48-19

MINUTES FOR BUYERS' MEETING OF SEPTEMBER 24, 1948

Present:	K. Brown	- 21BW	P. Klein	- 24CE
	J.L. Cadley	- 100C	A.E. Lent	- 101B
	J.C. Calahan	- 100C	G.C. Mapelsden	- 101B
	R.C. Cavendish	- 101B	R.H. McGrath	- 24CE
	W.A. Crane	- 24BE	~~L.D. Miles~~	- Schenectady
	J.A. Fanning	- 100C	E.L. Munson	- 100C
	C.D. Ferris	- 22BW	L.D. Nutter	- 100C
	A.J. Gartland	- 28BW	W.A. Reagan	- White Plains
	~~C.L. Harring~~	- ~~Erie~~	H.M. Richmond	- Cleveland
	G.B. Jacobs	- 101B	J.G. Setzer	- Scranton
	M.G. Johnson	- Erie	C.H. Tuttle	- 110
			G.A. Williams	- Allentown

QUALITY CONTROL

The meeting was opened at 9:40 A.M. by Mr. L. D. Nutter who introduced and turned the meeting over to Mr. C. D. Ferris of Quality Control.

Mr. Ferris enumerated some of the concerns of Quality Control such as:

1. Procedure for better incoming parts.
2. The need of closer association with purchasing people to accomplish common objectives.

He brought out that there are now in operation several plans to get good quality from vendors, varying between works.

I. Erie Works Quality Control

Mr. Ferris then introduced Mr. C. Harring, of Erie Works Quality Control for Cabinets, who talked on Vendor Relationships and explained the methods of control Erie uses for vendor material both at Erie Works and at the vendor's plant. To aid in his discussion he presented and explained the various charts and graphs used for control purposes at Erie, and all those present received a book containing an outline of his talk and the charts which were discussed.

Mr. Harring brought out that good relations with the vendor were a joint responsibility of Purchasing and Quality Control - Purchasing gets the parts and Quality Control studies quality.

During the discussion of the various charts and reports presented, Mr. Nutter brought out that normally letters to vendors on unsatisfactory material will come from Purchasing.

Mr. Harring emphasized that Quality Control wants to know at once when the vendor's product is not up to standard, so they can analyze defects and help the vendor correct them. It is important to know what the vendor is doing each month and "get after him". He brought out that they have had trouble with vendors who must buy from suppliers designated by G.E. in getting them to meet the various test requirements.

Mr. Nutter asked if all vendors should supply Inspection Reports, and Mr. Harring stated that that was essentially what they were getting. The system should go into effect at the time of placing the order.

At this point Mr. Ferris brought up the point of whether Purchasing would approve of Quality Control people going into a vendor plant and giving them a rating. After due discussion, it was agreed that Quality Control should go to the vendor with the full knowledge and advance arrangement of Purchasing. Mr. Nutter brought out that the certificate of test should be arranged for at the time the contract is let - it should be a part of the contract.

Mr. Cadley asked how Quality Control functioned in buying raw materials, and was told that the degree of control over raw materials was not as great but that laboratory tests were made and most raw material suppliers have their own tests which meet G. E. standards.

The question of putting clauses into the contract for certificates of test and plant visitations was brought up and it was decided that this problem would have to be worked out and answered later.

Mr. Ferris summarized the problem of dealing with vendors in three groups:

1. Contract arrangements.
2. Steps to draw up correct Quality Standards.
3. Keeping Purchasing supplied with information on quality of material coming into G.E. plants.

The problem of Quality Standard is primarily one of getting right specifications and setting the right acceptable quality level.

II. Home Laundry Quality Control

Mr. Ferris presented George Mapelsden, Home Laundry Quality Control Man who presented the "Quality Control Normal Inspection Sampling Plan" now in use in the Home Laundry Equipment Division. All those present received a copy of the control form used, and an outline of the operation of the plan. The plan has been used with requests for quotation giving drawings and quality level expected. The vendors have raised no objections to the plan, and they are anxious to know what our Quality Standards are. Use of the sampling plan involves the risk that we will not get the same quality in large mass purchases as sampled.

Mr. Nutter brought up the point that sometimes a part meets specifications, but does not fit on the unit for which it was made. Erie uses gauge drawings for parts coming in and supplies vendors with many of them which aids in eliminating this difficulty.

It was decided that this discussion was a step towards standard forms and tests to be required from vendors.

III. Importance Of The Vendor Understanding What We Want

Mr. Ferris stressed again the importance of Quality Standards and being sure the vendor has a clear knowledge of our standards at the time the order is placed.

Mr. Nutter brought out that our vendors are becoming increasingly anxious to give us what we want. Problems on quality often arise because the vendor is not sure what our quality standards are.

Mr. Richmond emphasized the importance of complete requirements and specifications on blueprints and drawings - the result is quality.

Mr. Setzer talked on his meeting with the vendor of the dishwasher cover. He has found that what we specify on blueprints is not always what we want. The solution to this may be giving our vendors assemblies of the part. This would protect our vendors as well as ourselves.

Mr. Nutter suggested that in many cases there is no "meeting of the minds" between the vendor and ourselves as to what our requirements are. Standard requirements of test would help to correct this situation.

The point was made that a number of plants have no laboratory and have had poor results sending their testing to outside firms. It was suggested that Quality Control check and approve laboratories and evolve a simpler and more standard means of testing.

Mr. Nutter suggested that Quality Control should standardize on forms and procedure. Purchasing will standardize the presentation to vendors. We should move fast on this. Mr. Ferris set a time limit of one month for the presentation of a standardized plan to the group.

Mr. Ferris asked if we ever accept a higher percentage of defectives to get a good price. Mr. Nutter said No - it is more expensive to operate that way.

The importance of stockpiling and the seasoning of casting was brought up by Mr. Gartland and discussed. Mr. Nutter said that in our letter of purchase we should specify how long castings are to be seasoned.

Mr. Ferris checked to see if we had covered all points in regard to adopting a standardized testing program with our vendors. Mr. Nutter expressed the view that the divisions would have to "fall in line" with the program as they are ready. Because certain divisions require many more tests than others, the plan will have to have many variations from a common base.

There was a brief discussion of damage to parts in shipment, and Mr. Nutter asked to be reminded to look into costs of webbing or spider webbing for packing purposes.

The importance of "usability" and "non-usability" of parts over "to drawing" or "not to drawing" (or specification) was brought out. Mr. Nutter suggested that we have vendors submit samples to the blueprints, then correct the blueprints to what we want and need. The strictness of this plan would vary with our confidence in the vendor.

The importance of avoiding the use of the term "cost of machining" in a contract was brought out. Use "to machine" or "machine" this will help us in avoiding litigation. K. Brown of the Legal Department stopped in and emphasized this point.

GETTING COST OUT OF THE PARTS WE BUY

The afternoon session began at 1:30 P.M. with Mr. Nutter presenting Mr. L. D. Miles of Schenectady Purchasing. Mr. Nutter stressed at this time the importance of all buyers spending at least two hours a week on the factory floor familiarizing themselves with the manufacturing operation.

Mr. Miles then began his illustrated talk on the importance of getting Costs Out of the Parts We Buy - a study of value originated by Mr. Erlicher.

Purchasing men are responsible for value whether they buy the part or not.

I. How To Conduct A VALUE ANALYSIS

Mr. Miles presented first a cold control unit as an example to be studied, and analyzed its components part by part as to cost and the value we get from the part. Each part was studied with the question in mind of whether it is worth what we are paying for it; if not, what can we use to cut the cost and still get needed value. Mr. Miles continued the study through other devices showing what had been done to cut costs yet still get the required value from the parts.

Mr. Nutter asked how the parts to be studied had been picked and Mr. Miles said that they were generally large volume items or items on which we want to quote competitively, and because of high costs are unable to do so.

To make an analysis of value in parts we should have:

1. The part to be studied.
2. Complete blueprints of the part.
3. A complete breakdown of costs for each part.
4. Sessions with the engineers to evaluate the part.
5. A report assigning responsibility for next step. Who will take next step - follow him to be sure action is taken.

II. Comments Of Managers Of Engineering On VALUE ANALYSIS

The following paragraphs are Comments of Managers of Engineering in Mr. Winne's meeting after "Value Analysis" purchases.

Schenectady, September 16, 1948

"The general consensus was that buyers should be more "snoopy", as it was termed, and should not buy the item on the drawing just because it was on the drawing. They should question wherever modifications would produce lower prices.

"One of the managers said that they were finding great value to accrue from assigning planning men to the Purchasing Department. He said that hundreds of thousands of dollars are spent in planning the 30 per cent of material which we make here in order to be sure we know its proper value and do it right but that, until recently, the buyer was not given the advantage of this same information on the remaining 70 per cent which was purchased material. He says that planners are being made available full time to the Purchasing Department to plan jobs completely even though it is known that they will not be made in the plant. By this method, the buyer then knows the value of what he has to buy and can, of course, do a very much better job.

"Another of the managers further commented that while the Purchasing Department is providing people, and training people who can insist on value and who will raise these questions with the engineers, it is equally important that the engineering organization train their people to expect such questions and to help work them through so that the savings can be realized.

"The consensus seems to be that the greatest benefit to the company would come from parallel education along three fronts; namely, purchasing, engineering, and planning. One of the managers emphasized the importance of providing some system or systems so that when specific means of securing greater value are found on one project they will automatically be applied to other similar projects in all departments and for all time.

L. D. MILES"

III. Guide For Purchasing Men "Getting Costs Out"

Mr. Miles developed the following nine points as a guide for all purchasing men:

1. Is the part worth the money for its intended use.
2. Does use of the part contribute to the value of the product.
3. Does it need all of its features for its intended use.
4. Is there anything better for the intended use.
5. Can a usable part be made by a lower cost method.
6. Can a standard or a vendor's standard be found which will be usable.
7. Does its material and reasonable labor and overhead total its cost.
8. Will another dependable supplier provide it for less.
9. Can our competitors buy it for less.

Mr. Miles emphasized the importance of the Purchasing man's job and asked if they were all convinced of what could be done towards "Getting Costs Out" of the materials they buy.

IV. Buying Standard Parts

A discussion followed on buying standard parts and having them specified by Engineering, and the importance of the various divisions buying together where needs are identical. Mr. Gartland brought out that he has trouble getting his suggestions on cost reduction carried out in "the chain of command". Mr. Nutter suggested that he write suggestion letters to his engineer making a copy for Mr. Nutter and his manager.

V. Importance Of Utilizing Vendor "Know How"

Mr. Cadley spoke on using suggestions from the vendors and getting the vendors interested in our operations. Mr. Miles further emphasized the importance of vendor "know how".

Mr. Nutter reported on the progress of the plastics deal and the conference with the Chemical Department "top brass". He brought out that there was a trend towards placing a certain percentage of business outside. Mr. Miles stated that Mr. Cordner wants us to keep outside channels open with a certain percentage of business to enable us to get competitive quotations.

In conclusion Mr. Nutter emphasized the following points to the buyers:

1. Get cost out of the material we buy - increase effort to see that this job is done.
2. Buyers make a monthly report on cost reductions actually in practice and proposed during the period, and any idle manufacturing capacity in their respective plants.

Mr. Miles offered to put on a lecture to assist any of the buyers in impressing their engineering and management staff with the importance of "getting costs out."

Mr. Nutter asked to be reminded to check on the circulation of M & A Inventory reports to all buyers.

The meeting ended at 3:30 P.M.

J. A. Fanning

Distribution: Those present plus following:

H.L. Andrews - 21BW
R. Asmus - New Kensington
H.J. Benzie - 21BS
C.H. Bierwirth - 28BW
M.C. Hull - Ontario
W.H. Hull - Zanesville
E.R. Koester - 22BE
J.W. McNairy - 21BW