

New York, April 5, 1963

Mr. L. D. Miles
Manufacturing Services
Schenectady

Dear Larry:

Thank you very much for your letter of March 21 concerning the results which you believe can be achieved in reduction of unnecessary costs in the General Electric Company.

As you well know, I am sincerely interested in the better results that you refer to, and I am asking Mr. Miller to incorporate your suggestions in Manufacturing Services' plans for the year 1963. After you have discussed the matter with Mr. Bryant and Mr. Miller, if I can be of help, I will be very happy to discuss the matter and support any constructive Services' activities you have in mind.

Sincerely yours,


G. L. PHILLIPPE

GLP:leh

**Value Service - Schenectady
March 21, 1963**

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

Dear Flip:

Would it be within the realm of possibility for you to invest three days--one in each of three operating departments--actually experiencing the realities which cause so much unnecessary cost in products and the new procedures of our value control system which make it straight-forward for often fewer operating department people to prevent or remove them? I am referring to unnecessary costs of the order of magnitude of one-third.

Proven results abound but we have found that responsible men will not make changes only because of proven results. They will make permanent changes to secure continuing proven results only if they also have full understanding and if their superiors have adequate understanding. We have found that they will make temporary changes to secure proven results without understanding, if the need is critical enough and sharply enough focused upon them.

To "grow" this understanding is my task for one year.

To produce good products at one-third less cost requires changed actions which often eliminate traditional costs in manufacturing, in engineering, in marketing, and in management. These changes are, of course, heavily resisted but gradually made.

At present there seems to be extreme reluctance to innovate in management procedures, even for proven results. This reluctance seems to be tied to what they believe to be the attitude of their superiors.

The full understanding which you could secure in the grass roots in three days might allow you to guide some thinking and further significantly influence the trend of our costs for the next ten years.

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Mr. G. L. Phillippe

March 21, 1963

I have told managers Bryant and Miller of my plans to retire at age 60--in May, a year away--and am most anxious in this final year to make sure the company leadership understands this new system of value control which will then assure them of appropriate costs and make possible appropriate earnings for the ensuing decade.

Warmest regards,

LDM:AMH