

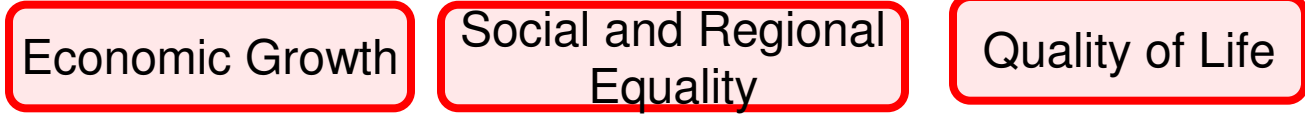
BUSINESS EXCELLENCE THROUGH COST MANAGEMENT



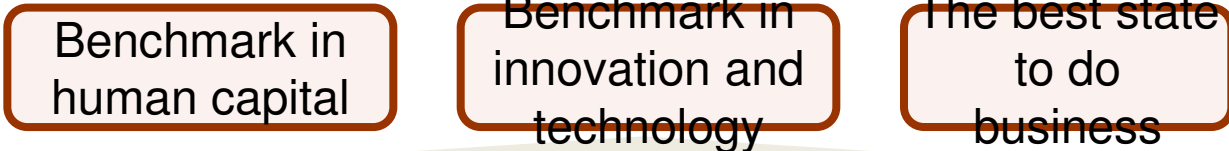
**on 18th October 2015,
Madurai Chapter of Cost Accountants**

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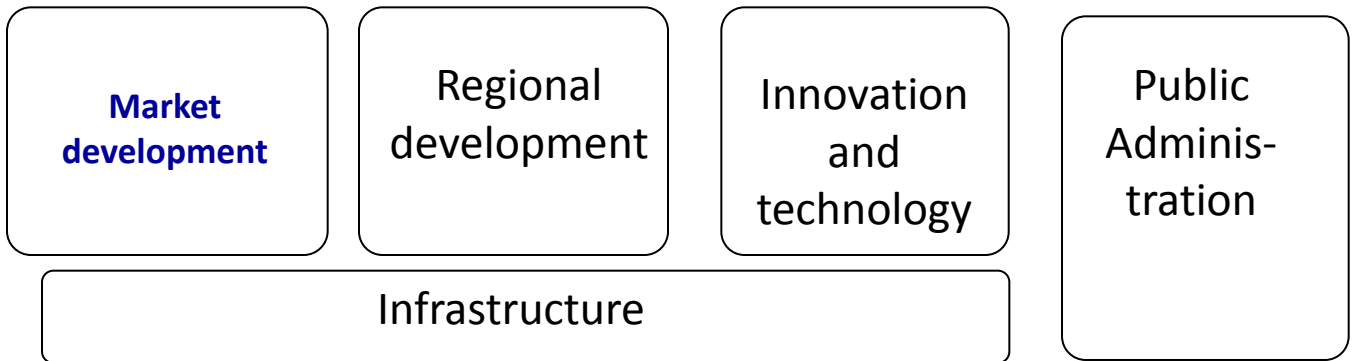
The best state to live and work.



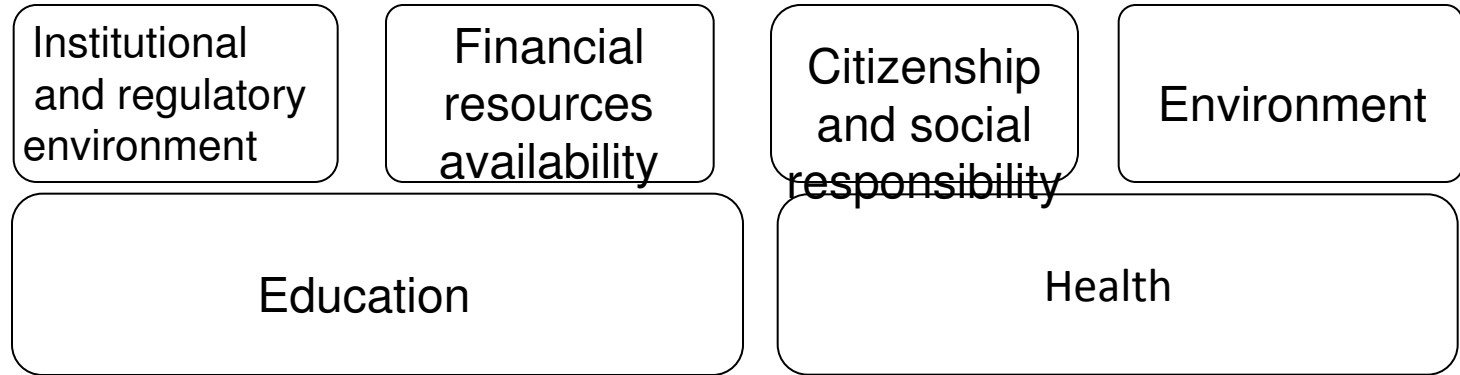
Society



Competitive
Differentials



Growth Processes



Development
Foundations

Begin with end in mind

Strategy is the path for attaining the Challenge

**Tolerate nothing
less than Excellence**

**CMA's Support Management in taking critical Strategic Decisions
&
Handles all the important and critical "Internal" information**

Expectations from CMA

- **An Entrepreneur / Business Partner**
- **Financial Analyst**
- **Global Competitor**
- **Market Analyst**
- **Skilled Sales Executive**
- **Good Communicator**
- **Capable Negotiator**
- **Risk Evaluator**
- **Strategic Developer**
- **Public Relation Specialist and**
- **A General Manager**

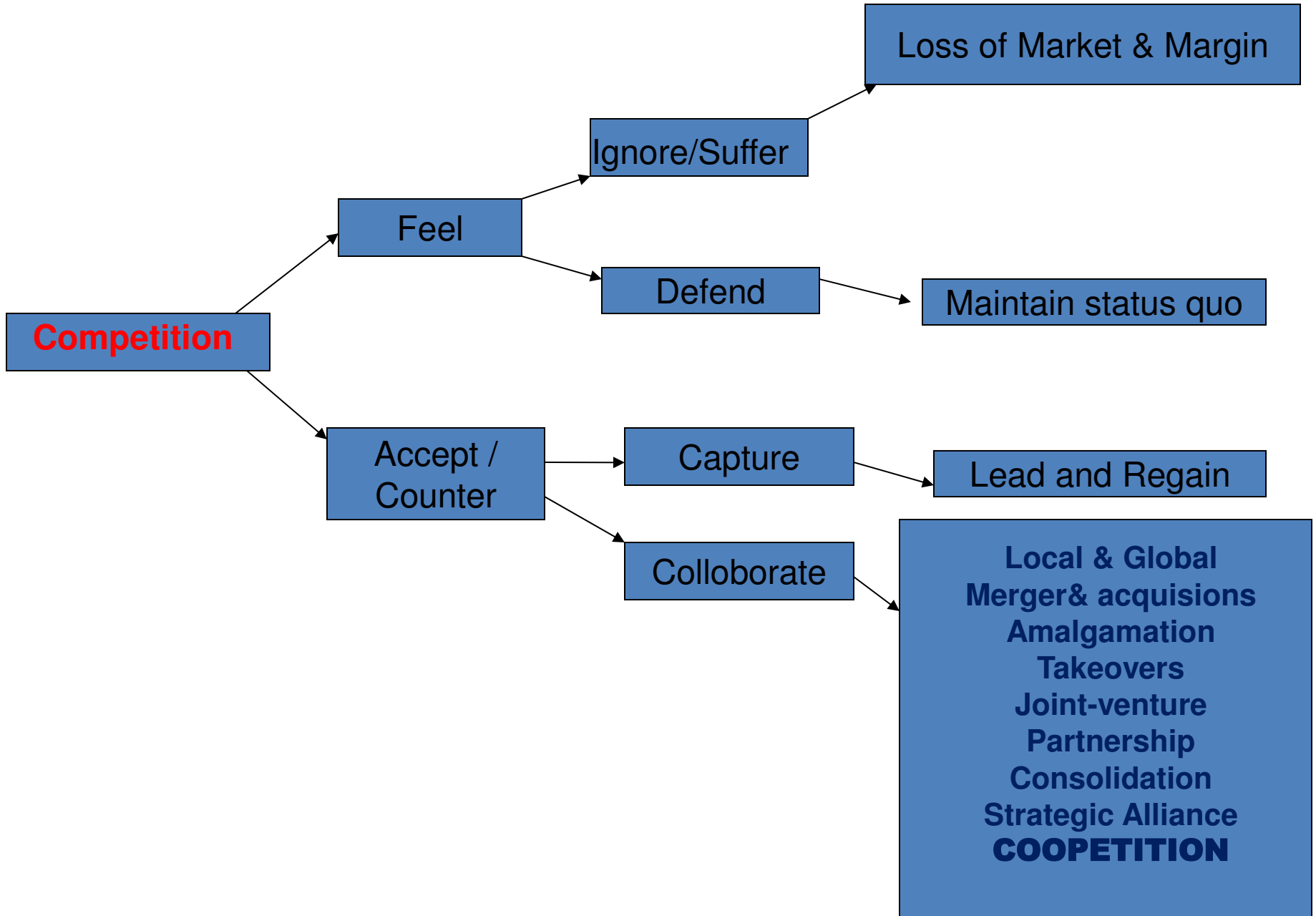
CMAs must fulfill diverse expectations and possess a broad cross section of skills

Business Excellence

In Competitive environment, achieving business excellence is a **tough, challenging and eventful journey** for organisation over a period of time.

Intense Cost pressures dominate the business landscape impacting severely both **“growth and profitability”** in short and long run.

Business Models have turned fragile over a period of time. Creating Cost Economic Business Model architecture by the leadership team through advocating **“Cost vision, Designing effective value chain for perpetuity, Embedding strong cost culture and Resource efficiency is the way forward”**



How do we Compete, Excelling and Sustain?

- ❑ **Create a Cause not a Business**
- ❑ **Read the Change and Lead the change**
- ❑ **Instead of Market share, Create a Mind Share**
- ❑ **Build-Up Core competency**
- ❑ **Building up cost competitiveness**



Cost Excellence

Leveraging Cost Performance Optimization as a key component of Operational Excellence

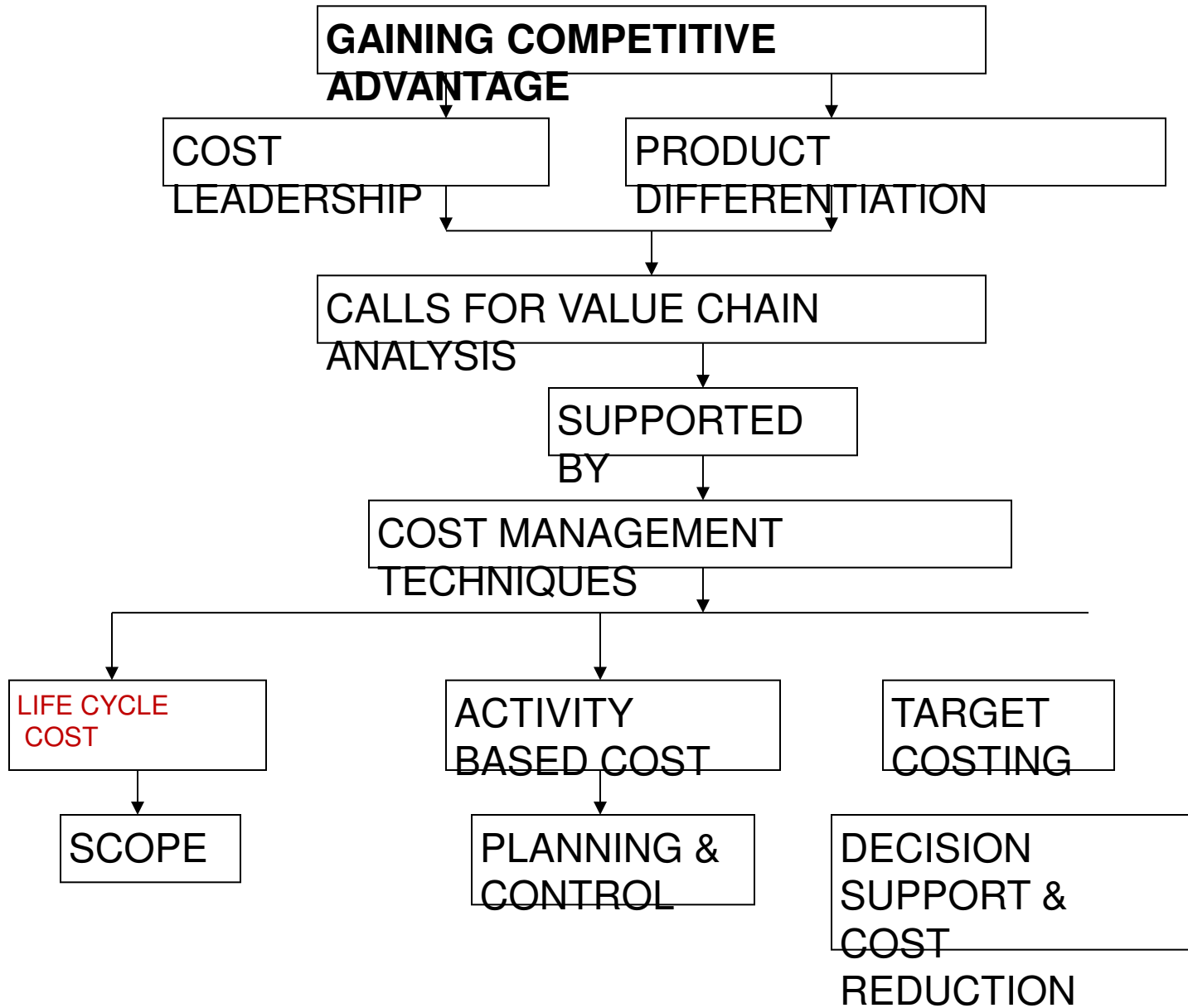
From an Operational Excellence perspective, Cost Excellence is about ensuring that clients have in place an effective management system to gauge their cost performance.

Cost Excellence ensures that the organisation leveraging management decisions to optimise cost performance of operating assets through

Transparency, Accountability and Cost Control to deliver maximum financial performance .

ACHIEVE Excellence

Achieving excellence in cost management means having the right controls, review meetings and reports in place that drive effective decision making and interventions on total cost analysis . It means having a systematic method of trending costs and analysing investment decisions.



Key driver of competitiveness

Creating a Business Environment that fosters

Innovation, Productivity and Investment is the critical to the competitiveness of firms in various sectors and their ability to capture global opportunities.

Key driver of competitiveness

- 1. Strategies for Combating Cost Escalation in Resources**
- 2. Productivity Growth through Innovation and the adoption of new technologies**
- 3. Attracting & Maintaining a Good Investment Climate**
- 4. Ensuring access to a skilled workforce : An adequate supply of skilled workers is critical to preventing labour cost inflation that would hurt the competitiveness**
- 5. Closing the infrastructure gap and pursuing community engagement. New initiatives to strengthening transportation, communication and energy infrastructure are critical.**
- 6. Competitiveness Challenge: Capturing Market Opportunites to expand and diversify the market**
- 7. Opportunities for New technologies in global markets- Market Diversification is a Strategic Imperative**

Important among costs - capital costs

- Depreciation cost -
 - non cash expense, but very critical
 - Asset life, salvage value
 - opportunity cost
 - Inflation
 - Replacement value
 - Interest cost on capital expansion
 - Foreign exchange fluctuation

How to handle the situation?

- Decision making at cost center /department level.
 - Budgeting
 - Variance assessment
 - Benchmark analysis
 - Changes in input cost
 - Changes in input productivity(efficiency)
 - Changes in departmental volume
 - Profitability of service
 - Contracting of service or in-house production
 - Efficiency improvement
 - Identifying areas of waste
 - Pricing policy
 - Health financing and policy concerns

How to handle the situation?

- Decision making at hospital level.
 - Cost variance analysis- overall analysis
 - Budgeting
 - Establish rates and comply with internal and external requirements
 - Check whether the departments are operating within budgets
 - Prepare budgets - department wise (if not already in place)
 - Allocate budgets among departments/cost centers
 - Fiscal solvency - Break evenness

How to handle the situation?

- Revenue
 - Fee level (as a proportion on the cost)
 - Fee level (as a proportion of service which are paying(non-free/exempted))
 - Collection efficiency
 - Benchmarking
- Cost benefit analysis
- Focus on return on investment - ROI
- Financial discipline
 - Classification on long term loans and working capital loans

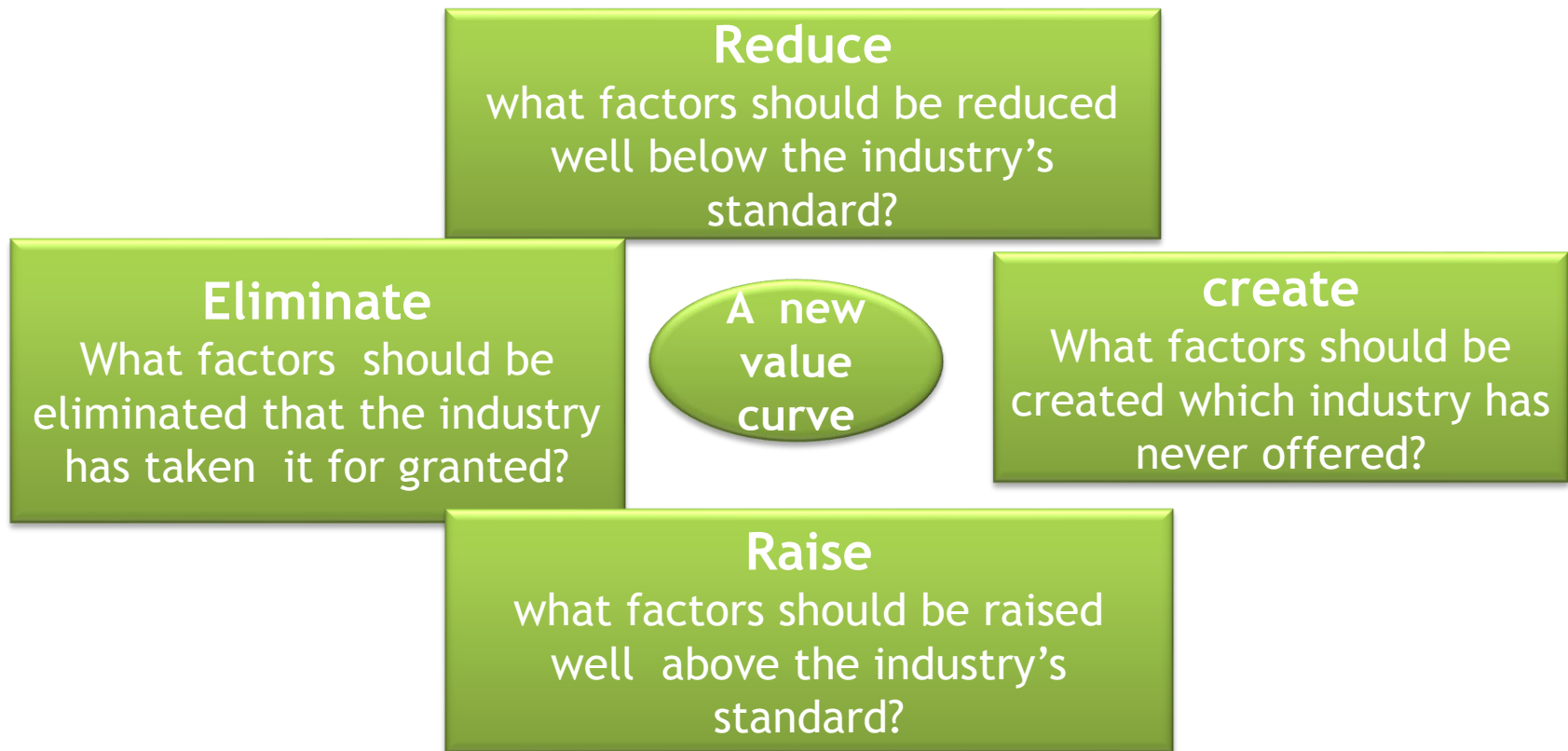
How to handle the situation?

- Operation excellence
 - Continuous improvement -
 - Focus on customer
 - Optimizing current process - First Time Not Right - FTNR
 - Through DMAIC(Design, Measure, Analyze, Improve, Control) a hospital could within 2 months, reduce 2 hours by making small changes in existing pattern of patient discharge . This lead to efficiency and cost effectiveness
- You can't manage what you can't measure, You can't measure what you can't record/describe

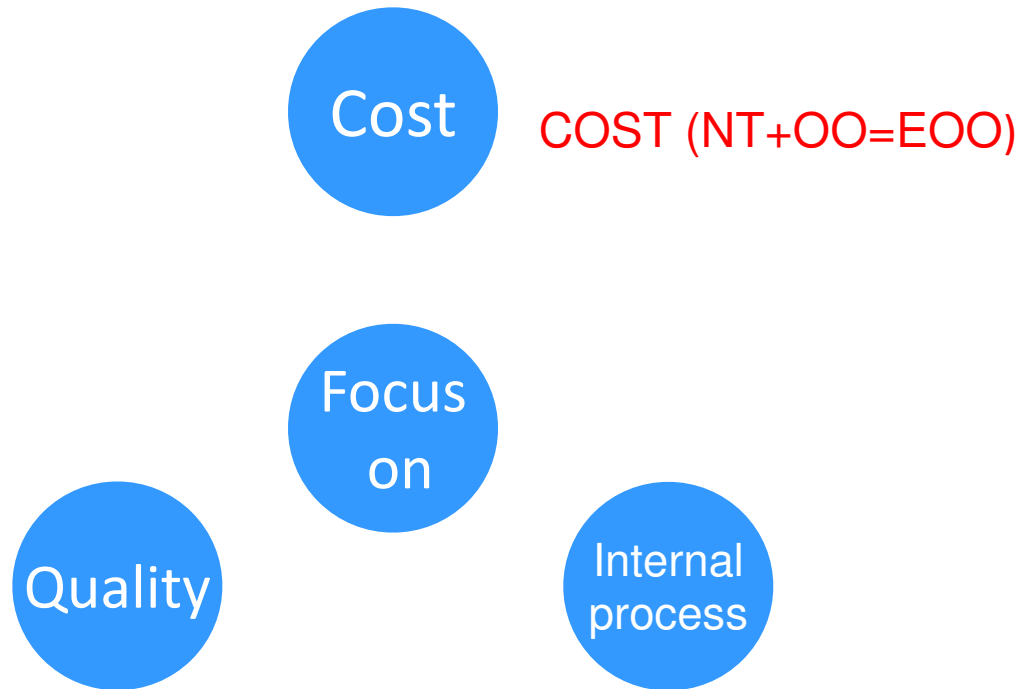
How to handle the situation?

- Quality is never an accident; it is always the result of high intention, sincere effort, intelligent direction and skillful execution, It represents the wise choice of many alternatives - Michael Hart
- Strategy is about doing the right things.
- Quality programs and process improvement tools helps organizations do things right and optimize cost.

Blue ocean strategy - make competition irrelevant



- Cost Control
- Cost Rationalization



Emerging Strategic Cost Management Tools

Value Analysis

Value Engineering

Business Process Re-engineering

Business Process outsourcing

Business Process Reverse Engineering

Tear down Analysis

Bench Marking

Kaizen Costing

Life Cycle Costing

Target Costing

Activity Based Management /Costing

Balanced Score Card

Quadrable Bottom Line Reporting System (QBLR)
Carbon Credit Management/Green House Management
Six Sigma
JIT/VMI
WOW Technology in TPM
Supply Chain Management
International Financial Reporting Standards (IFRS)
Economic Value Added (EVA), MVA, SVA
Customer Relationship Management
Corporate Governance
Out of Box Strategy
Managing Value Creation earlier in the life cycle /Value Chain
Management

Customers Expectations (CRM and CEM)
Challenging the design (Value Engg. BPRE, BPRS, BPO)
Acknowledging the importance of intangible assets:
Branding, Image, Knowledge, Human Capital (Mind
Share/Market Share)
Beyond Corporate Governance (Enterprise Governance and
Performance Governance)
Beyond Budgeting (Operational Excellence)
Business Excellence Model-Internationalization /
Outsourcing of manufacturing operations
Coopetition
Blue Ocean Strategy.

Success in Business Today=

EC+BI+CRM+SCM+ERP

E-commerce,

Business Intelligence

Customer Relationship Management

Supply Chain Management

Enterprise Resource Planning

LET US RAISE
TO MEET
THE CHALLENGE TODAY
&
CREATE ASSETS FOR
TOMORROW



Everything is possible we only Need to try,



· SUCCEED ·

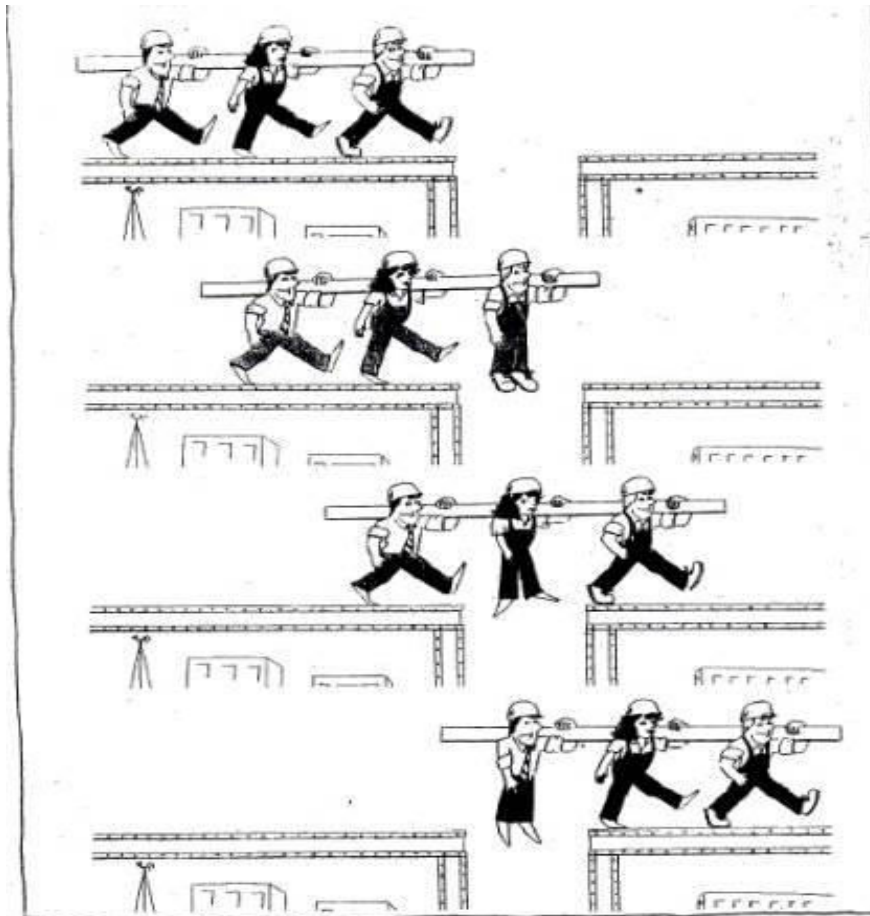
THE KEY TO SUCCESS REMAINS LOCKED IF CERTAIN EGOS STAND IN THE WAY.

Workplace bullying. 18.9 million working days are lost every year in Britain as a result of this widespread phenomenon. For advice, help or information, call our Helpline on 01273 704 900. www.andreasadamstrust.org

THE
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Committed to preventing workplace bullying.

SUCCESS REMAINS LOCKED IF EGO STANDS IN THE WAY

THANK YOU



Every member in a Team, has times when they need support -- >>>