

## IMPLEMENTATION : A PROBLEM FOR VALUE MANAGEMENT PRACTITIONERS

**Somkant L. Padhye, B.E., CVS**

M/s Crompton Greaves Ltd, LT Control Gear Division, India



Somkant L. Padhye is an Electrical Engineer and a Certified Value Specialist approved by SAVE International. He has passed Bachelor of Engineering in first class with distinction. He is working as Sr. Design Executive with M/s Crompton Greaves Ltd., Low Tension Control Gear Division. He is a divisional VE co-ordinator since 1989. He has over 18 years of industrial experience. He is a council-member of Indian Value Engineering Society - Western Zonal Council. He has presented a number of papers on Value Management in national & international conferences. He is a visiting faculty to many industries & institutions.

### ABSTRACT

Globalisation of economy has posed serious challenges to the industry. Most of the companies are confronted with fierce competition. Customers are becoming demanding with each passing day. Products and/or services must meet very high standards at lower overall cost and the same must be delivered within an extremely short period of time. This is a very challenging task.

Value Management, the structured and creative problem solving technology, is an excellent solution to the above challenge. The industries which have adopted Value Management approach have accrued substantial benefits and have subsequently emerged as winners over competition.

This does not mean adoption of Value Management is an easy task. One of the problems faced by all managers in their regular professional activities is implementation of proposals. This is true for the practitioners of Value Management also.

This paper analyses various facets of this key issue and discusses possible solutions to overcome these bottlenecks and improve the rate of implementation. The solutions suggested is the

result of an extensive research done by the author during his industrial experience of over 18 years.

### INTRODUCTION

Globalisation of industry requires the application of a combination of effective management techniques. Globalisation in all areas of industry requires drastic changes in company's strategies and operations.

With globalisation of the economy, industry in general has experienced a sharp fall in product prices. With rising input costs, it is becoming increasingly difficult for a business to achieve its desired profitability.

Value Management is an answer to this global problem. However, adoption of Value Management is not so easy. Value Management, the problem solving system has a problem of its own. The problem is of implementation of proposals, the very back-bone of Value Management applications.

Value Management workshops continue to project substantial savings potential which at times are surprisingly high. But equally surprising is the fact that as high as 60% of such interesting proposals do not get implemented and are lost on the way. Implementation and realisation of the projected benefits is of paramount importance for the technique to be of service. Conducting a

meaningful value study should result in a minimum return of 1 to 10. But usually the projected savings potential is anywhere around 1 to 50 of the outlay on the workshop. In spite of this attractive returns, Value Management proposal implementation has a strike rate of around 40%. "Why?" is the issue that always bothers the Value Management practitioner.

One of the major factors is lack of participation because of the fear of reflection on the performance of people who have been responsible for the operations studied. The next in line is lack of interest. Since only a hand-full of people will first get exposed to the potentials of Value Management, the remaining employees are totally unaware of the approach itself and lack faith in its success. The last factor appears to be "What is in it for me?"

From the experience gained through an extensive application of Value Management in the Indian industry, the author has identified a few key requirements for the successful implementation of the Value Management programme.

These fundamental requirements are discussed in detail in this paper.

#### FUNDAMENTAL REQUIREMENTS

Some of the fundamental requirements for a successful Value Management programme are :

- 1) Top management support
- 2) Selection of projects
- 3) Team composition and level of participation
- 4) Project report
- 5) The facilitator
- 6) Recognition

#### TOP MANAGEMENT SUPPORT

The support of the top management is a primary requirement for any technique to be practised in an organisation. This support for VM should be more than a lip service. The support should be visible. It should be palpable so that it can be felt by one and all. This can happen through the physical presence of the Executives themselves and their frequent interaction with the task-force members. Such involvement will enable spreading the Value message across the organisation.

VM as an ongoing activity is practised in very few corporations world-wide. In most of the corporations it is a sporadic activity. It flourishes or maroons depending upon the corporate season. But the flourishing ones do so only on the care and nourishment offered to it by no less a personality than the CEO himself. Basic need is building credibility among the employees about the acceptance of VM as a key performance area. What is required here is consistency.

In one of the most avidly practicing organisations in India, the Chief Executive takes time out to bring home the impact of his physical presence during VM proposal presentations, workshop activities and award nights. People are able to interact and shake hands with him and later say "here is the Top Management support". Till the VM activity takes deep enough root to be delegated to any other executive, it should be nurtured by the Chief Executive himself. This is emphasised so much only because of the high returns and benefits that can accrue through VM activity that would more than justify the investment of his scarce time.

The author would like to share the role of "Top Management support" in his organisation.

In the author's organisation, VE is a budgeted activity. The organisation structure for VE is as detailed here.

CMD is the patron. The Member-board and President of Power System group is the convenor of VE. Each manufacturing division has a VE co-ordinator. The meetings of the divisional VE co-ordinators are organised by the Chief VE co-ordinator. The management philosophy is "What gets budgeted, gets measured. What gets measured, gets reviewed. What gets reviewed, gets implemented".

The VE activity is reviewed at various levels in the organisation as detailed below.

The head of the manufacturing division reviews the activity in his division with his VE co-ordinator and VE teams once a month. The VE co-ordinators meet once in two months to review the VE progress in the company. The convenor reviews the VE progress with the VE co-ordinators once in 3 months.

The CMD reviews the VE activity and monitors its progress with the VE co-ordinators once in 6 months. At the end of the financial year, an in-house annual VE convention is organised.

This gives an opportunity for over 400 employees to get together to hear and see for themselves the results of VE activities in various divisions. The entire top-brass of the organisation attends this convention.

What is note-worthy is that the CMD actively participates in the proceedings throughout the day. This is an ideal situation where the Top Management support can be said to be so palpable that one can bask under its patronage.

In the two instances of the most successfully installed VM activity, as detailed above, such wet nursing took place and these corporations are now enjoying the fruits of their effort.

#### SELECTION OF PROJECTS

Selection of projects is a very important factor because the quantum of benefit will mainly depend upon the relevance of the project to the organisation. Hence, the criteria for selection of projects are extremely important.

Before discussing these criteria, a few general principles need to be emphasised. One of them requires that the project selected should be relevant and of current interest to the organisation. This means it should be a problem that is bothering many heads of the department. This would make the problem common for all and every one would be happy, if the problem could be resolved.

Some of the criteria for selection of projects based on above considerations are :

- \* High cost components/assemblies/areas
- \* Frequent customer complaints
- \* Persisting production bottlenecks
- \* Frequent break-downs
- \* Heavy rejection/scrap/rework
- \* Monopoly of suppliers
- \* Inter-firm comparison
- \* Product/service becoming non-competitive
- \* Energy problems
- \* Long process duration/delays

To emphasise the importance of the above criteria, the author would like to highlight the impact of the application of VE based on the study conducted by American Ordnance Association. The highlights are summarised in Table 1.

Using the criteria listed earlier, the projects can be selected through the following procedures :

- \* Listing of problems through brain-storming and then prioritising.
- \* Teams themselves to select the project.
- \* Involvement of top management in project identification.

The author based on his experience, would recommend the last option from the implementation point of view .

#### TEAM COMPOSITION AND LEVEL OF PARTICIPATION

Not only the results of the VM workshop, but also the successful implementation of the proposals depends upon this vital factor. VM calls for a multi-disciplinary task-force, members being drawn from different functions like design, engineering, materials, manufacturing, quality assurance, finance, marketing, maintenance, personnel, etc. The purpose is to ensure the required expertise and knowledge around the table so as to enable the task-force to handle the project effectively.

Regular structure of organisations provide for solving problems through departmental specialisation, but there would always be some problems which require co-ordinated effort. VM provides a means for this interaction to take place in a controlled environment which minimises conflict and maximises creativity. It has been useful to have in every workshop a representative from finance department to ensure the acceptable norms being adapted while projecting the benefits, thus avoiding group members being carried away by their enthusiasm and euphoria to make tall claims.

It would be advisable to restrict the representation to two from the department from which a problem has been selected. It is the other members of the task-force who will bring in fresh ideas. A group of four to six would be an ideal number. When the teams are working or brain-storming, a round-table arrangement would be very useful in order to ensure that no member is left out from the discussion.

**Table 1 : ACTUAL IMPACT OF THE APPLICATION OF VALUE ENGINEERING**

Factor	Advantage	No effect	Dis-advantage
Reliability	63 %	37 %	Nil
Maintainability	64 %	36 %	Nil
Producibility	82 %	16 %	2 %
Human factors	58 %	41 %	1 %
Parts availability	58 %	41 %	1 %
Production lead time	78 %	21 %	1 %
Quality	71 %	29 %	Nil
Weight	37 %	58 %	5 %
Logistics	55 %	45 %	Nil
Performance	33 %	67 %	Nil
Packaging	24 %	76 %	Nil
Cost	100 %	Nil	Nil

(Source : Total Value Engineering Effectiveness, American Ordnance Association, 1967, Washington, D.C.)

**Table 2 : SUMMARY OF BENEFITS**

Year	VE Savings as % of Material Consumption	VE Savings as % of Net Sales	Implementation strike rate
1994-95	3.5 %	1.7 %	61 %
1995-96	4.4 %	1.9 %	65 %
1996-97	4.7 %	2.1 %	68 %
1997-98	6.0 %	2.7 %	74 %
1998-99	6.2 %	2.8 %	76 %

**PROJECT REPORT**

From implementation point of view, preparation and presentation of VM project reports are vital activities, because these reports form the basis on which the subsequent actions are to be planned.

Project reports prepared in the job plan format contain the change proposals in a precise language. The inclusion of the following makes the report a valuable document.

- \* FAST diagram
- \* Function - Cost - Worth analysis
- \* List of alternatives
- \* Evaluation status of alternatives
- \* Tee-charts
- \* Before and after VM arrangements
- \* Cost - benefit analysis highlighting tangible and intangible benefits

- \* Implementation schedule
- \* Support required (be specific)

These reports help the teams to make precise proposals and facilitate monitoring of implementation. Selling change requires a careful preparation followed by an impressive presentation. This helps in obtaining sanctions from the decision-makers.

**THE FACILITATOR**

The success or failure of a VM programme in any organisation largely depends upon the person responsible for the VM activity. It is he who determines the success rate of the programme. Even with an excellent support from all fronts the programme may fail, if the Value Manager is wrongly chosen.

There are many qualities which a Value manager must possess. For instance, in order to be successful he must be a good human manager. At the same time, he must be a person of strong character and should stand-out in a crowd. He must have the core competence. He must have an ability to plan, organise, execute and control - qualities typical of an analytical person. At the same time, he has to be creative, to be able to find new ideas and ways and means of solving problems and finding better methods of making things happen.

He must be capable to initiate, direct and contribute to the VM programme without taking a credit for it. He is in the fore-front when changes are initiated and are being implemented, but retreats to a back-stage when it comes to receiving the credit.

Coupled with the above attributes, the close proximity of the facilitator to the Chief Executive, will ensure a much higher rate of implementation.

#### RECOGNITION

There are a very few motivators as powerful as recognition. Ultimately there may, perhaps be some monetary benefits. But initially the initiatives taken and sacrifices made to get recognition is sometimes unbelievable. It has been observed that people have gone to great lengths to get the attention of the boss, a smile, a pat or a certificate from him. This gives a satisfaction to the recipient. Particularly so, if such honour is received in a public forum.

In the author's organisation, as discussed earlier, an in-house Annual VM Convention is organised. In the convention the individuals and the divisions making outstanding contributions to the VM programme are recognised and honoured with the coveted trophies by the CEO himself in presence of the entire top-brass of the organisation.

In another organisation, as highlighted earlier in this paper, the Chief Executive hosts a special VE Awards Banquet Nite to recognise the teams who have made significant contributions to the VM programme. During this function, the team members are invited alongwith their spouses and children and a special dinner is hosted by the CEO.

The top management, senior executives and other special invitees participate in this programme. Team members are given silver salvers and the gifts, very thoughtfully designed, are given to the spouses of the team-members, as a token of recognition.

The corporate communications department organises wide publicity for the function and a wide coverage is given through in-house publications to keep employees informed about VM activities. This helps to create a beneficial social pressure on remaining employees, who so far were aloof from the VM programme, to contribute to the VM activity.

This helps to spread the value message in the organisation and to create more value enthusiasts. The entire success is built upon implementation. That is what brings in the cash and motivates corporate decision-makers to sanction budgets for expending resources on a VM programme.

#### RESULTS ACHIEVED

The benefits accrued by the author's organisation (Low Tension Control Gear Division) over the last 5 years, as a result of adoption of the fundamental requirements as discussed in detail in this paper, are summarised in Table 2.

#### CONCLUSION

Considering the versatility of the VM technique, the author strongly recommends that VM should be introduced in the organisation using the fundamental principles of nurturing VM as discussed at length in this paper.

Every stake-holder in the company should adopt VM to solve their problems.

Using the multi-disciplinary task-force, the problems which are otherwise difficult to debug, could be resolved with an ease.

The implementation of VM programme would facilitate to create a win-win environment for all the stake-holders of the company.