

83-1

Lawrence D Miles

STEP-BY-STEP EXAMPLE -- USING VALUE ANALYSIS METHODOLOGY
TO IMPROVE MANAGEMENT DECISION MAKING

To communicate well with professional managers who are accustomed to dealing with severe problems, this is arranged in "true-life" form with:

- First, The normal management situation.
- Second, The results produced and the present status.
- Third, The Individual Steps a Management took to produce improvement.

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First, The Normal Management Situation.

The need to cope with unexpected bad situations is normal to enduring successful Companies.

One such company, COACHMAN INDUSTRIES, Inc. of Middlebury Indiana makers of motor-homes and recreational vehicles, in the late 1970's, found themselves in real stress. Skyrocketing gasoline prices, fuel shortages and other factors greatly reduced sales. Inventories climbed, losses were mounting, the company was endangered.

Second, The results produced and the present status.

While the first quarter 1982 produced a loss of \$114,000, the first quarter of 1983 produced earnings of \$3,700,000.

On March 11 1982 Keith Corson, Pres. of Coachman Industries came to the management seminar held by Value Analysis, Inc. (consultant in Chicago, as a speaker, to help other managers..

**MANAGEMENT
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CARSON INN
NORDIC HILLS
CHICAGO, ILLINOIS
MARCH 11-12, 1982

THURSDAY, MARCH 11
8:45 "VE During Recessionary Times"
KEITH CORSON
President
Coachmen Industries, Inc.

He said they had made their decisions and taken their actions and put the company into healthy condition.

In March 1982 the stock was \$7.00 per share - the day he spoke. Now, on April 23, 1983 it is 41.00 per share.

Change from deficit to high earnings, and
Stock value increased 500% in one year!

Third, The Individual Steps a management took to produce improvement.

The comptroller read of a meeting, perhaps such as this one, which told about the Value Analysis System. He attended.

He told about it so optimistically to his management that they arranged for him to, a one week seminar to really learn the system.
attend

He reported with so much confidence that the company management invited Jack Fowlkes, Pres. of the consulting firm Value Analysis Inc. to tell them about it and make suggestions.

A one week full seminar was scheduled, people including the CEO and the Board of Directors. These seminars are "hands-on", in which live situations in the business are used as training projects. Trainees are divided into groups of from 4 to 6, normally. They apply the methods as they learn. One such team consisted of the top officers

After the week is over, they are back at their jobs. The results of their work speak the benefits received. More How-We-Did-It comments from president Corson:

"In 1978 we were too busy to implement important in-house activities. We wanted to get into value analysis, but we had cost reduction efforts in place and believed these efforts were sufficient. Little did we know! However, we did send an executive to a VA seminar who came back enthused, but it seemed impossible for us to commit the time...to pull so many people out for five days of training. Finally, in 1979, when things were bad, we sent our controller and a man who could conceivably become our VA manager.

"Sending the controller was probably one of the best things we ever did. He came back too hot to trot, not only because of his enthusiasm for the approach, but he was fortunate to be part of a team that was successful in coming up with a device for locking hopper lids on hopper rail cars that offered indicated savings of over \$600,000 for the Pullman company."

In 1981 Coachman returned to profitability. "Currently, our balance sheet is the best it's ever been. Current assets to liabilities are better than 2 to 1. We're totally out of short-term debt as of the end of June, and our sales were up 64% for 1981. We earned 53¢ per share compared to a \$2.00 loss for the same period in 1979," said Keith.

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