

SELLING IDEAS

by

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Synopsis

Can you recall how you have felt at the end of a successful Value Management Study, when the Team had developed a number of very good recommendations, which would save the organisation a considerable amount of cost...**but only if** the decision makers would accept and implement the proposals? Did you wonder whether the Team had spent enough time considering the "problems of implementation", including how to obtain the enthusiastic support of the senior executives involved?

The purpose of this paper is to describe some guidelines which, in such situations, have been successful in **SELLING IDEAS**.

THE PEOPLE PROBLEM

One of the first things to consider in marketing a product is "Who will buy what you are selling? What is your market?". In selling ideas, it is essential to take into account "the people problem" and design your submissions in ways which claim their attention, then their interest and understanding, so as to gain their acceptance and commitment to implement. The submissions must be presented in a way which will take the reader through these essential steps.

The Weekend Australian of 25-2-82, describing an interview with Bob Hogg, quotes him as saying:

"When I was a lot younger I thought that all you had to do was to get up and utter absolute truths and everyone would say I was right and that's the line we should take. Now I realise that Life is about **getting ideas and getting them translated into practical applications which people can understand and support.**"

So before your Team writes its recommendations, they must think about the people whose understanding and support will be needed if they are to get their recommendations implemented. Although it is quite wrong to put people into categories, it is quite apparent that because people are so different, the Team should try to set out recommendations in a way which will appeal to the decision makers involved.

When I attended my first Value Analysis Workshop with Dusty Fowlkes in 1966, I was Chief Executive - Engineering of Australian Consolidated Industries (ACI) Ltd., a blue chip company employing 14,000 people. I was responsible for 17 of the 57 companies in the Group, and also for a well equipped Technical Centre employing 150 highly qualified personnel. Some of these were involved in research, but the main objective of the Centre was to improve efficiency and reduce costs. Our people were skilled in all the accepted cost reduction techniques.

I was asked one day in 1966 whether I had heard of Value Analysis and what I thought of it. I replied that it seemed to be Methods Engineering given a new name. My contact said that there was a Team of Americans in Melbourne from Value Analysis Inc. and that by using Value Analysis Techniques, they were achieving cost reductions of around 30% on jobs that "had been done over and over by all the known techniques".

I contacted Dusty Fowlkes, the President of Value Analysis Inc. and asked whether I could attend a Workshop as an observer. He said that this would not be possible, as it was "a learn by doing technique". He said that it would be "like learning to play a piano without having a piano".

So I attended with a Team of four, with a Project which was well established and performing well. I did not think that we would make a big saving. When, however, we were required to apply the Job Plan of Value Analysis, starting with "What Does IT DO? and What Does IT COST? (FUNCTIONALLY), we found that we could make considerable savings, which were soon implemented.

I was very impressed by this simple but very profound process, but at that time it was mainly used as Value Analysis on existing products. There had been some applications of Value Engineering - at the design stage. I could see the potential for using the Techniques as Value Management in activities such as warehousing, transport, marketing, paperwork, accounting procedures and so on. Dusty said that they were aware of this possibility, but no one had yet used it in this way. I decided to resign from a very good job to develop the Techniques in these fields. Some example of how I developed the FAST Diagram and how this led into the field of Value Management, is told in another paper.

Before leaving ACI, I had been involved in the marketing of a wider range of consumer products, and as a consumer had given a wide variety of salesmen a pretty torrid time. I now realised that I would have to "sell" a comparatively unknown technique to a wide range of people, including:

- * Chief Executives of large and small companies and organisations, to obtain their approval for conducting Value Management Workshops, and their support for implementation.
- * Members of the VA/VE/VM Teams, particularly those who were cynical, disruptive or who had difficulty in changing their attitude would also need to be "sold".
- * The Recommendations of a Team would be submitted to the relevant decision maker in such a way as to ensure his understanding and his support for implementation.
- * In a large organisation, it would be necessary to obtain acceptance of the Techniques so that VA/VE/VM Teams would not be regarded as intruders, and so that if a Divisional Manager was asked to provide Team Members, he would appreciate the need to select the best available people.

Although the Techniques are by now well established, there is still a need to know how to SELL IDEAS to a wide range of people, such as those referred to above. The purpose of this paper is to outline some of the techniques which I have found useful in getting people to accept new ideas.

One approach which I found to be very helpful was outlined in a paper submitted to a Value Analysis Conference in Chicago in 1963, by Dr. Clare W. Graves, Professor of Psychology, Union College, Schenectady, N.Y. The title of his paper was "HUMAN VALUE SYSTEM LEVELS", copies of which can be made available. I will not attempt to go through his paper in the form in which it was presented, but will paraphrase it, because it gives some very important clues in regard to selling ideas.

Clare Graves describes seven levels in the Human Value System, and these are listed as an appendix to this paper. To develop the concept, he asks you to imagine that you are, as far as you know, the only person alive in this part of the world. You can do whatever you like, with no obligations, no need for rules, and he calls this the zero Level of Amoralism.

Then, to your surprise, you find that you are not alone, when you discover that there is a young lady who is prepared to share life with you, and eventually to raise a family. Although there are obvious advantages in this arrangement, it has its problems, such as loss of freedom, need to spend time hunting and protecting the family from the elements and wild animals. So you make some rules, which require all members of the little family to do their bit and share the hardships. This is Level No. 1 which Clare has called "THE SAINTLY OR SUFFERING ETHIC" and its VALUES are denial, deference and abstinence. Despite the problems, it is worthwhile.

But one day, while out hunting, you come across another man, and find that he is in a similar situation, and always worried about the safety of his family while he is away. So you decide that if you set up adjacent camps, you will improve the situation for everybody. The numbers in the tribe increase, and you discover the need for new rules of behaviour, and also some form of control, and so the tribe elects a chief, and also elders. These people have authority over you, and this is the "Might is Right" Ethic, and the value is now "Power".

In this way, the Feudal system was developed, and as long as you knew your place, you were safe, well fed and housed. It seemed to be a good idea, but it did not satisfy. The Have-nots questioned why the son of a Have should inherit so many privileges. The Haves became aware of the unrest, and

put down dissent, but eventually there was revolution, such as the French Revolution, with the cry of "Liberty, Equality and Fraternity", the new way to achieve satisfaction.

Democracy was the new order, Level 3, all men were equal, but were required to conform, and the new value was Teamwork. For a while, this new order satisfied, but then people began to resist the need to conform, and wanted to gain rewards for more effort, or more skill. In our time, we have seen the move into the next level 4, which Clare Graves calls the Materialistic Level, where the Value is in "Having". Politicians are obliged, with a materialistic nation at this level, to promise higher wages, less taxes, better housing and education, more leisure, and a minimum of suffering.

Let us now see how these Human Value System Levels apply to individuals, and to the sort of people to whom we wish to sell our good ideas.

I can recall a man telling me that he was resigning from a good job to start his own business, extruding plastics. "Where will you have the extruder?" I asked. "In the garage under the house". "How will you finance the business?" was the next question. "Mortgaged my home. The family are also going to help with the work. Things will be pretty tough for a while, but it will be worth it." An example of the Sainly and Suffering Ethic.

You meet the man about two years later and ask how his business is going. "Oh, fine", he says, "Got a small factory at Bankstown, and 10 people working for me. Why don't you call in and see my plant?" So one day, you visit him. He escorts you through the factory, and on the way barks out orders and shows who is the boss. He is in the "Might is Right Ethic" and is enjoying the value of Power which is his Value on Level 2.

Some years later, you find him in a much larger factory, with many more employees. He introduces you to his Sales Manager, then his Production Manager, his Chief Engineer and his Accountant. He talks at length about what a great Team he has, and how well they work together. He has moved up to the third, or Conformist Level, values Teamwork, and has regular Committee Meetings as the best way to now run his business.

Next time you met him, he is driving a very expensive car, a status symbol. He can't be bothered any more with church or Rotary, has a weekender and a yacht. He has moved up into the fourth Materialistic Level, where the Value is in "Having".

But some years later again, you meet him, and he asks you to have dinner with him at his Club, and then go out to his home. As you approach the large house, it is in darkness excepting for one light in an upstairs room. "That will be Joan, in the Study again", he says, "doing another Mature Age Degree, this time in Ancient History".

You enter the house, and he switches on the lights. Joan comes down to meet you. "It is a lovely home you have here", you say. She looks around and makes an interesting comment: "I don't know why we bothered to build it". The answer, which you do not offer, is that they both passed through the Materialistic Level to the fifth or Cognitive Level, where the Values are "Knowledge and Experience".

People in this level want the facts, sound evidence and correct information, so they can make good decisions. They feel that the only thing that they are short of is time, so if they ask questions, the answer better be concise and accurate.

In any large organisation, there are people who fit generally into one or other of these levels, but not without some changes in level from time to time. Some people never rise beyond the Sainly or Suffering Ethic, others settle for the Power Level and enjoy using their authority. You will also find

those for whom Profit is the important measure of success, and they actually enjoy achieving their budgets.

At the next, or fifth, level are those who are planning ahead, watching for opportunities which require them to draw on their experience, and who still find new concepts and new developments of great interest. They also need accurate concise information. If you do not know the answer to one of their questions, don't try to bluff them with waffle. Admit that you don't know, and say that you will get the answer, get out, find the correct answer and send it in as quickly as possible.

If you want to sell the concept of Value Management to a Chief Executive, make every effort to find out as much as possible about him before you meet, including the Level he has reached, before you plan how to "sell" him. If you can't find out before the interview, be prepared to quickly adjust your presentation as soon as you meet and decide his Level.

If the Chief Executive agrees to have you conduct a VM Workshop, the members of the Team are likely to be at different Levels. Some of them will resent having to be away from their jobs for a week. Others will try to prove that the VM Job Plan is not as good as the one they have been using. Others may be "habit bound" and you may have to upset them to get them to change their attitude. Some will be short on ideas, but try to shoot down the ideas put up by more creative members.

People on different Levels may not, at first meeting, get on. While you are conducting the Workshop, you need to be aware of these situations and be able to deal with them so as to develop an enthusiastic team spirit as quickly as possible. When the Recommendations are being prepared, the Team should consider, not only the problems of implementation, but also the people they will need to "sell", if their proposals are to be adopted and implemented.

If a Value Management Team can recognise the Human Value Levels of the decision makers, they can write their recommendations accordingly. Power Oriented people respond to proposals which will help them to "murder the opposition". Third Level Cognitive people respond to proposals that require Teamwork or which are good for the Group. Materialistic Level people want to know how the proposals will improve their profit. For the Cognitive Level 5 people, they had better prepare concise, accurate reports, and have their working papers in good order so they can quickly substantiate their recommendations.

RECOGNISING THE LEVEL OF COMPANIES AND ORGANISATIONS.

This is also an important aspect of selling ideas, and I will illustrate it by some examples. After 12 years in senior positions in Commonwealth Engineering, I was invited to join Australian Consolidated Industries as Chief Executive - Engineering. I learned that the Group had been built up by W.J. Smith, to the stage where there were 57 companies, all reporting to him, and he was the boss. A good example of a very successful "Benevolent Despot", but still in level 2.

The problem was that although he was Managing Director, and attended Board Meetings, he did not always implement the decisions of the Board and eventually he was forced to relinquish his position. The Board decided not to appoint another Managing Director, but two Joint General Managers, one in Sydney and one in Melbourne, and to Divisionalise. They appointed Chief Executives to each of the Divisions - Glass Containers, Flat Glass, Plastics, Fibre Packaging, and I was recruited for the Engineering Division.

The Chief Executive Group moved ACI from a "One-man-band" power oriented organisation, up to the number 3 level where Teamwork and Committees were used to deal with problems and develop co-operation between Divisions. Within about two years, the companies in each Division were moved up to

the next level, where Managers trained to be autonomous and responsible, but having to achieve approved budget profits, as they were now in the number 4 Materialistic level.

It is of interest to note that much the same transition occurred in organisations such as the State Electricity Commission of Victoria. Established by General Monash, there is evidence of the original army style, authoritarian management. The organisation was changed to control by a group of Divisional General Managers and Directors reporting to a Chief General Manager and the Board, on level 3.

In recent years, the SECV has moved up to the fourth level, making middle management autonomous, responsible and materialistic, through a policy of "Devolution", with the General Managers being in the fifth or Cognitive level.

It should now be obvious that a Value Management Team should assess the levels of the people who will be dealing with their recommendations. The Team will then be able to frame their submissions accordingly. Proposals which have to be approved by the Board will need to be set out in a suitable format. Those which require the approval of a Power oriented middle manager would use different language. These factors must be taken into account in selling ideas in a large organisation.

A very useful way to check the ease with which a report or recommendation can be read at a reasonable speed and be understood is to work out the Fog Index. This involves taking a sample of about 100 words, divided by the number of sentences. This gives the average of words per sentence, which should not be more than 20. The number of three syllable words is then counted, leaving out any starting with a capital letter. Add this number to the average words per sentence. Multiply the sum by 0.4, to get the Fog Index.

By way of example, I have taken a sample from the text above and found an average of 18 words per sentence. There are 13 three syllable words, so the sum is 31. Multiply by 0.4 and we get 12.4. This is the approximate number of years of formal education which a reader would need to be able to read the text at reasonable speed and be able to understand it. For this type of paper a Fog Index of 12 to 14 should be suitable. For a Manual which is to be issued to the wages staff, a Fog Index of 10 should be the target. The Bible uses 4-6, Time 8-10 and scientific journal anywhere from 14 to 20 plus.

As an example of how this Index can be used, I recall a case in which the Manager of the ACI Technical Centre explained to me why the Centre should have a Gas Chromatograph. I agreed, and asked him to submit an Application for Capital Expenditure, as the cost was quite high and would need Board approval. When I read the explanation which he wrote in support of the Application Form, I rang him and said that I thought many of the Directors would not be able to understand it. They were, in the main, business men, not trained scientists.

He rewrote the section, but this time it was over-simplified, and I felt that it might give the impression that we were treating them as people with very limited knowledge. So I rang him again and suggested he use Fog Index of about 12. The Application went to the Board Meeting. I stood-by in case I should be called in to justify the expenditure. When the meeting broke up, I asked the Secretary what happened about the Gas Chromatograph, and he said that it went through without query. I felt that we had sold the Board the idea by taking care to consider what was the best way to "sell" it, and used appropriate language.

CREATING UNDERSTANDING

Some Management Training Courses avoid the imprecise word "communicating", preferring to teach people how to "create understanding". by way of example, assume that in a large Electricity Generating Authority, it is decided to use three Teams to seek ways to reduce the cost of a new Power Station.

At the end of the first week's Workshop, the Teams have identified possible savings of between \$50 mill. and \$100 mill., depending on which of the many proposals are approved. Word of these results becomes known around the organisation, and one or more very Senior Executives learn of these proposals. Their natural reactions would cause them to be on guard against any half-baked schemes which might save immediate costs but which might later cause power failures and possible political implications. it is an important part of their responsibilities to avoid such problems.

It was a situation such as this which arose in 1981, at the end of the first Value Engineering Workshop conducted for the SECV. The Board had decided that this Technique should be used to reduce the cost of the Loy Yang B power Station, and had set up a Value Engineering Organisation, headed by Jack Gregory assisted by David Gaff. I was contracted to conduct the first Value Engineering 5 day Workshop with three Teams, each having massive projects. by the end of the week, possible savings of the order mentioned above were identified.

Jack and David were aware that word of the Teams results would soon spread, and it was to be expected that many senior officers would naturally be concerned. They decided to arrange two meetings, to be attended by up to 80 senior officers, on the following Tuesday, and asked me to do the presentations, to explain how the Techniques of Value Engineering were used, and to allay their concerns. I agreed, realising how important it would be to "sell" the concepts to such a large body of important and very experienced people.

About 40 officers arrived at the Auditorium for the first meeting on Tuesday morning. Jack introduced me, but i could feel the tension in the room. I started the presentation by saying: "Where I live in Sydney, we have a very nice garden". I immediately had their attention, but also looks of disbelief or at least puzzlement. "Must have come to the wrong meeting, or else this bloke is crazy" I could read on their faces, but I carried on.

"Recently my wife said to me: 'What we need in the garden is a pool' and when I asked why she said: 'Reflections'. I explained that I then used what we call in Value Engineering Techniques 'Roadblocks to Progress' - reasons why we should not change what is obviously working satisfactorily." The audience now knew that they were at the right meeting, but they were curious to know why I was on this tack, so I had their interest.

I explained how I put up all the objections I could muster, but to no avail. I even pointed out that if we put in a pool and a child fell into it and drowned, we would never get over it, and would have to move to another house. All the response I got was that: "It won't happen". I had to go out, but when I returned, I saw that she had dug the hole, lined the pool with plastic, placed worn stones around the edge and filled it with water. I had to admit that it looked quite good.

About a month later, one evening, I heard the croaking sound of frogs in the pool, but I was told not to worry. Next time I came home, there were 6 small fish in the pool, and a tin of fish food nearby. Only cost twenty dollars but will stop the frogs, I was told. It then became apparent that the cat next door was interested in catching the fish, so we had to find material to protect them. Next, one of our friends gave us a fountain which required electrical connection. Only another \$300 said the electrician.

And so it went on. What started out to be an apparently simple low cost proposal had accumulated a host of expensive secondary functions. I was then able to explain to the meeting that the Value Engineering Job Plan was an organised Approach which enabled a suitable Team to examine Engineering proposals using Functional Analysis to ensure that all aspects were covered before making recommendations.

I then pointed out that there was a similarity in my story and in the building of a Power Station. I asked "What is the Basic Function of a Power Station - the Specific Reason why the project was designed and built?" "To generate current" someone said. "How much did the Generators cost in Loy Yang A?" I asked. A figure was quoted, and I was able to point out that this was about 11% of the total cost of the Power Station. This meant that 89% of the cost had gone into secondary functions. This was not unusual, but it did suggest that there could be many opportunities to reduce the cost in these Secondary Functions, without reducing reliability.

I explained that the three projects which had been studied last week were in the secondary functions, and then asked each Team Leader, in turn to give a 12 minute summary of their Projects and their main recommendations. The three Team Leaders made good presentations, on subjects well known to their audience, and explained the background of their recommendations. We had a similar meeting later in the day, and although they were certainly not all converts, it was apparent that at least many of them had an appreciation of how Value Engineering was used and how it contained safeguards.

One factor which was working in our favour was that all of the people present had been told that they had to reduce their costs. They needed a sound way to do this, without reduction in reliability, and many of them saw that the Value Engineering Organised Approach could help them to achieve their objective. If you go back over this story, you will see that I only followed the process of gaining their attention, then their interest, their understanding, and in many cases their acceptance.

The Value Engineering Techniques soon became well accepted in the SECV, and the Value Group have long lists of successful studies, showing savings due to Value Engineering Studies of many hundreds of millions of dollars.

In 1986, Jack Gregory rang me to say that the Board of SECV had noted the successes being achieved with Value Engineering, and asked him to do a presentation explaining the process. They commented that the projects described were mainly technical in nature, and then said that they would like similar studies on managerial functions such as Finance and Administration, Stores, Information Services and so on. Jack explained that this type of study used the same Organised Approach, adapted to Value Management. It was eventually arranged that I should conduct a number of VM Workshops, which were highly successful.

On about the second day of one of the VM Studies on administration functions, one of the very bright participants said to me: "I have completely changed my attitude to Value Management, now that I understand it. When I was told that I was to be on this Team, I thought it would be a session where Engineers would try to ram down my throat a process which they found suited them, and I objected."

In the light of such experiences, I submit that the Institute of Value Management Australia should offer the TOTAL VALUE CONCEPT, which covers all the following:-

COST REDUCTION Part oriented - 5-15% Savings.

VALUE ANALYSIS Function oriented - 5-95% on existing products or systems.

VALUE ENGINEERING Function oriented - cost reduction at the Design Stage.

VALUE MANAGEMENT - Value Management systems approach at all levels.

A "Practitioner" in Value Management needs to know how best to sell this package. The Manager of a Level 1 operation will not be able to buy your package - he could not afford it. A Power Oriented Manager at Level 2 will not be very interested. He may tell you that he has been successful without the benefit of any fancy training systems, and, in any event, he could not let you have four of his key people for a week. But you may still be able to sell him by using the right "movers".

Value Management works best in companies operating at a general Level 4, where Teamwork and Committees are the norm, but you will still need to have good reasons to convince the Level 5 Executive that he should release four to six of his best people for a 5 day VM Workshop. It is hoped that the suggestions made in this paper will help you to achieve success in this very important aspect of Value Management.

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May 1990

HUMAN VALUE SYSTEM LEVELS

<u>NO</u>	<u>ETHIC</u>	<u>VALUE OF</u>	<u>COMPANY</u>	<u>OPERATED BY</u>
7	Awe	Respect, admiration, euphoria.		
6	Compassion	Understanding.		
5	Cognitive	Knowledge, Evidence,	Facts, information.	Experience
4	Materialistic	Having.	Autonomous, responsible.	
3	Conformist	Teamwork.	Committees.	
2	Might is right	Power.	One man band.	
1	Saintly or suffering. abstinence.	Denial, Deference,	-----	
0	Amorality.	-----	-----	

