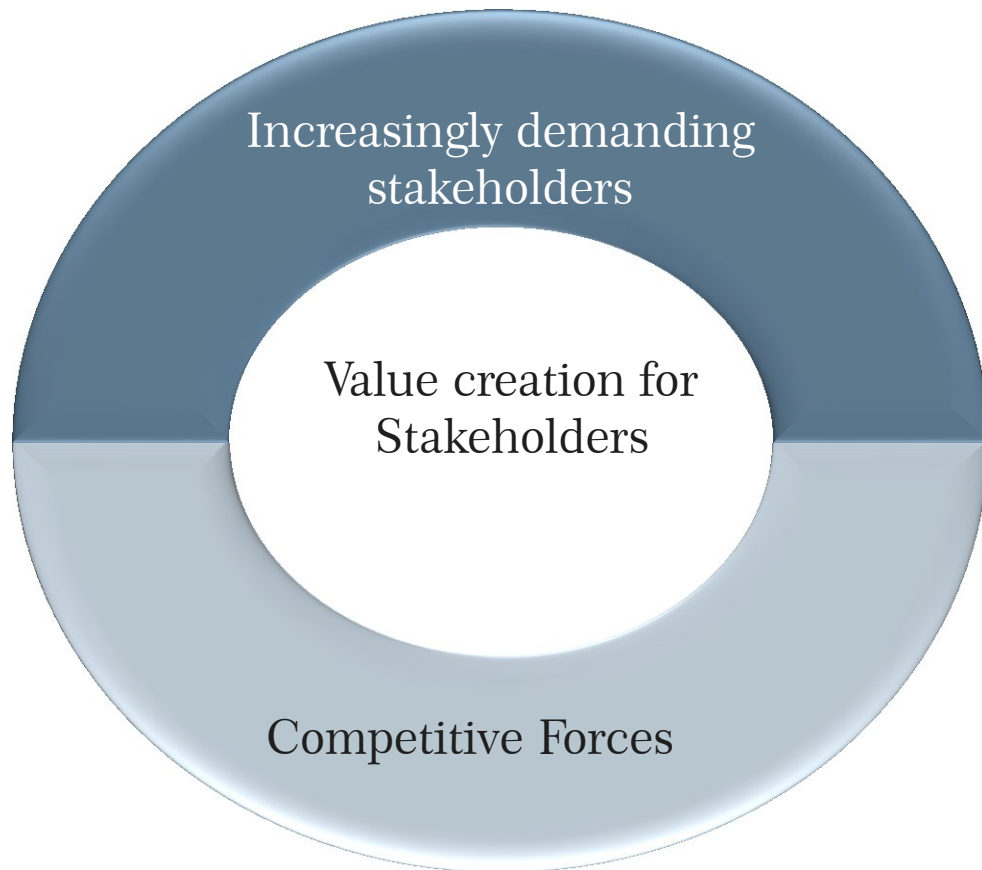


Total Cost Management Maturity Model

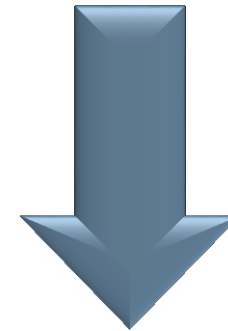
27th November 2019

TCM – a source of competitive advantage

“Competitive advantage is a company’s ability to perform in one or more ways that competitors’ cannot or will not match”- Philip Kotler



In ever increasing competitive scenario and demanding stakeholders, value can be created with improving operational excellence i.e. creating value at each stage of value chain leading to competitive advantage.



TCM - a source of competitive advantage

TCM – Benefits

- ✓ Enhances competitiveness by emphasizing the need for rapid up-gradation on parameters like cost, efficiency and waste management. It helps support Drive cost optimization initiatives & re-define Cost Optimisation strategies - Reduce wastage by watching NVA activities
- ✓ Excellence drive, encourages Business to create value, emphasize on strategic issues and effectiveness of the resource utilization. A good TCM framework helps in continuous improvements
- ✓ TCM –Enable's to benchmark its processes amongst sector in which it operates but with best in class company across sectors . Learnings are enriching
- ✓ Assessment helps establish clear linkages across the organisation on how strongly the Strategy / Cost management / Operations / New product introduction / IT systems / R&D are aligned
- ✓ Emphasize and facilitate TCM culture across the Functional levels of the organization
- ✓ Extensive Participation of cross functional teams help understand cost management and its linkage to their activities
- ✓ Cost strategy formulation and its alignment to key segments - customers, product category, prices and technology helps organisation to succeed during volatile situations
- ✓ TCM Assessments using Rating mechanism helps organisation to Review its cost structures continuously & Draw a road map to enable metamorphosis to next level
- ✓ Continuous sustainable initiatives help develop a road map to progress to the next hierarchical level in the Maturity model
- ✓ **For Tata Motors, TCM will always remains a Journey and not destination**

1st Assessment

- Availability of Cost Tables for Designers
- Comparison of target cost and designed cost at component/aggregate level
- Development of Online target cost control system as a technology enabled framework
- Competency may be developed to envisage futuristic cost structure at product level based on the 3 level technological horizons

2nd Assessment

- Components of 'business strategy' to get reflected in the TCM architecture of business
- Balancing "affordable cost & value focus" may be enhanced at the product feature level
- Create an architecture for "cost to serve" the customer – end to end approach
- Cost engineering, sustainability and should costing combine to report sustainable cost structure
- Sensitivity analysis – Linking fluctuating commodity prices to product costs is an important way towards de-risking product profitability
- Triggering VA / VE in the product cost management system through advanced alert system to protect margins is critical
- Deep drive into the process of "converting indirect costs into direct costs may be a good idea towards evolving towards "total absorption costing"

3rd Assessment

- ✓ Supplier alignment to ERC at the design stage is strategic to address cost challenges at Vendor side
- ✓ Investments with respect to life cycle benefits can become part of product pricing
- ✓ Non-financial ROI index may be established for approval of Capex investment in the sustainability projects
- ✓ Increased alignment to be brought between sustainability & finance
- ✓ Cost-to-serve analysis can reveal true cost of servicing individual customers
- ✓ Isolate common costs into the customer segments, true cost / profitability may be identified to address overall bottom line challenges.
- ✓ Sophisticated 'target costing' methodology can be adopted through IT platform sourced through Japanese IT companies
- ✓ Connect VOC through IT platform to aggregate component to should costing principles