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There is so little real knowledge in our higher levels of what the Value Analysis approach is and, of course, very very much less of what the important Value Control approach is. I am thinking of sending the attached with the small memo personally addressed, similar to this specimen, to each of our management--general managers and above--on about December 10th; then of following on December 31st with one which simply and appropriately communicates a few of the key items in the Value Control approach.

My thought is that this would provide for many men a meaningful framework into which the very significant thirty minutes of you and Frank McCune will completely fit.

If you like the general idea, I'll discuss it with Lee and Bill, send the first issue and prepare the second.

L. D. Miles/H

Att.

VALUE

- 1 - "Value" in a product or service means appropriate performance and appropriate cost. (Performance includes both "use" and "esteem" factors.)
- 2 - "Appropriate" cost means cost as low as or a little lower than competition.
- 3 - Value Analysis techniques operate to cause appropriate cost while "keeping" appropriate performance. They are exclusively for the purpose of assuring the manager an adequate profit.
- 4 - The causes of inappropriate costs occur in any or all of seven stages of activity which produce a product...
 - a - management organization
 - b - marketing concept
 - c - engineering concept
 - d - engineering design detail
 - e - manufacturing concept
 - f - manufacturing operation
 - g - purchasing
- 5 - The first function of the system of Value Analysis techniques, whether applied to existing products or product plans, is--to show in which of the seven stages work has been deficient...the second is--to establish the extent of the need in each stage, in tangible terms. Men responsible for those stages then correct the deficiency.

If the organization is not suited to the task, it is changed.

If the customer does not want exactly those product functions, the marketing approach is changed.

If the basic design approach will not produce those customer functions for low enough cost, it is changed.

If the choice of materials and detail of hardware will not implement the design approach at appropriate cost, it is changed.

If the manufacturing approaches and concepts are not sufficiently appropriate to the product and volume, they are changed.

If the shop operation is not competitive, it is changed.

If purchasing is not a profit producer, it is changed.
- 6 - A few Value Analysis techniques are applicable to each of the seven stages so that if men in any of the areas are unable to meet the necessary cost objectives, effective approaches can assist them.
- 7 - "Value Analysis is an arrangement of techniques which...
 - (1) makes clear what functions the customer wants;
 - (2) establishes the appropriate cost for each function by comparison;
 - (3) causes the required knowledge, creativity and initiative to be used to secure each for that cost."