

VALUE ANALYSIS

Be prepared when you invite suppliers to help

By Thomas R. King, Manager-Value Analysis Engineering/Joy Mfg

Hit-or-miss planning has no place when you schedule programs to enlist vendor support

FRANKLIN, PA—Hosting a suppliers' day—for either one vendor or a group—is one of the best ways to infuse a value analysis program with new ideas and specialized knowhow. But it takes careful planning. If a supplier is disappointed in an occasion supposedly dedicated to value analysis, he may lose VA interest permanently. Two key points about seeking supplier input:

- There is no percentage in asking vendors for ideas if you are not able to handle them.

- The mutual benefits of VA, accruing to both sellers and buyers, must be clearly presented.

Joy Mfg., a machine tooling machinery division, has had a number of successful vendors' day programs. The most recent was a multi-supplier affair specifically aimed at getting vendor support during

Suppliers must know that program is not one-sided; that it provides growth for both.

fiscal '78. We knew that cost improvement would be crucial this year, because of marketplace problems such as the coal strike. We were interested in avoiding price hikes from suppliers.

Thanks to that session, we've identified 51 VA projects, some of which have already been complet-

ed. Others are now getting intensive study. We'll net an estimated 15% on total costs of the items identified, while vendors rack up equivalent benefits through better margins and more business.

Stress mutual benefits. We have no formula for sharing VA savings with suppliers. But we're committed to the theme of our program: "Growth for both." We stress this to suppliers and make it plain that we expect an equal commitment from them. We have a form titled "Vendor cost improvement commitment" which suppliers use to indicate ideas they have or projects they'd like to work on. It includes a space where they can request training discussions by our staff, to give them a better understanding of VA principles.

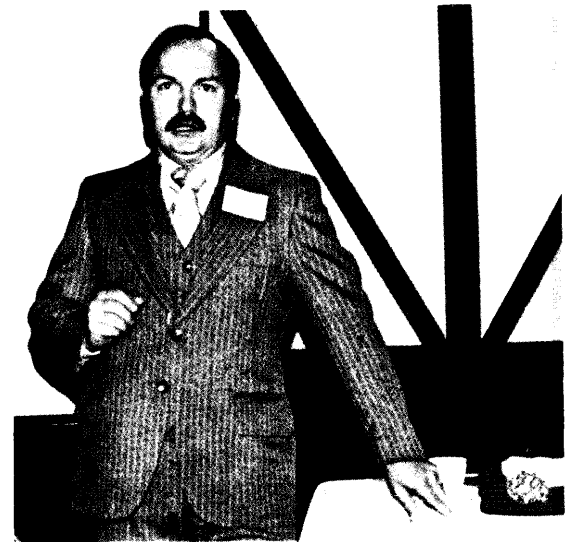
Planning for a joint vendors' day is a cooperative effort. Those involved in our recent one included Carl Heinz, group vp and general manager; Clint Vogus, purchasing manager (now materials manager); Larry Williams, P.M. at our Meadowlands plant; and myself. Corporate vp of purchasing W.C. Campbell was also involved, coming from Pittsburgh to attend.

A formal printed invitation—r.s.v.p. style—was sent to our top 75 vendors. "You are cordially invited," it ran, "to spend a day with us and our major vendors in a

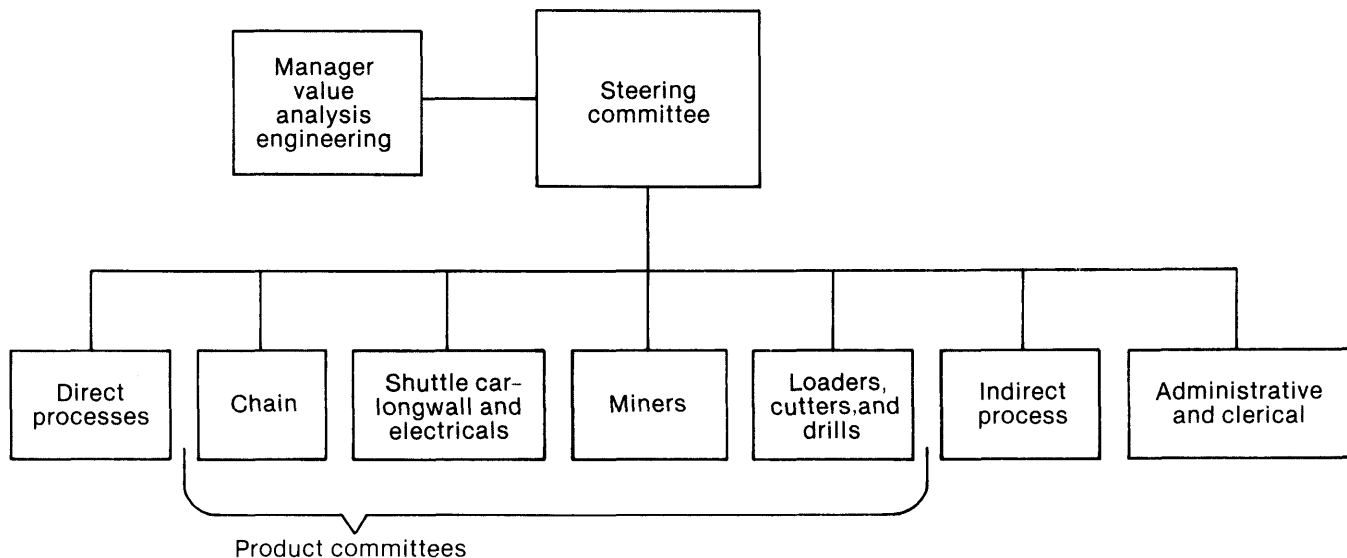
Vendor Day Program to review with us your role in our value analysis and cost improvement programs. . . ." The invitation also pointed out that we were hosting a dinner in Franklin the night before. Purpose of the evening session was to "break the ice."

With an average of two executives attending from each supplier firm, we wound up with a guest list of 150. Their areas of expertise included motors, chain, clutches, bearings, steel plate, hydraulics, forgings, and gears.

The agenda for the day started



Hammer home the point that value analysis offers benefits for both buyer and sellers, counsels Joy Mfg.'s Tom King.



Action committees, drawing from purchasing, value analysis, design and other groups, were already set up to field suppliers' ideas.

Vendor ideas

(continued)

with a corporate overview, emphasizing Joy's support of value analysis. The division's business objectives and its current outlook were covered. Examples of the company's success with VA programs were also given, leading into a discussion of how vendors can participate. Using slides, speakers stressed that VA is not just run-of-the-mill cost reduction, but represents a better deal for both buyers and sellers.

Following lunch, the vendors and Joy staffers participated in roundtable sessions devoted to VA, and the day concluded with plant tours and several industry films.

Buyers attended. Beside managers and top brass mentioned above, Joy participants included all buyers and value analysts. All are on seven VA action committees (see chart) set up some years ago. So they were good choices to speak, lead discussions, and answer questions.

Here are a few examples of the kinds of ideas discussed during the vendors' day:

- A steel mill representative suggested a new method of specifying thickness on plate. We estimate a 3% cost saving on this item, which we buy in volume.

- Discussions with another

vendor led to elimination of a sole source on urethane-filled rubber tires used on underground units. Giving us a make/buy option, the new source has also offered us equipment to fill the tires in-house. We're studying that now, but we've already pegged savings at \$50,000-60,000 yearly.

- Sophisticated studies of the stresses put upon chain in use on our units—monitoring them with recorders—was suggested by another vendor. That's another long-term project.

Our first step in acting on the

Action committees were set to follow through on vendor ideas.

ideas from vendors' day was to enter each one in a project log. This gave us follow-up control. We then routed the suggestions to the appropriate VA action committees.

The committees meet at least every two weeks, in sessions running about three hours. Beside buyers and value analysts, each of four product-oriented committees includes the chief product designer, a manufacturing engineer, product engineer, accountant, and sometimes a QC staffer. Hourly workers from areas such as assembly and the machine shop are also on the product VA teams.

Non-product committees, such as indirect processes, include other executives: the head of warehous-

ing, for example. The point is that these people are prime movers who can make things happen no matter where an idea originates. Thus, they were already well aligned to handle the influx of supplier suggestions.

To act on very complex vendor suggestions, we set up ad hoc project committees—drawing from the regular action groups and other departments. The personnel split here is about half-and-half, with buyers and value analysts represented on all special projects.

Can't drop ball. Under our program, the action committees follow through on four main types of ideas: (1) value engineering studies at the design stage; (2) value analysis of existing hardware and software; (3) capital appropriations plans and other management-by-objectives programs designed to reduce costs; (4) a company-wide employee suggestion system that generated nearly 4000 ideas last year.

We're firmly convinced, however, that vendor ideas deserve the same attention. In addition to the recent multi-supplier program, we have also brought in individual firms for a day of VA brainstorming. Generating enthusiasm is what VA is all about. Suppliers have a critical role to play in helping companies meet worldwide competition and offset the costs of taxes, government regulations, and paperwork. ■