

CII

TCM Maturity Model



An Overview



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Concept

Levels

Benefits

Model

Contents

- Concept
- Levels
- Benefits
- Model



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About the Model

- First of its kind in the world
- Similar to CMMI (Capability Maturity Model Integration)
- Guided by eminent personalities in the Cost Management field
 - CII TCM Working Group



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Importance

- Competition
- Challenging Top lines & Bottom Lines
- Economic Scenario
- Technological Challenges



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TCM as Panacea

- Transparency
- Embedded Cost Culture
- Product / Service Profitability
- Traceability of Cost
- Informed Decisions



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Need for the Model

- Are your Cost Management Systems world-class?
- Are you aware of the level of maturity in costing?
- Are your strategic decisions well informed?
- Are you deriving a competitive edge in your business through Cost Management Systems?
- Is your Cost Structure the best in the industry?



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Need for Maturity Model

- Evaluation perspective of Cost Management Systems is non-existent
- Design of CII – TCM Maturity Model is an attempt on those lines.
- Roadmap for the industry to emerge as Cost Leaders



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Objectives

- To grade the company's cost management system.
- To evolve a certification process.
- Develop Roadmap for moving forward in the hierarchy



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Levels of Maturity Model



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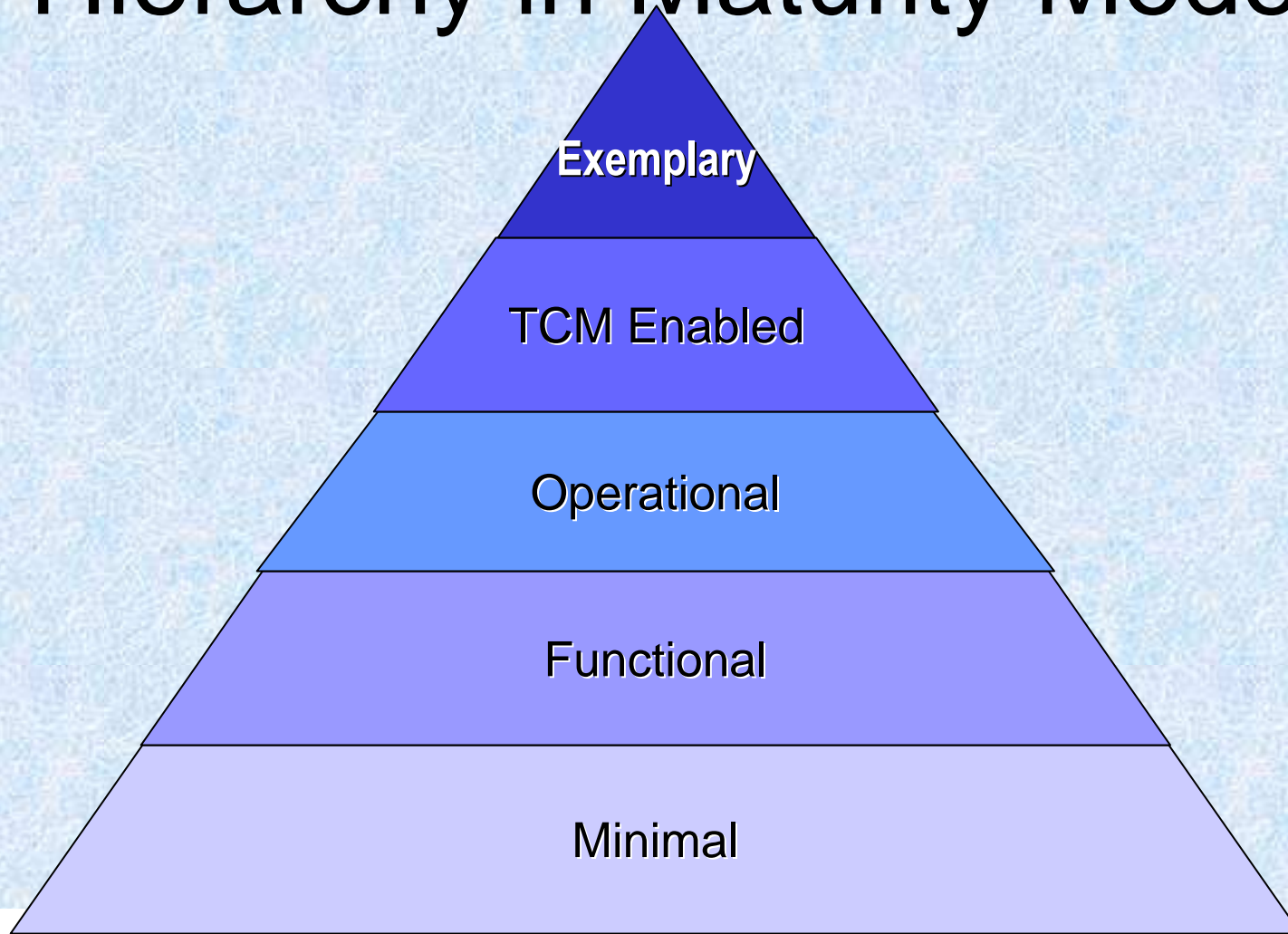
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Hierarchy in Maturity Model



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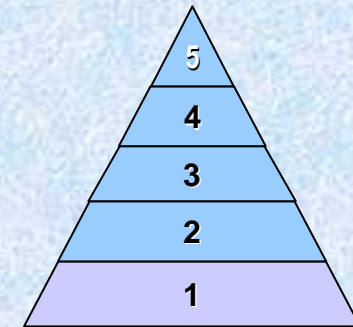
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Level 1 - Minimal Level



- Features
 - Financial Report Driven
 - Collection of costs at “Cost Centers”
 - Cost awareness only at senior management level
 - Inadequate for the Managerial Reporting and Control
 - Assignment of only manufacturing / operating expenses to products/ services



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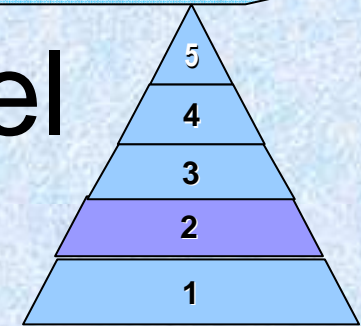
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Level 2 - Functional Level



- Features
 - System driven Data Support
 - Material cost is in place for the evaluation and compilation of the product wise / customer wise with built in wastages
 - Information Technology is interfaced.
 - Cost measurement not driving cost improvement initiatives
 - Cost information more supportive of operational decision making & less for strategic



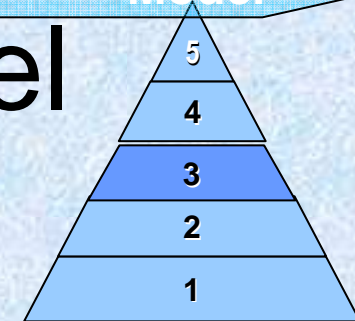
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Benefits

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Level 3 - Operational Level



- Features
 - Synchronization of financial accounting and cost accounting
 - Both Material costing and process costing based on acceptable cost accounting standards
 - Effective utilization of cost data for improvements (such as Kaizen)
 - Operational support for budgeting process



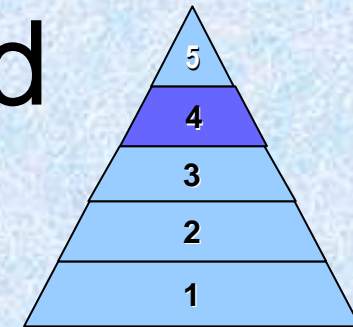
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Levels

Benefits

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Level 4 - TCM Enabled



- Features

- System support to strategic decision making
- Integrated cost system in place
- Customer focused cost measurement & management
- Operational excellence reinforced continuously through cost management
- Cost management link with business strategy explicitly articulated
- ERP System providing total solution for cost management requirement



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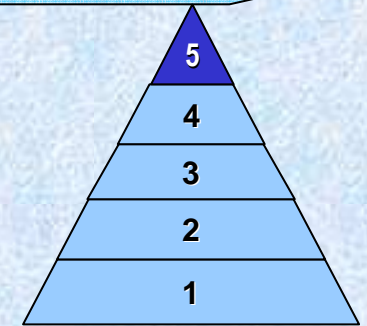
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Level 5 - Exemplary

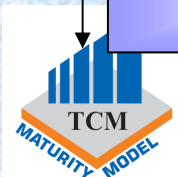
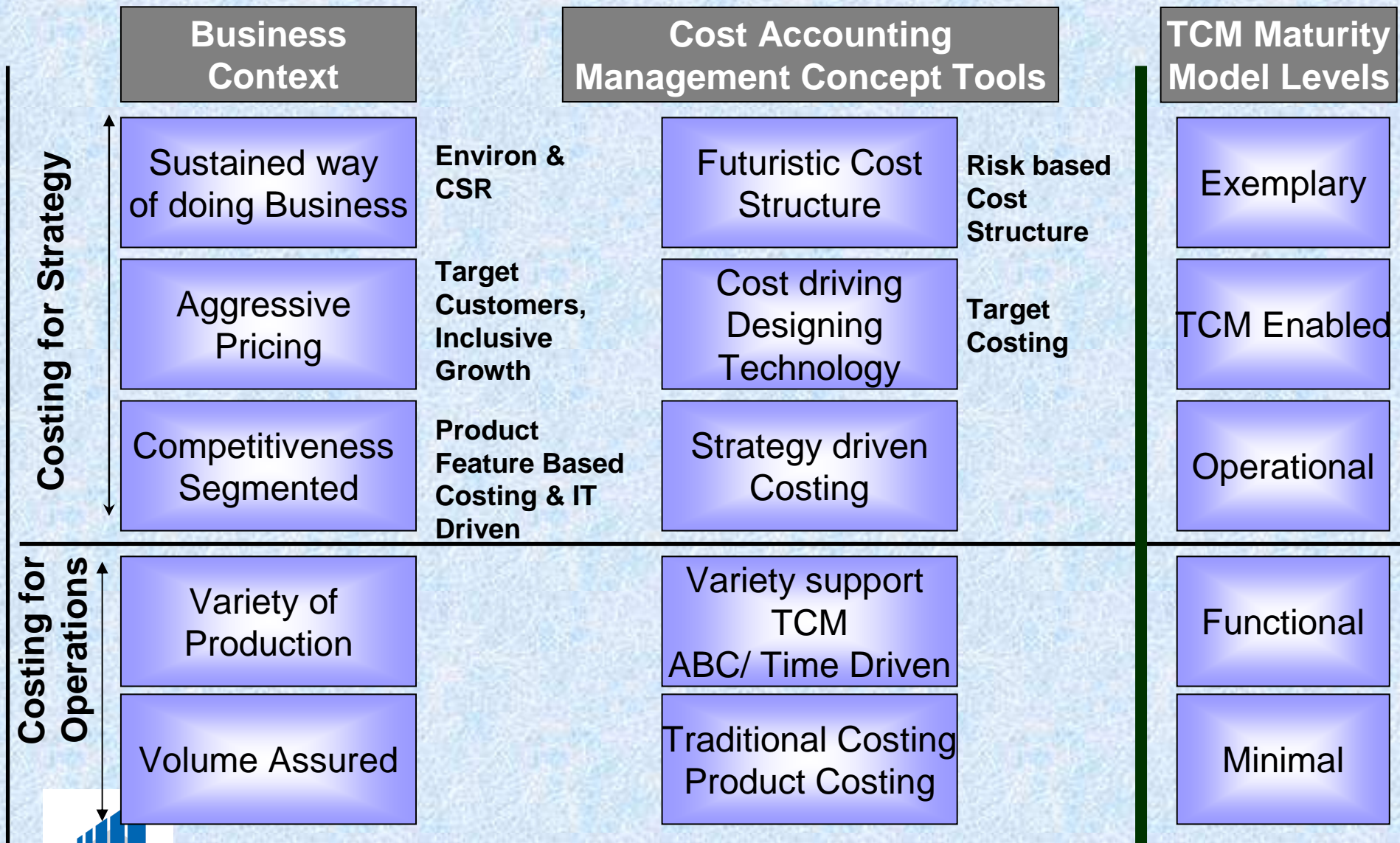


- Features

- Systems and procedures followed become a trend to other companies
- Companies in this category are ICONIC
- Drive cost structural's in a particular industry
- The internal system is designed to minimize and absorb both national and global uncertainties
- Achieve an edge in having a cost advantage in external value chain



Strategic evolution & relevance of cost management



Benefits

- External
- Internal
 - Strategic
 - Operational



Primary

- ❖ Diagnostic process study
 - Efficacy of existing cost management system is looked at.
 - Link between business model and cost management system strengthened
- ❖ Current maturity level is diagnosed.



External Benefits

- To OEMs
 - Credentials in terms of authenticity, precision and transparency
- Mergers & Acquisitions
 - Adds value to the transactions through number providing credibility
- Global Advantage
 - In views of impending FTA / WTO across the globe, cost / Business advantage can be capitalized
- Transfer Pricing
 - Better perspective for the valuation of product/service being transferred
- Quotation Preparation
 - Ease of compiling/ formulations supported by credible cost information.
- Identifies the link between efforts and resources to meet business objectives through cost management

Internal Benefits

- Strategic Benefits
 - Multi product/service profile
 - P/L of Product / Service emerges from a sound cost management system in an organization
 - Customer Profitability
 - Customer Profitability review highlights the pattern & flow of cost, enabling informed decision making about the viability
 - Competition
 - Rating facilitate the organization to
 - Review its cost structures continuously
 - Draw a road map to enable metamorphosis to next level
 - Capital Projects
 - Scientific basis for the evaluation of project viability
 - New Product Development
 - Simulations of existing process data at multiple stages to establish product viability



Internal Benefits

- Operational Benefits
 - Assessment of cost management maturity across the internal value chain
 - Emphasize and facilitate TCM culture across the Functional levels of the organization.
 - Trigger Team motivation to reach higher maturity levels in cost management.
 - Cost Reduction strategies
 - To reduce wastage by watching NVA activities
 - Continuous improvement



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Deliverables of Maturity Model

- To identify the current level in the Maturity model for the organization.
- To develop a road map to progress to the next hierarchical level in the Maturity model.



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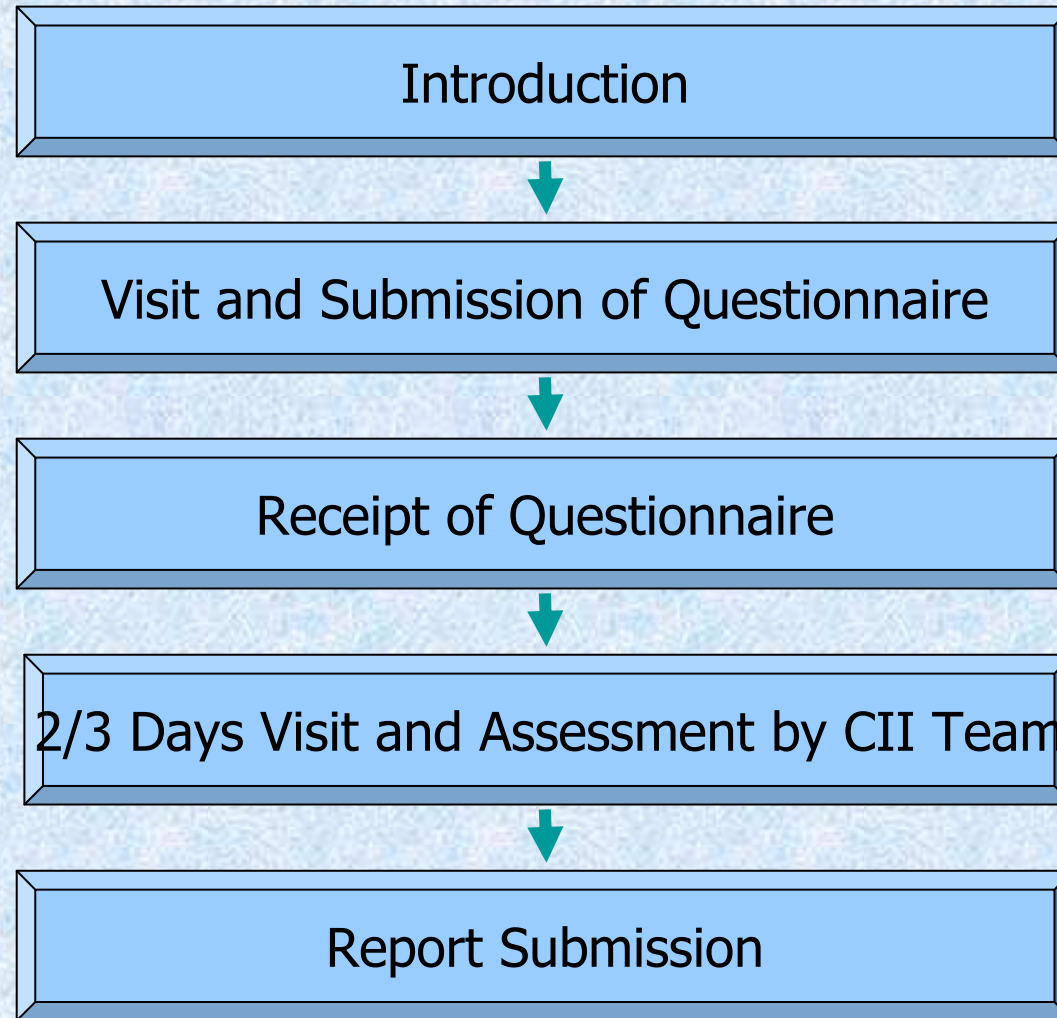
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Model - Process



Signing up NDA

(Non Disclosure Agreement)

“To retain confidentiality for the data and systems of the company by CII and third party assessors”



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Questionnaire frame work

- I. Formulation of business Strategy & integration of TCM
- II. Aligning risk management with cost information
- III. Mapping of strategic product / customer segment in TCM
- IV. New product development
- V. Sustainability & TCM
- VI. Cost management support through operational improvements
- VII. ERP Systems and business analytics if any effectively connecting TCM and data base
- VIII. Adequacy of cost accounting process
- IX. Practice of principles / standards based on cost accounting



Subros Limited - Noida



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Report Preparation

- Assessment of the current level of the company
 - Observation – Current Practices
- Road Map to the next hierarchical level
 - Suggestions – Best Practices

Milestones

- IPR
 - Copyright received
 - Trademark awaited
- Appreciation from Robert Kaplan
- CAM – I (USA), CMA (Canada), ICMA (Sri Lanka), IFAC – PAIB evinced interest to work with us



Rated Companies

- ❖ ITC (2 units)
- ❖ Godrej & Boyce (8 Divisions)
- ❖ Escorts, Faridabad
- ❖ Amararaja batteries, Tirupathi
- ❖ Hyderabad Industries
- ❖ Subros, Noida
- ❖ JCB, Ballabgarh
- ❖ Kirloskar Brothers, Dewas
- ❖ Hi tech arai, Madurai
- ❖ Menon & Menon, Kolhapur
- ❖ Cavin Kare, Chennai

- Kirloskar Vadi
- Wipro engineering – B'lore
- JSW Steel– Bellary
- Shree cement – Jaipur
- ITW Signode - Hyderabad
- Tata Motors - Mumbai
- Grundfos pumps - Chennai
- Rajashree cement – Malkhed
- Wheels India - Chennai



TO SUM UP

- Need for Maturity Model
- Objectives
- 5 Hierarchical Levels
- Benefits of Maturity Model
- Importance of Maturity Model
- Deliverables
- Companies Participated



Thank you



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