

Embarrassed Managers Hobble Value Engineering

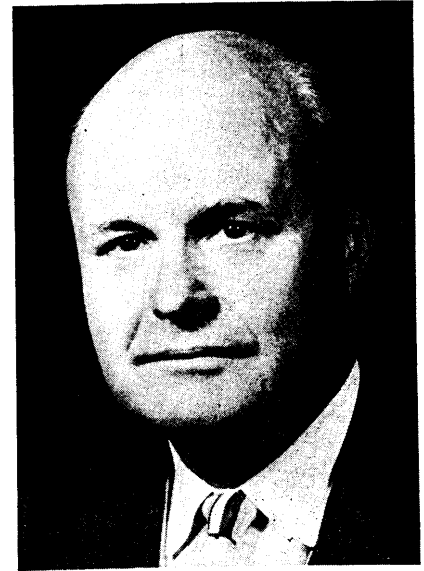
ALL decisions reflect upon the person that makes the decision. This is a powerful stimulant for managers to make decisions that others can recognize as "good" and avoid those considered to be "bad." By so doing, the manager demonstrates his effectiveness and earns the plaudits of his subordinates, peers, and superiors.

However, note what is created by this close personal identification between the individual and his decision. The thing decided can be either good or bad in the effects that follow the decision and, independently, the decision might reflect either good or bad on the decision maker. Of the four possible combinations, the one resulting in a "good" effect but a "bad" reflection raises an interesting problem in management morality. To what extent do managers avoid making "good" decisions because of a possible "bad" reflection on

themselves?

Attention was focused on this question at the Western Electronic Show and Convention by **Lawrence D. Miles**, developer of the concept of value analysis and engineering (VA/VE). Miles reported cases from four different companies in which managers, despairing for earnings or attempting to save a market eroding from high costs, used the procedures of VA/VE and promptly achieved good earnings. However, they were so embarrassed by the unexpected, simple answers to their problems that they then restricted or ended the use of the procedures.

From these and other sources, Miles has concluded that a "key challenge now is to reduce, and hopefully to end, embarrassment to incumbent management and professional men resulting from the use of VA/VE techniques to achieve better products and serv-



Lawrence D. Miles

"Value engineers must not only produce more efficiently . . . but also must do so without embarrassing the professional specialists and managers."

ices for much lower costs."

Miles is not talking about the VA/VE practitioner learning superior salesmanship or polishing up techniques on how to make new ideas more acceptable to upper management. He has, instead, decided that the time has come to confront the problem at its source—those managers who fail to do something because of embarrassment or fear of embarrassment.

He notes that just as functions were subjected to intense study as the basis for developing techniques to accomplish them reliably at lower costs, so must "embarrassment" and "fear of embarrassment" be studied. Miles suggested that understanding this problem would require depth analysis, experimentation, synthesis, creativity, and consultation with the best sources of present understanding.

It is Miles' belief that as soon as value engineers understand the structure of "fear of embarrassment" and "embarrassment" itself, and thoroughly understand the means by which these factors control management decision, it will become possible to introduce large-scale benefits into products, services, and businesses. Further, this can be accomplished without the delays and costs of extensive laboratory programs or large capital expense programs—which Miles describes as the "usual embarrassment limiting factors."

Gross Debt In The United States

(Yearend, billions of dollars)

	1940	1945	1960	1965	% Increase 1960-65
Government	73.8	309.2	389.2	457.9	17.7
Federal	53.6	292.6	322.1	359.2	11.5
State and local	20.2	16.6	67.1	98.7	47.1
Private	142.0	154.1	648.0	992.8	53.2
Corporate	89.0	99.5	361.6	533.0	47.4
Noncorporate	53.0	54.6	286.4	459.8	60.5
Home mortgage and consumer credit	24.8	23.4	190.2	290.1	52.5
Business property mortgages	9.6	9.3	40.2	82.5	105.2
Farm and other	18.6	21.9	56.0	87.2	55.7
Total government and private	215.8*	463.3	1037.2	1450.7	39.9

ONE dimension of the inflation problem can be found in statistics dealing with debt. As pointed out in an analysis appearing in *Morgan Guaranty Survey*, published by Morgan Guaranty Trust Co., New York, debt reached a record high in 1965, as did virtually all other barometers of economic activity. Analysis of the components of gross debt in the U. S. (see table) shows that, in relative terms, growth in federal government debt has been comparatively modest. In contrast, state and local governments have accelerated borrowing in recent years. But as shown, debt expansion has been heavily concentrated in the private sector. Considering the exceptional economic growth of recent years, build-up of private debt is not surprising. Debt increase becomes a problem to the extent that it is built on poor quality risks. By several measures (foreclosures, loss rates, etc.), there has been a decline in "quality" over the last few years. The analysis suggests that such indicators are comparing present data with earlier standards that might have been unnecessarily stringent. The total economic system can be harmed by quality standards for loans that are too high just as well as those that are too low. Present debt quality figures reflect a changing economic picture in which lenders tend to balance quality and quantity in such a way as to serve the interests both of loan safety and sustainable economic growth.