

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 engrg. for decision making but - problems in providing them.

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

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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

~~the~~ Evaluate ~~the~~ - each plant's practice may vary - make vs. make
Bellows First time (give example)
 Cover cold control
 2-1/2¢ more

Get them - Know them - Use them

re-evaluate all of our thinking

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