

Schenectady - Value Service
August 18, 1961

Mr. G. L. Phillippe
President
NEW YORK OFFICE

Dear Flip:

Your many friends have advised me that one of your strongest points has always been the ability to analyze data, listing it in such ~~///~~ manner that basic truths become evident and appropriate decisions can then be made based upon it.

I know you have seen the report of the depth study conducted in Pittsfield. It is our feeling that this has very basic and significant answers to guide General Electric management toward minimizing many of the factors which are contrary to good profitability.

Probably you have developed this skill in some of your associates. I wonder if it would be of important benefit to the company if you would refer this depth study to them and ask them to analyze it to bring forth significant truths for the guidance of other managers.

What is this report telling us? For instance, is it telling us that...

...the work G. E. products require they are not getting?

...40% of the cost can be removed from all of our products?

...we are not using our creative ability in our designs today?

...Butler did a lousy job in managing his operation?

...\$500,000,000 can rather promptly be eliminated by the same type of approach in other General Electric areas?

...we need a new approach in the design area?

...more competence in purchasing is required?

...the present cost reduction system is inadequate?

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- ...we should perhaps audit value the way we audit finance statements within the company?
- ...~~the~~ some very good approach must be taken in order to have essential minor engineering operations which allow continuance of significant cost elements corrected?
- ...our present system of engineering and manufacturing integration will not cope with competitive conditions?
- ...large amounts of money can be saved without large investments in tools, capital equipment, etc.?
- ...we cannot get the best product value by the present approach of engineering design, manufacturing processes, and purchasing procurement?
- ...some of our costing systems ~~may~~ promote continuation of inefficient practices and unnecessary costs?
- ...this is a temporary solution of expedience that will have to be done next year?
- ...once the engineer understands what things cost he can make minor changes in design and save large amounts of money?
- ...a better procedure for searching out before the fact opportunities should be established?
- ...there is no continued measurement of product value?
- ...important groups of employees are, at present, utilized ~~inappropriately~~ wrongly?
- ...people don't know what things cost and that if they did they could do something about it?
- ...the use of the functional approach is a terrific tool?
- ...our management must face large and significant changes to build high profitability
-ill defined subsidies from one manufacturing area to another prolong inefficiencies and promote unnecessary cost.?

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- ...purchasing internally is likely to be uneconomical ?**
- ...there is a way to increase earnings other than taking off people ?**
- ...facing competitive problems with different and competitive tools will allow the company to compete profitably ?**
- ...the present organization structure in the company is wrong--where you have one man in charge of engineering, one manufacturing, one marketing, it does not allow the general manager to measure the effectiveness of each one's operation ?**
- ...we need a new department organization ?**
- ...the present concept of organization simply does not get appropriate costs ?**
- ...the present concept of organization does not communicate available information regarding new opportunities as effectively as other organizational concepts could ?**
- ...that middle management and "do-it _ men are function and job oriented first, product and value oriented second ?**
- ...that fear of personal loss is the prime motivation rather than profitability for the department for each individual excepting the general manager ?**
- ...more appropriate costs should be made available to engineering and manufacturing people ?**

CW Bryant

**Value Service - Schenectady
September 5, 1961**

**Mr. G. L. Phillippe
President
NEW YORK OFFICE**

Dear Flip:

Your many friends have advised me that one of your unusual strengths has always been the ability to analyze data, listing it in such manner that basic truths become evident and appropriate decisions based upon it can follow.

To develop more knowledge of the nature of "un-contributing" costs in General Electric products, the attached depth study was made.

It is our belief that this has very basic and significant answers to guide General Electric management in the direction of minimizing many of the factors which are contrary to good profitability.

Probably you have developed this skill in some of your associates. I wonder if it would be of important benefit to the company if you would refer it to them and ask them to analyze it to bring forth significant truths for the guidance of other managers.

Some of the guidance from it might add extra value to the opportunity we will soon have to show our work to you.

**L. D. Miles
Manager - Value Service**

**LDM:AEM
Att.**

New York, September 7, 1961

Mr. L. D. Miles
Manager-Value Service
Manufacturing Services
Schenectady

Dear Larry:

Thank you very much for your letter of
September 5.

I think the attached information contains
many helpful suggestions which could be used in the
organization. I have forwarded it on to Mr. Pfenning
in the hope that he can make use of it through his
association with the financial area throughout the
Company.

Again, many thanks for your letter.

Very truly yours,



G. L. PHILLIPPE

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cc: C. W. Bryant