

# Perspective

Resource  
Management  
through  
Value  
Engineering

Management Letter

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**OBJECTIVE** - As our list of clients and contacts continue to increase, we have had to find a convenient way to keep in touch. We want our clients to know that we are interested in them and their problems and to keep them informed on the status of Resource Management in Industry. We have, therefore, decided to publish a brief quarterly newsletter with at least one element per issue designed to create some new thoughts about familiar subjects.

**GOAL FOR ACHIEVEMENT** - Our experience has ranged over a diversified group of products and services in a large number of different industries. During the past year alone, we have worked with companies manufacturing electronic controls, electronic communications equipment, heavy trucks and machinery and public utilities. In each case, it was necessary to clearly define a goal for achievement early in the project. Our primary purpose for being called in as a consultant was to help achieve an objective. However, an overall corporate objective and a goal for achievement by a project team may be two different things. A company may want to reduce overall product cost by ten percent but it may be necessary for a project team to strive for much higher goals to achieve the required benefit.

How high should a goal be?

Much has been written stating that goals should be reasonable and attainable. However, although we may set goals, the conditions are established by someone else. It may be management or another department but in the overall scope of a project, the conditions are set by the marketplace. It matters not what it costs to build but what the customer is willing to pay. In addition, a variety of unknown factors must be considered.

**ACTUAL CASE** - Recently, a product was being manufactured and sold profitably by a company. However, a new product that would satisfy the same requirements was introduced into the market by a competitor for half the price. It was based on entirely new technology. The client's product maintained its market position because their customers did not want to incur the time and expense to qualify a new product for the application. However, in order to maintain their market position a team was assigned to develop improvements and their first task was to set a goal for achievement to meet this new competition. What should it be?

**CONSIDER ALL THE FACTORS** - Our broad experience was brought into play to help the team to consider and analyze all aspects of the problem. First, we established current market position, then we introduced other factors to assure a consideration of all of the factors involved.

The facts indicated that sooner or later the new product would penetrate the market based on the great price differential. Since we were not aware of the competitor's profit and cost strategy, some assumptions had to be made. To match the new product, a target cost of 50 percent would be minimal. However, it was not known if the new supplier could reduce his cost further. Therefore, it was assumed he could reduce the cost by ten percent and in addition, new technology might be available that would effect an additional ten percent reduction. To meet competition, the client had to consider a potential product cost of 40 percent of the current product cost. A minimum 60 percent cost reduction was probably required. To be safe, 70 percent was set as a goal for achievement.

Unattainable? Not so! It certainly is realistic. If a competitor can do it, so can you.

In this case, two teams developed recommendations for changes that indicated potential cost reductions of over sixty percent. Unfortunately, all of the recommended changes were not implemented but an agreement was worked out with one major customer that resulted in changes that will be incorporated into new products and will be retrofitted into service parts.

Our experience has been that initially clients are reluctant to believe that such high goals are attainable. However, after completing the function analysis, they become aware of exactly what has to be done to achieve the goal or consider a compromise.

We are convinced that when competent people become aware of the potential for improvement in product or productivity, they rise to the challenge and achieve results far greater than normally accepted standards.

ACADEMIC PROOF - Recently, Howard Garland, a psychologist at the University of Texas at Arlington has proven that the higher the goal the greater the effective performance will be. If the goal is ten percent, it may be exceeded and fifteen or twenty percent may be obtained. If the goal is twenty percent, twenty five or thirty may be obtained. If it is seventy percent, it may only be possible to obtain fifty. However, in every case Garland found that the higher the goal the greater the performance. It did not follow that the higher the goal the greater the enjoyment but performance was increased.

AWARENESS TO POTENTIAL - There is a need for people to recognize that they can attain success far beyond normally accepted standards. This means they must become aware of the opportunity and know how to successfully work towards the goal. As difficult as the goal may seem, there must be confidence on the part of the team that the goal is attainable although difficult. This is where we help the team to analyze the project, it's functions and cost in a manner that clearly identifies the action required to attain the goal. In many cases, drastic redesign is necessary. In other cases, elimination of unnecessary cost may be all that is required.

AN INVITATION - Our Resource Management process is designed to work with your specialists to achieve their goals. Please call us to discuss a potential project.