SELECTING VE SUBJECTS FOR REALIZING STRATEGIC MANAGEMENT

This document was presented at the 1992 International Conference of the Society of American Value Engineers (SAVE) at Phoenix, Arizona by Masakatsu Michihiro, of Sumitomo, and Takashi Ueno of Kajima. It was published in the SAVE Annual Proceedings and is copyrighted (SAVE, 1992). Permission to upload this document to CompuServe has been given by SAVE.

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ABSTRACT

This paper shows how Value Engineering (VE) can be applied to important management issues to establish subjects for management efforts. It shows how answers can be found for specific problems that puzzle executives.

INTRODUCTION

Toward the 21st century, values, life and corporations are going to transform themselves. Any great change may require creating something

new rather than improving existing things. A company can be run very successfully, only when it accomplishes development of existing business, creation of new business and increases the value of goods and service. All of these are exactly what VE can do well. From this point of view, VE is called upon and is now being applied to a new field; that is, to establish subjects for management endeavors. This paper particularly discusses how and in what areas VE can be well connected with the management issues. We recommend that Executives of small/medium sized companies take the VE approach as introduced in this paper.

LESSONS FROM COMPANIES SUCCESSFULLY INTRODUCING VE

After our investigation the following three points were learned from the small/medium sized companies who succeeded in their management due to VE applied to such phases as development of a new product and upturn of business:

1). The executives must decide to reform the companies.
2). The executives must take part in VE to find out subjects for solution.
3). The found subjects must be directly reflected in management improvement.

MANAGEMENT SUBJECTS

We investigated what the executives of the large companies talked to the public/newspapers and through interviews what the executives of the small/medium sized companies are thinking about their management. Keywords are listed below:

THE LARGE COMPANIES

Customer-first-service, First quality goods and service, Product differentiation, innovation, reform of company character, respect for humanity, consistency with the general trend in the world, internalizing, and seeing changes in business environment .

SMALL/MEDIUM SIZED COMPANIES

Innovation, to embark on new business, protection of natural environment, master new technology, respond to small demands and variation of types, guarantee products, cost-saving, productivity improvement, and integration of company capabilities to respond to internationalization.

The executives of both the large and the small/medium sized companies are found to have five common styles of thought:

1. The time is coming for the company to change drastically.
2. Under new ideas, a new management vision is required.
3. From a wider global view point, the executives must select the management subjects.
4. The executives must integratively use company capabilities.
5. Pursuing customer-first-intention, theexecutives must improve the company structure.

PROCESS TO ESTABLISH VE SUBJECTS

We propose the following business process to effectively apply such managerial resources as people, money,materials and information to their business plans, by considering changes in business conditions. Figure 1 outlines the intention of this paper, explaining how we select VE themes within the total business environment and how VE steps are taken in the process in the corporation, large or small.

INVESTIGATION OF THE BUSINESS ENVIRONMENT

Social environment

SELECTION OF VE SUBJECTS		
Basic Step	•	Detail step
I Investigation of Business Environment	1 2 3	To understand Social Environment. To understand Company Conditions To understand Business Plan
II Selection of Management Subjects	4 5	To enumerate Desires and Goals, and to systemize. To make desires and goals conspicuous and concrete as management subjects.
III Selection of VE Subjects	6 7 8	To classify Subjects and to narrow down. To analize Subjects(turget & present situation) To select VE subjects.

Figure 1

INVESTIGATION OF BUSINESS ENVIRONMENT

Social Environment

There are two groups, 1. The general matter such as business and political trend (domestic and international), and 2. specified matters such as changes in the business environment relating to the company's products and service (competition, demand, etc.). They are constantly changing, but the management must be aware of them and at the same time understand what factors of the social environment act on the company advantageously as a chance, or disadvantageously as a threat.

Company Conditions

This means capabilities in R & D, sales, production and finance, which are shown bymanagerial indexes. Management, therefore, must evaluate competitors with those indexes and know where the company stands in relation to competitors itself.

Business plan

Management must make business plans- both long and medium short range.

SELECTION OF MANAGEMENT SUBJECTS

Enumeration of the desires and goals systematization

We enumerate all the desires and goals of the management according to the business plan, which have to be systematized. Examples of the desires and the goals are: (see figure 2.)

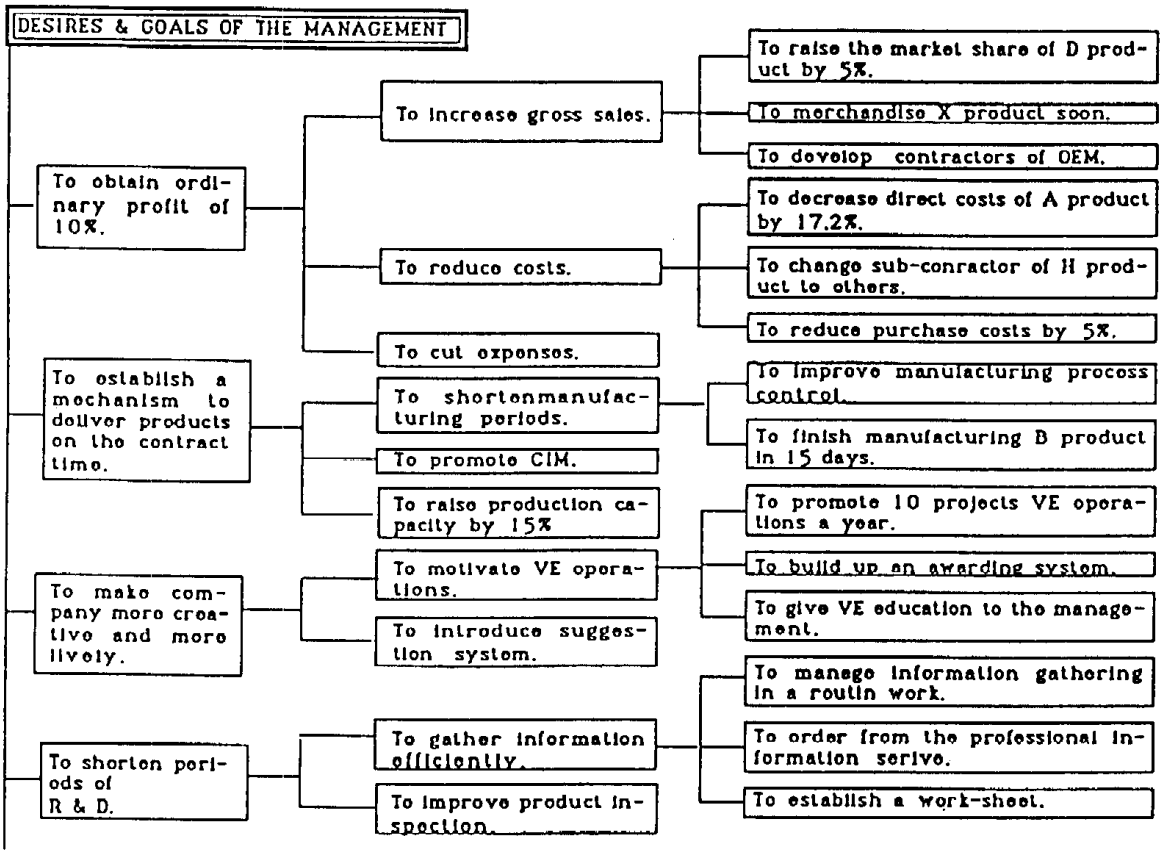

Figure 2

1. Obtain ordinary profit of 10%
2. Establish a mechanism to deliver the products at the contract delivery schedule.
3. Shorten the periods of R & D.
4. Make the company more creative and active.

We would like to remind that the management subjects (VE subjects) are wrung out of those enumerated desires and goals. It must be management who combines this process and lists their desires and goals. We think that this makes the relationship between the management and VE tighter.

6 Selection of the management subjects .

Understanding the enumerated desires and goals, we have to connect them with the products and the business activities. It is very important to make simple phrases to make them understood easily. Those phrases are the management subjects. We had better put them on a card item by item. Examples of the management subjects are: (see figure 3)

NO.1 CARD SUBJECT : To increase profit of A product.	
CLASSIFICATION	
IMPORTANCE	big / average / small
NECESSITY	big / average / small
TYPE	occurrence / discovery / improvement / actualization
PURPOSE	Intent to strength the structure of the company
	✓ Intent to increase profit
	Intent to increase gross sales
	Intent to pioneer a new business

Figure 3

1. Increase the A products profit.
2. Prevent from the delay in delivery of the B product.
3. Obtain the information efficiently.
4. Introduce a suggestion system.

SELECTION OF VE SUBJECTS

Classification & Selection of the management subjects

The management subjects are classified by the following two criteria:

The degree of importance necessity= (big / average/ small)
The type of subjects= (occurrence / discovery / improvement / actualization)

And also classify under the types of the purposes (hopeful effect). According to our investigation we have four types:

Intention to strengthen the structure of the company:

Improve administration function.

Introduce more effective computerized system etc.

Intention to increase profit:
Save direct costs of the products.
Increase productivity.
Remove waste, unreasonableness and non-uniformity.
Intention to increase gross sales:
Differentiate and characterize the products as suitable goods for the target users.
Intention to increase prices.
Brush up the marketing function.
Intention to pioneer a new business:
Create a hit product.
Initiate a model-change of goods.

Target of the subjects and evaluation of the present situation

Regarding highly ranked management subjects we clearly show the target, the presentsituation and the gap with figures. We recommend to know the gap shown In the worksheet.

No. Subjects	No1 To increase profit of A product	No.2 To prevent from the delay in delivery of B product.
Target	Direct costs = Yen1,200,000-	Delay in delivery = by 1 day
Gap	Difference = Yen 250,000- (To be reduced by 17.2%)	Average=3 days, Max=7 days
Present situation	Direct costs= Yen1,450,000-	Average =4days

Figure 4

Processing Management Subjects to VE subjects

Now we have to recall the management subjects here again and take scale of investment into consideration, such as manpower, costs and time etc, subject to the decision or advice of management. So that we are able to get VE subjects:

Management Subjects	VE Subjects
Increase the profit of	To decrease the direct costs of product by 17.2%
To prevent production dept. from delivery of product B.	To finish manufacturing product B in 15 days.
To efficiently obtain the information.	To establish the mechanism to obtain information in routine work
Introduce ideas proposition system	To introduce idea data bank system in addition to the existing system

The management is now made to feel a close relationship to VE operations by taking part in VE in this stage.

Key-points of VE promotion

As VE is applied to the management, we point out the following:

1. Have management join the VE, such as the executives in the small/medium sized companies and business operators including the executives as well as division managers in the large companies.

2. Continue VE operations.

3. Clearly show the VE results with the improved value of the gross sales, profit or other managerial indexes.

The value engineers who promote these VE operations must function as staff for management. They are required to know company finance, company management, and other management concerns.

EFFECT OF VE

VE actuates key management subjects easily extracted from the day-to-day problems of company operations.

After the selection of VE subjects we carry out the proposed system of VE to be able to run the company much better.

In addition to the above-mentioned straight effect, participation of the executives drives the usual VE operations into company-wide and strategic operations, which of course brings success to the company's business.

CONCLUSION

We repeat that VE = creation, is requested during a great change in addition to the usual VE, the new VE is introduced to the management, which is applied to the establishment of the management subjects.

Let's embark on VE together with the executives and the management.