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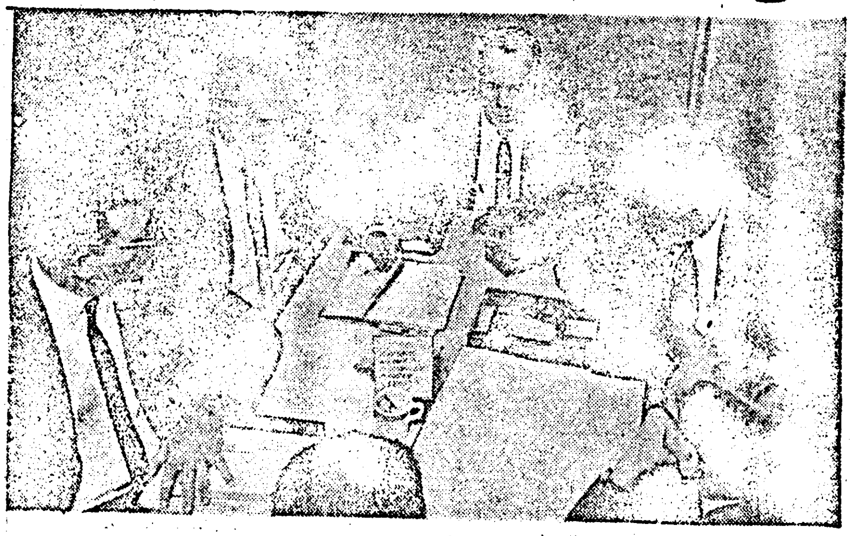
Value Engineering: It's Incredible



BENDIX-PACIFIC brings together engineers and technicians from its plant in North Hollywood for a two-week long value engineering course, puts groups of five or six around a table with a piece of electronic hardware to see how well they've learned. Remarkably, the men find ways to cut the cost as much as 40 per cent per item. One group produced a design cutting cost by 35 per cent. The next group cut cost on the item another 20 per cent.

This Cost Cutting Idea Is Saving $ Millions

By John Alden Senning

Did you know that a necktie has a use value of zero but that a tie clip's use value is roughly 1/10 cent?

A tie has only "esteem value," has no real function. But your tie clip does. It holds the tie. But so can a paper clip. Ergo: your tie clip's use value is equivalent to that of a paper clip.

This is a roundabout way of introducing you to one of the newest, least known but incredibly successful programs in industry today—value engineering.

It's a program which goes to the basic function of any item; a program which assumes that cost and value have no relation and that function is a sound base for determining value.

Nothing at Face Value

It encourages—indeed, requires—that nothing be accepted at face; that the simplest design and the most intricate must pass the value test.

General Electric Engineer Lawrence D. Miles originated value engineering 15 years ago. And though he's personally trained thousands, written the standard text for its study, he said in Los Angeles last week, that value engineering is still in its infancy and just now seems about to score its most important advances.

But how does it work and what can it do? Miles tells of this example:

The Navy adopted his program, applied it to a new landing craft. Design of the boat called for a 200-gallon gasoline tank which costed out at $520.

The value engineer first asked: what's the function? Then, what else could do the job? So, compare. Well, they reasoned, four ordinary 50-gallon drums could hold the gasoline and they cost $28.

But the tanks would rust. The engineers checked further, found the tanks could be treated to prevent corrosion. Result: each landing craft was equipped with tanks costing a total of $80. The Navy bought 1000 of the boats with tanks costing a total of $80,000 vs. the $520,000 they would have cost with the original tanks.

Miles doesn't blame the boat's designer. "He had a problem and he regarded it as normal and logical to design the tank as he did."

'Value Assurance'

But Miles also notes that more and more value engineering is getting into "value assurance," the proving of value in the design stage rather than on production items.

Bendix-Pacific division of the Bendix Corp. in North Hollywood has reported astonishing success with its value engineering program.

Program Manager William M. Thompson cites the case of a rotary switch assembly which involved 167 parts

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Next: A Value Test For City Government

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cost $185 and took 21 hours to assemble and test.

A group of engineers, trained in Bendix' own two-week value engineering course, applied the function-value test. Result: the job is now done by a switch with 10 parts costing $99.86. It requires only six minutes to assemble and test.

Value engineering also found a less expensive way to produce transducers involved in a contract on which Bendix was bidding. The saving, Thompson reported, made it possible for the company to lower its bid by $1 million.

And Thompson comments: "Our competitors in this field are using value engineering. It's essential that we do to."

Only Scratched Surface

Most defense contractors do. But it's still the exception in the consumer product field. And Miles thinks the potential there is tremendous. "Not over 5 per cent of its potential has been realized today," he insists.

And there is even potential outside of the industrial area. Miles reports that Schenectedy, N.Y.—GE's hometown—is about to initiate a training program of selected city employes in value engineering.

These men will apply the value test to every phase of city operation. Says Miles: "We think we can get double the service for the tax dollar from our city. By June we'll know."

If it's a success, says Miles, then we may well see the logic and horse sense techniques which are saving millions of dollars for defense industry today applied generally on all levels of government.

Miles has only one exclusion from value engineering. "I always recommend that you forget it unless cost is a vital factor."