

MANAGEMENT ASPECTS OF VALUE ANALYSIS

Value Analysis in Terms of the Thinking of Managers -- Not Doers

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Purchasing Process Done in a Kalip method of purchasing
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April 9 1960

Amended

- On product name*
- Why Value Analysis
- How Different
- What Do I Do
- What Problems
- What Results

Down the product request

WHY VALUE ANALYSIS?

- Product, Service, Process Leadership
- Performance - Value
- Performance by Test - Not Value
- Results - Large Amounts of Unnecessary Cost
- Six Reasons..

Lack of essential information at the time decisions were made, usually lack of knowledge that the information exists.

Roll Acme thread

Lack of the specific idea that would make possible production of the item for much lower cost.

Caused *Weld segment*

Decisions based upon the honest wrong beliefs which each responsible decision-making person progressively accumulates

Weld segment

Decisions originally forced by temporary circumstances continue non-functioning unnecessary costs--years after the temporary circumstances have ended.

Filter circuit - disposal stud

Decisions based upon habits of the people involved, of the area involved, built into the drafting and methods systems, built into the machines and tooling, into supplier relationships, and others.

Cement

Normal attitudes which support the continuation of existing habits and the acceptance of "roadblocks" continue a pre-disposition to always react to a set of circumstances in a pre-determined manner.

Kirksite example

Some of the things that need to be done... I want to know more... example used

Less than best work - any function - lowered value
Not so performance
Value not instantly demanding
Competes for attention
Performance - quality - shipments.

Management which -- does not understand and face up to it --
has abdicated important responsibility area.

In Military - Value is Quantity
Performance engineered
Research and Development
Time
Must produce fantastically costly development models
75%
Incentive contracts
Buy Performance Engineering
Buy Value Engineering - i.e., quantities.

HOW DIFFERENT ?

PUT UP - UP?

Three of twenty are...

- 1 - Identify Function Examples - 200 gal. gas.
- 2 - Evaluate Function By Comparison Gas - 200 gals.
- Develop Alternates - dozen techniques
- 3 - Blast - Create - Refine Gas Tank

Example of three -- double nut

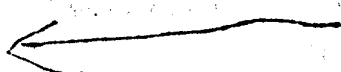
Only two classes of functions work money

WORK - SELL
USE - ESTEEM

Because

Different work content
Gets startling
shocking results
Not 10% - 20%

Show examples - dozen



Your responsibility to see
Not new name - same work

Unless techniques used...
NO VALUE ANALYSIS

WHAT DO I DO? - OK

Traditionally done

- 1 - Perf. part of inside job - deliveries - inventories
- 2 - Value part of outside job - prices

Not done

VALUE PART OF INSIDE JOB -- DO IT

Recognize and compensate for...

- 1 - No profit accountability measurable terms below GM or Pres.
 - Eng. - perf. quality
 - Mfg. shipments - quality
 - supplies and materials

- 2 - Others in org. don't believe large amount unnecessary cost exists.
 - Don't have system to handle it.

Learn enough about

Techniques

Special knowledge

To administer a program

Study management decisions your area affecting value

Be prepared to compensate

- 1 - Easy to make wrong
 - eng.
 - mfg.
- 2 - Sound general criteria
 - do not fit the specific
 - 5000 - \$500 ... 15,000 - \$300
- 3 - So-called decisions - routine
 - parts 80 - assemble 50 - \$1.30
 - buy assembled 90¢
- 4 - Short range vs. long
 - \$10 1r benefits
 - lost to \$3 short range
- 5 - Decision-making
 - choosing optimum shades of gray.

Check value work

See if techniques being used.

Change name or get used.

Start good man or men

Caution - HE WILL TYPE THE WHOLE ACTIVITY!

Get them trained

Start them small

Support them inside.

and lot

WHAT PROBLEMS?

Two jobs

Identification
Action

Techniques knowledge ident. only
Necessary first step - but
Decision and action the big job.

Measurement

Series - NOI
Worse than none.

Large savings require eng. actions

Purch. 5-10-20%
Purch. start - engs. pick up
25 - 50 - 75%

But, mgrs. say
"poor eng. first time
just good engrg. second time."
Very belittling to engineer
disposal stud
warm blood.

-- also others.

Decision basis avoiding personal loss.

Men and activities are typed
Must un-type and re-type

Top management understanding the key

Tax Consultant OK
High temperature metallurgist OK
Top management has typed technical people.
Get reasonable perf.
Get good value.
They must un-type and properly type.
Then - no personal loss to call in and use Value Consultants.

WHAT RESULTS?

Job stretch

Large contribution
Someone will do -- you?

Return on resources invested

1/10 men
Pay their cost and whole purch. or materials dept. expense budget

Other functions

SEE RESULTS
WANT THEM

If significant expenses or costs are affected
significant increase in company profits

Increased job satisfaction

IN CONCLUSION

Now is the time

In military, values mean quantities.
Perf. work and quantity work mandatory

In other work - products are maturing - startling performance
innovations are becoming fewer.

The degree of excellence of Value work may well determine the
degree of success of the business.

GOOD SUCCESS TO YOU ALL.

Handwritten notes:
Dunlop - 10
1000
1000