth--when is credit given--and who gets credit? Since this program was beamed solely at more profit, it was agreed to use the net savings after tooling, generally counting only material and labor. Credit is given when the change is in production. Thus no team can relax on a project until it is in effect. The question of "who gets credit" is resolved by giving credit to all who contribute to the completion of the project. Any energy available to argue about credits should be put to work getting Projects into production. A special monthly report resolves the credit problem by analyzing the savings in seven different ways, each independent of the other. In this way, progress can be measured against bogeys for example by Model, by Engineering sub-section, by CIP team, by MSO, etc., with no conflicts.
3. Some seasons of the year are traditionally dead from a Cost Improvement viewpoint. These are pepped up by seasonal and monthly contests with adequate recognition.
4. The big projects always get the publicity. Are the little ones worth working for? Our program went after big and little. During 1962, 52% of the money came from small projects, yet the dollar value of each of these projects was wholly unimpressive. Prior to this program we looked for most of the savings in design changes--in 1962, half the money came from projects which required no attention from engineering.

5. From the start of the program, it has been evident that our people are "too busy" to take on added work--to attend meetings and dig for ideas and push them into production. The Program spirit and recognition incentives make it interesting and rewarding for our people to somehow find time. Manufacturing specialists now heckle the engineers to get out a trial run or change a drawing so the savings can get into production sooner. A number of teams have met on their own time, Saturdays or after hours, to develop and expand their cost improvement activity.

6. Who should be on Cost Improvement Teams? Anyone who can contribute ideas or help a project along should be on a team. The more complicated projects require a number of develop and approve steps--if all the people involved in these steps work as a team the "time to production" can be greatly shortened.

With this approach the objectives are met. Lots of ideas with large and small values are in the mill. The right people work together actively to get the good ideas into production carefully but quickly.

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