COSTS - GET THEM - KNOW AND UNDERSTAND THEM - USE THEM

If you designed for your own use a product - say a can opener - You would be hesitant to supply it for other uses.
Cost system was designed for other uses - not to compare engineering and manufacturing alternates

Types of cost -
- Labor
- Material
- Overhead
  (through manufacturing)

Meaningful costs bear relationship to value that meaningful tests do to performance. Engrg. & mfg. must have meaningful cost to make good value decisions.
Names of the various costs and items included in them vary from plant to plant.
Mgmt has always agreed that meaningful costs should be provided to engrs. for decision making but - problems in providing them.

IN CONCLUSION - get costs - know and understand costs - and use costs.

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COSTS - GET THEM - KNOW THEM - USE THEM

Get them
- Henry Ford
- Motor Dept. Labor & material only
- Laundry Dept. Can't take costs out of plant
- X-Ray All blanked out
(Hold up sample part)

Know them
- Labor Actual
- Material Normal
- Overhead Decision
- Shop Variance
- Out of pocket Prime
- Standard Mfg.

"Bad rides with good"
No more
Do costs support right decisions
(general overhead rates
(engrg. liquidations

Use them

Evaluate this - each plant's practice may vary - make vs. make
First time (give example)

Bellows
Cover cold control
2-1/2¢ more

Get them - Know them - Use them
re-evaluate all of our thinking

August 1955, Lynn MSTG Value Analysis Sem.