

MAY VALUE METHODOLOGY ENABLE VALUE ADDED STRATEGIES?

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INTRODUCTION

- Globalization has put a squeeze on the market
- Globalization also has its advantages
- There is great competition on the acquisition market as well; the above mentioned factors also apply to this area

INTRODUCTION 2.

- Applying Value Methodology in creating a specific product will result in a 10-30% reduction in necessary resources while the quality remains the same or even improves

INTRODUCTION 3.

- From the point of view of Value Methodology, the following Value-Added strategies may be applied:
- a/ **Function**↑/**Cost**→ performance of function is increased while cost remains the same. Depending on market possibilities, an increase in price may be possible.
- b/ **Function**↑↑/**Cost**→, performance of function is increased considerably as well as costs, although to a much smaller degree. This scenario presumes that a marked increase in price is a possibility.

INTRODUCTION 4.

- c/ Function[↑]/Cost[↓], performance of function is increased while costs are decreased. From an engineer's point of view, this version requires great constructional and technological development and/or acquisition of know-how and patents

DEFINING THE PLACE OF OWN PRODUCTS

- It is important for the management of the company as well as leading experts to know the position of their own products
- The so-called COMBINEX process should present a good starting point
- COMBINEX is well-known in economic and theoretical writings, and we have experience in using it for the purpose of Value Methodology (Theodore C. Fowler 2005.)

VALUE ANALYSES OF BAKER'S PROTECTIVE GLOVES

- It turned out during the first steps of the analysis that a reduction in costs was not possible
- The task was refined: how was it possible to reduce functional costs?

VALUE ANALYSES OF BAKER'S PROTECTIVE GLOVES 2.

- A pair of gloves costs 0.5 USD, but it had to be discarded after only a shift's worth of use (8 hours)
- The student defined the critical function: $F_{critical}$: resists strain. This was also the basic function

VALUE ANALYSES OF BAKER'S PROTECTIVE GLOVES 3.

- After analysing functional costs, the following results are produced:
- Original glove: Value= 8 hrs/0.5 USD
hourly cost: 6.25 US cent
- New glove: Value= 240 hrs/ 1.0 USD
hourly cost: 0.41 US cent

VALUE ANALYSES OF BAKER'S PROTECTIVE GLOVES 4.

- The new construction turned out to be 15 times more valuable than the original one
- **A theoretical lesson: it seems to be reasonable to reconsider economic training. Value Analysis does not acknowledge 'cheap' or 'expensive' material; it only uses functional cost, which may protect us from making incorrect decisions**

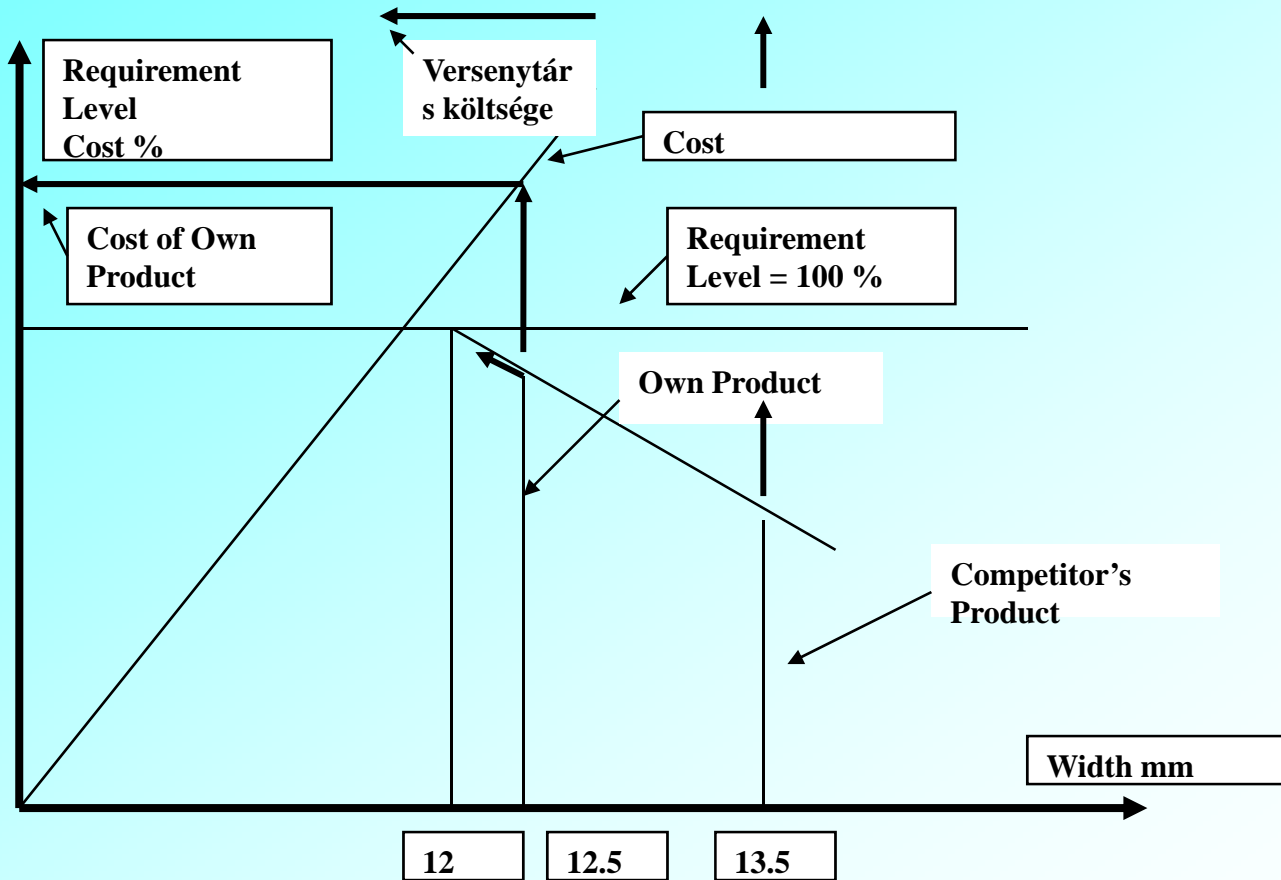
TRADITIONAL ACCOUNTANCY SYSTEM VERSUS VALUE INDEX?

- The example of the gloves' development shows that traditional accountancy does not always lead to effective decision-making
- The economic managers of the bakery and the glove-making factory only saw a rise in prices and in costs respectively

R&D DEVELOPMENT OF FAN BELTS USING VALUE METHODOLOGY

- There have been several complaints against the fan belts, so the management ordered a R&D project to further improve them
- The project was created using **VALUE METHODOLOGY**

Pic. 1. Fan Belt Width



SUMMARY

- We believe that Value Added Strategy may strengthen a company's position on the market to a considerable degree
- Customers may be won over by offering them the additional services they require (training in the product's functions, very quick reactions to malfunctions, continuous supply of spare parts, counselling etc.)

SUMMARY

- It is very difficult to find the functions that satisfy customers' demands while prices still remain competitive
- Value Methodology proves to be a – so far neglected – tool which enables more effective decisions and solutions