

STRATEGIC COST PERSPECTIVE – BUILDING COMPETITIVE ADVANTAGE IN BUSINESS

Abstract

The article is a concept level brief for readers to understand the TCM journey embarked by CII TCM Division.

India's economic outlook is buoyed by plethora of positive factors – tax friendly rates, elevated customer demand, broadened investment outlook, softened inflation trends, digital penetration and government friendly policies. Structural and Statutory tail winds can fuel growth across industry sectors – manufacturing, service and MSME sectors.

India as the fourth largest economy in the world is fuelled by growth across sectors. Key indices of IIP aligned to manufacturing sector growth at 5.40% (YoY), HSBC India PMI at 59.1 (highest in 16 months), service sector PMI at 62.9 is crafting a unique growth path for Indian economy.

India's journey towards global competitive



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ranking and benchmark metrics is still journey ahead. Global competitive index ranking (Rank 41), merchandise exports inching towards 500 billion USD, Corporate profit to GDP just cross 4.7%, global logistics index (LPI) at 3.4/6 are in a lag to catapult India's global competitive position.

Historically, perspective of 'cost' in Indian businesses is reactive, short-term, oriented to accounting domain, profit induced exercise.

The mythical chaos surrounding 'costs' in businesses are – cost Vs expense (GL head), enterprise level wide process Vs accounting function, strategic Vs tactical reduction approach, cost culture Vs cost transparency, total cost Vs product / process cost, Cost Vs Value

Conventional profit sources of businesses are typically strewn around – volume (scale), value (price), product mix, NPI (new product introduction) and cost-efficient value chain. TCM plays a vital role in building resilient and efficient value chain.

CII TCM Division works with stream of business sectors to sensitize leadership hierarchy on 'business connect to cost'. TCM Framework effectively traces cost incidence to both external and internal factors to business.



Strategic Business Environment

The objectives of TCM are:

- ⊙ To determine the efficiency and effectiveness of all major activities performed in the enterprise.
- ⊙ To identify and evaluate new activities that can improve the future performance of the organisation.

TCM scopes key business processes to achieve the goal of efficient value chain. Host of TCM tools enable deployment of TCM in business to eventually build resilience into the business model.

Scope	Owner	TCM Scope / Tools	Impact
Business Strategy	CEO / Board of Directors	Cost Strategy blueprint	Economic business model, Efficient value chain, viable customer delivery solutions, Competitive cost structure
Marketing and branding	CMO	Product cost / customer cost algorithm	Profitable product / customer portfolio
R & D or NPD	Head – R&D	Cost efficient BOM, Target cost model, Cost-Feature Matrix	Product cost by design, Future revenue / profit streams
Manufacturing / Operational	Chief Manufacturing Officer	Resource efficiency & Productivity OE – Operational Excellence journey	Trade off inflation with real time saving, NVA (Nonvalue added costs)
Procurement	Chief Procurement Officer	Clean sheet costing, Should costing, Total Cost of ownership	Landed cost Vs Total cost, WC impact, customer warranty traceability.

Finance function metamorphosed into ‘business finance’ plays a significant role in working with key functions of business to embed connect business to cost, embed TCM tools, create positive business metrics.

CII TCM Division has worked with close to 200 companies across sectors in India to calibrate companies on a 5-level cost maturity hierarchy to move the needle of manufacturing competitiveness in India ahead. MA

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