

VALUE MANAGEMENT OVERVIEW FOR



IMPLEMENTATION 2013

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Total Quality & Productivity Concepts

Contents

1. BACKGROUND AND INTRODUCTION
2. WHY WE USE THE VALUE MANAGEMENT PROGRAM
3. THE PROCESS

Definition

A Team approach that improves Total Acquisition Costs and enhances Customer Value through the development of Customer/Supplier Relationships and the use of a Structured Program using Total Quality Tools & Techniques.

The understanding of Customer Needs and the removal of Unnecessary Costs.

Value = Function / Cost

Definition of Value:

- ◆ The **reliable performance** that a product (or process) must do to **make it work** and sell at the **least possible cost**.

Functions & Features:

- ◆ Things a product or process must do to make it work or sell. Performance, Reliability, Durability, User Friendliness etc.

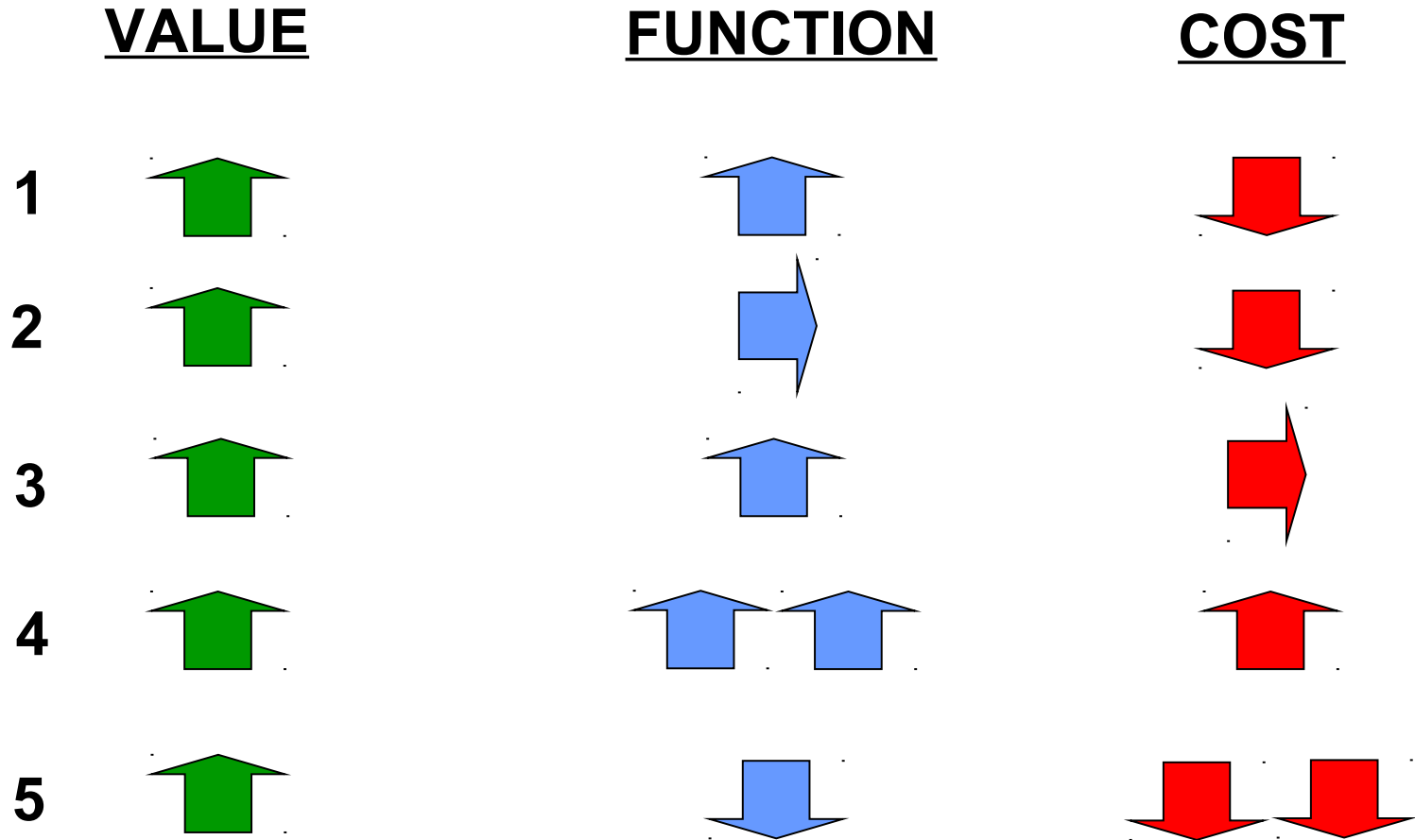
Cost:

- ◆ The expenditure on a resource. Time, People, Energy, Material, etc.

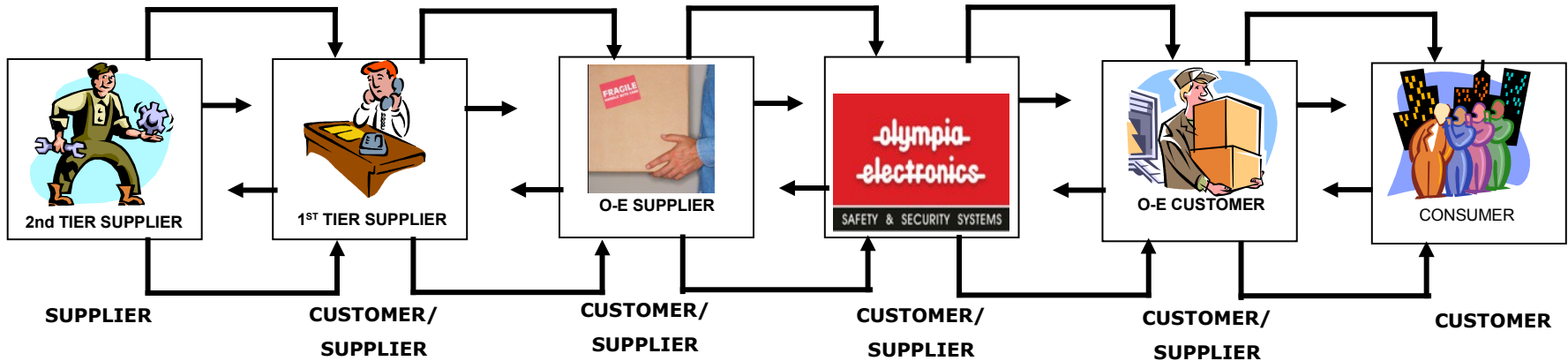
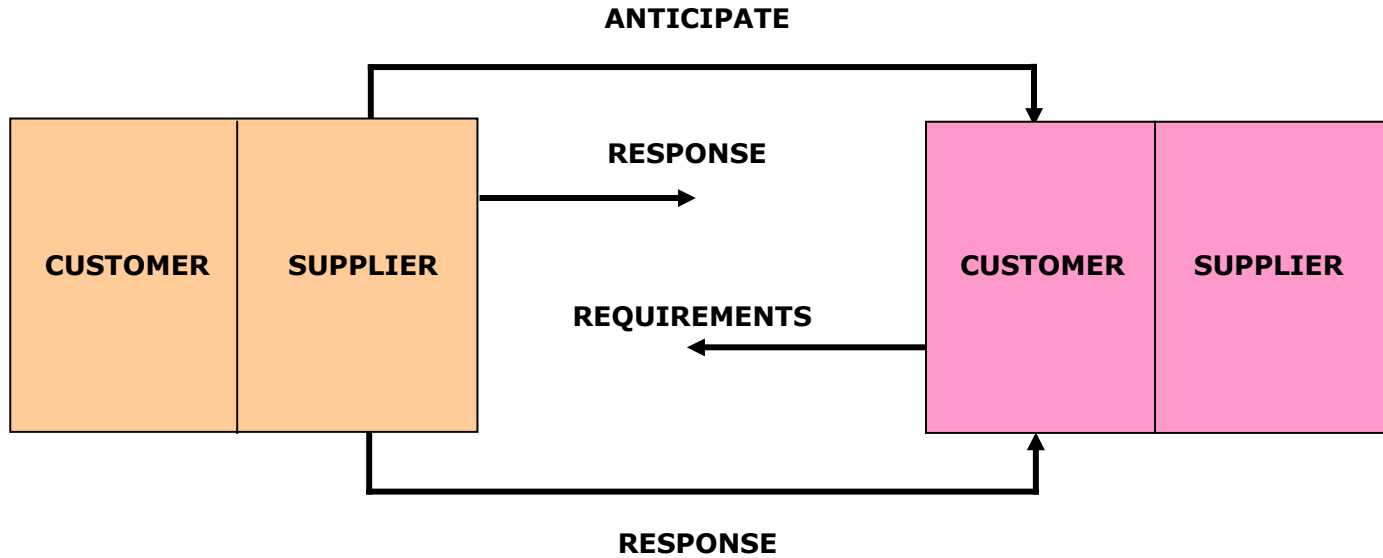
Waste

- ◆ Waste is anything which DOES NOT ADD VALUE to a product or service
- ◆ Waste is that which the customer might not be willing to pay for
- ◆ Waste cannot create customer satisfaction, but can cause customer dissatisfaction

Value = Function / Cost



The Customer & Supplier Chain



WHY VALUE MANAGEMENT?

The Market Dictates...

Companies can no longer set
profits on a cost plus basis. When

$$\underline{\text{COST} + \text{PROFIT} = \text{PRICE}}$$

When the market dictates the price and the
equation becomes:

$$\underline{\text{MARKET PRICE} - \text{PROFIT TARGET}} \\ = \underline{\text{AFFORDABLE COST}}$$

The price is fixed by the customer. Profit for all stakeholders can only be achieved at a level which allows for growth and development if costs are controlled through a process of:

WORKING TOGETHER FOR IMPROVEMENT

Framework for Change

For change to occur the following formulae is required

CHANGE = VISION X PROCESS X DESIRE²

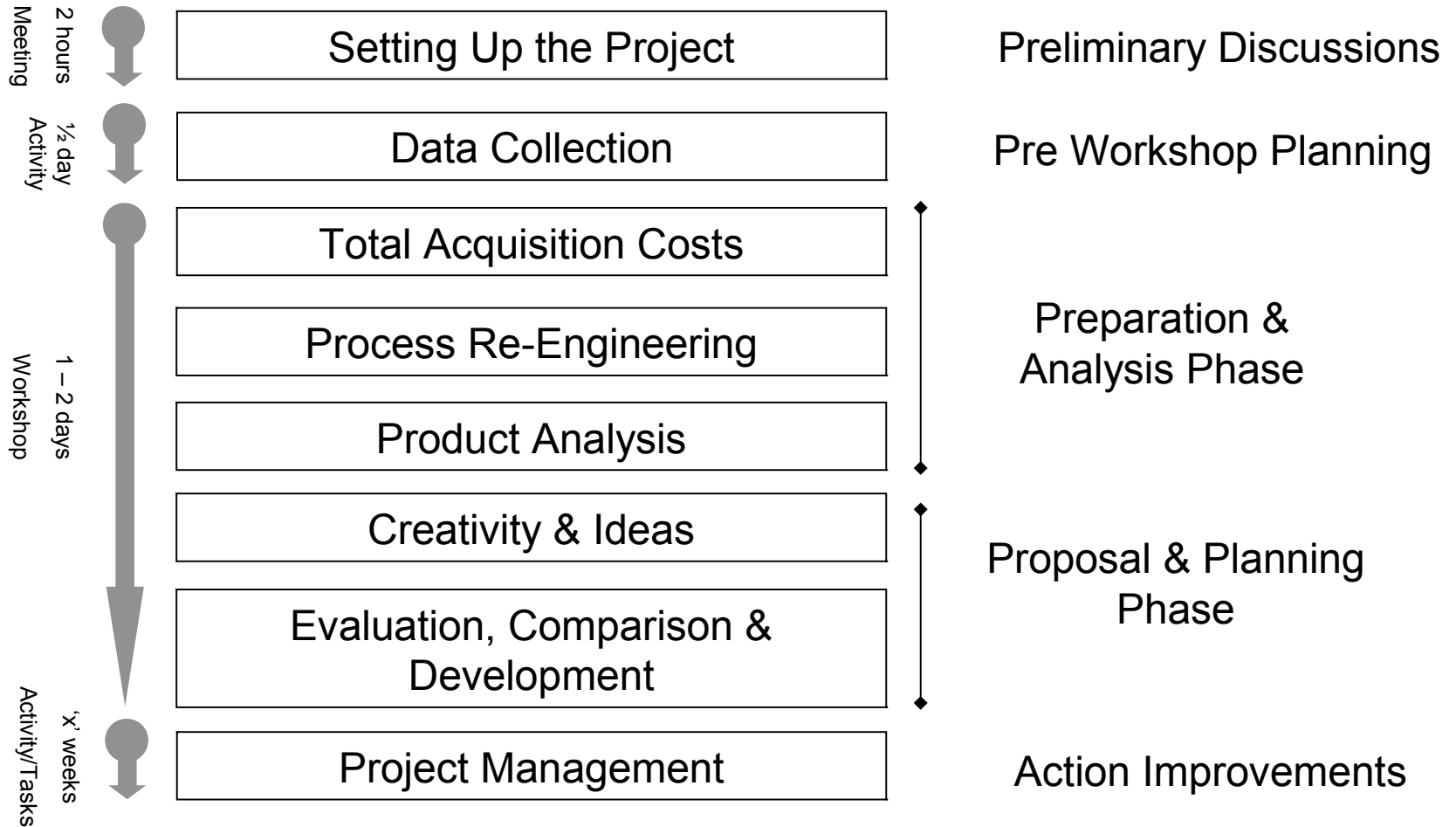
Value Management Program assists in creating the VISION and provides a PROCESS for change.

The DESIRE to change has to come from those taking part in the program.

VALUE MANAGEMENT

The Process

Value Management Program



Value Management

◆The Value Management Program is a **key business initiative** which provides a **structured process** to enable **Customers & Suppliers to work together for improvement**.

Its main objectives are:

- ◆To reduce total **cost** by reducing **waste**
- ◆To improve customer **value**
- ◆To enhance **relationships** between customers and their core suppliers
- ◆To develop a cost conscious **culture**
- ◆To provide a framework for **change**