



Confederation of Indian Industry

Since 1895

Total Cost Management Division

Total Cost Management Movement in India





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TCM Manual

Contents

1.	Executive Summary	-----	5
2.	Introduction to TCM Movement in India	-----	7
3.	TCM Movement – Concept & Framework	-----	9
4.	CII TCM Intervention in MSME Clusters	-----	15
5.	CII TCM Intervention in Corporates	-----	18
6.	FAQs on TCM by CII	-----	20
7.	Awareness Creation	-----	29
8.	TCM Maturity Model - Evaluation and Rating	-----	36
9.	TCM Interaction - TCM club	-----	43
10.	About CII and CII-TCM Division	-----	44



EXECUTIVE SUMMARY

Total Cost Management (TCM) is the effective application of professional and technical expertise to plan and control resources, costs, profitability and risk. TCM is a systematic approach to manage cost throughout the life cycle of any enterprise, programme, facility, project, product or service.

The Indian growth story pegging at 9% of GDP, is a judicious mix of growth in manufacturing, agriculture and service sectors. The growth mix between sectors is more skewed towards manufacturing and services from post 1990's. The dismantling of license era has paved way for intense competition, price-war and eventually resulting in extraordinary growth in both manufacturing and service sector.

The multiple players in the market brought in keen competition, price and cost pressures and challenges for the market share.

Organizations are continually looking for ways to address their increased competitiveness both strategically and operationally. Strategically, the vision/mission of the organizations is to be visualized from market/customer perspective clearly at the board level. The customer focus and its orientation of product design, moving towards the architecture of futuristic/predictable cost structure of key/critical products/services and visualizing future technology issues addressing the process/product et al all form the cost strategy design of the organization.

Acquiring critical skill to translate business strategy into the strategic cost focus is required to execute a successful overall business strategy.

The second phase of competitiveness is to have the operational emphasis – in terms of resource utilization most effectively and efficiently. The value chain efficiency in a concern require tremendous focus at all levels of hierarchy.

Operational efficiency is generally a reactive measure in many organizations shaping up in terms of alternative sourcing, Kaizens, energy conservation without compromising in the quality is a norm/tradition across sectors.

Total Cost Management framework addresses both strategic and operational issues in an organization thereby leading to cost management and not cost reduction. Manifold increase in companies embracing TCM, its philosophy and its interface with strategy is a proof by itself on the success stories.

With this background, CII initiated the TCM Movement in India to address the industry's competitiveness through

- awareness sessions
- technical interventions
- special interactions
- research work towards developing new and advanced TCM tools and techniques

More than 5000 professionals are exposed to the latest tools/techniques and approach of TCM through awareness sessions.

CII also given handholding support in implementing TCM tools/techniques in more than 200 organisations.

The division has also conceptualized TCM Maturity model after an intense research work under the able guidance of TCM working group. TCM Maturity Model is a rating system of cost management systems in an organization, developed in the lines similar to CMMI in IT sector.

This model has been operationalised in 2008-09 and received enormous response from the industry. More than 20 units have been rated using this model and the feedback is encouraging.

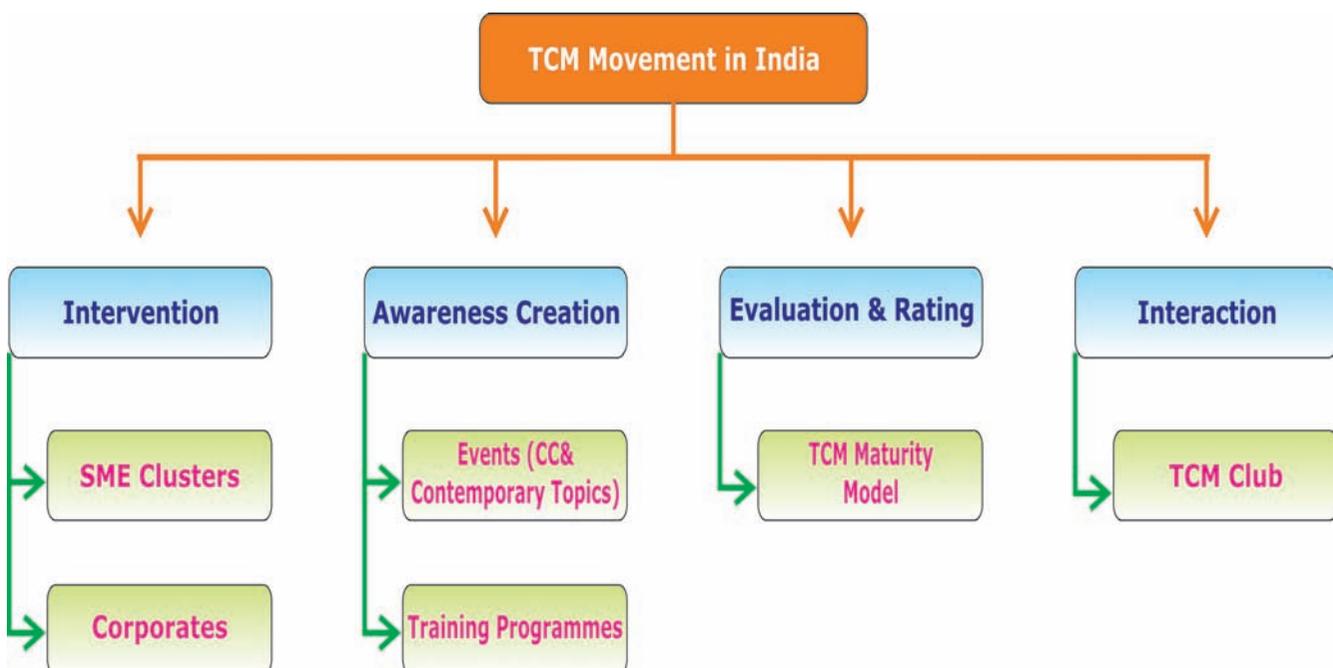
CII TCM division is also initiating TCM club to further spread the concepts of TCM across the country.



INTRODUCTION TO TCM MOVEMENT IN INDIA

Considering the importance of cost management process as the heart of cost competitive strategies across sectors in the industry, CII has been positioning it as a framework entitled Total Cost Management (TCM).

CII has taken up the mission of cost management in the country through its TCM initiatives.





TCM Movement

CONCEPT AND FRAMEWORK

Background

The growth trajectory of Indian GDP was not so encouraging during the pre 90's. The trigger was primarily the agriculture and related segments which was subjected to vagaries of monsoon and other related uncertainties.

The encouraging transformation happened in the 1990's with the opening up of the economy through liberalization and thereby India was converted into a lesser regulated country. Inflation, balance of payments forex results, demand-supply equation and private savings took a flip with a major policy change announcements.

Liberalization meant reduced tariffs, rationalized excise rates, encouraged foreign direct investment, government investment in infrastructure through public private partnership. Economic factors like interest rates and money supply were eased.

In a liberalized and opened up economy, there is a surplus of goods due to competition, cost optimization, better technology leading to better products/service and ultimately taking the customer to the helm.

The above scenario and outcome of liberalization forced the corporates to strive for competitive advantage.

A competitive advantage can be gained by offering a consumer a greater value than the competitors. The strongest competitive advantage is a strategy that cannot be imitated by other enterprises. There are several ways to achieve competitive advantage through efficient resource utilization (operational way) or product differentiation (strategic way).



Evolution of Concept of TCM

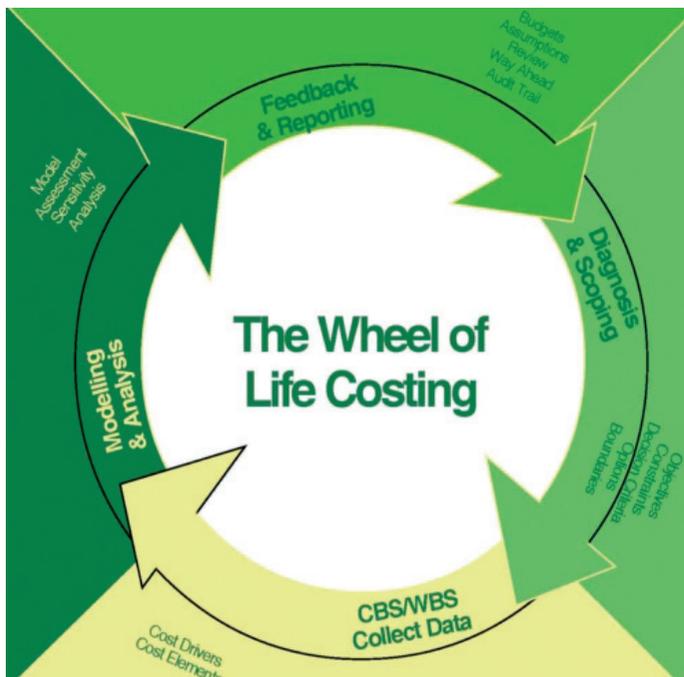
In the march of market driven economy, both product and process profile of corporates have evolved and multiplied. Further both price and cost pressures intensified due to competition. Hence the traditional costing system required shifting of gears from accounting to management of costs.

The paradigm of product costing evolved into scientific method, encompassing the actual path traveling through the production. This is done through capturing the resource and cost drivers in the process.

Clear distinction was made between resources and expenses leading to logical method of product cost.

Cost management architecture produces a positive outcome when it effectively aligns with the demands of visionary intent, client expectation and fiscal integrity. Although each of these parameters can take on different form and purpose-programmatic requirements, iconic design, life cycle and operational integrity, sustainability aspirations, pro-forma parity- a successful project strikes a balance among these variables.

Traditionally the approach to cost was reactive, static and passive. On the contrary total cost management is defined as proactive real-time and continuous engagement of cost management practices throughout the value chain. For a successful implementation of TCM process begins from design process to the customer.



Total Cost Management (TCM) is the effective application of professional and technical expertise to plan and control resources, cost, profitability and risk. TCM is a systematic approach to manage cost throughout the life cycle of any enterprise program, facility, project, product or service. The TCM Framework is a representation of that "systematic approach".

The unique element of TCM process is that it integrates all the steps that an organization must take to deploy its business strategy. This includes monitoring and becoming aware of performance issue. It also addresses managing multiple projects as a program.

TCM application in industry is eventually through various systems and procedures and sophisticated tools and techniques evolved by various experts globally.

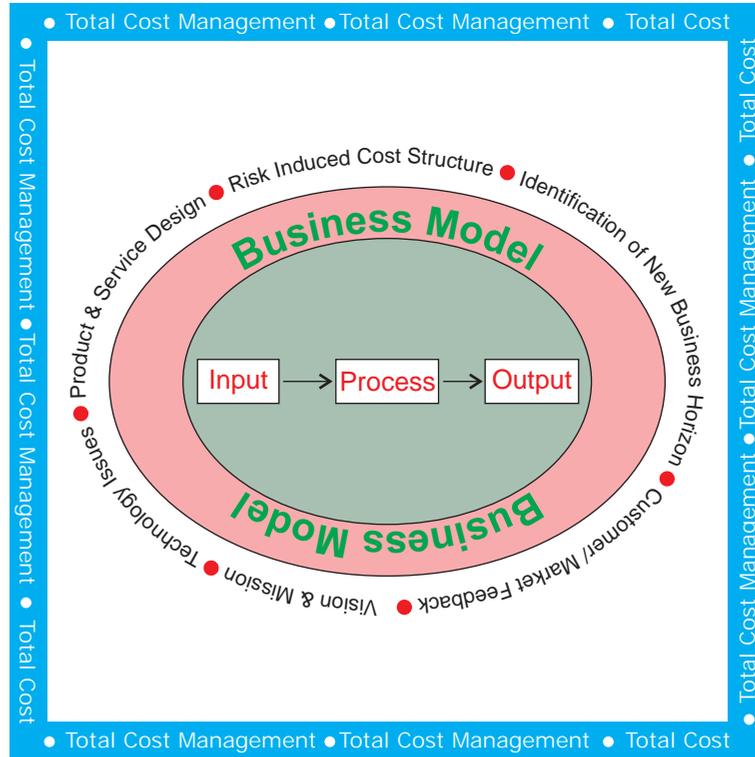
Application of TCM at enterprise level

Today's businesses are under constant pressure to reduce costs yet many find it hard to do so in a sustainable fashion. 9 out of 10 cost reduction programs fail to achieve their targets and the gains that are achieved appear to be short lived.

The ultimate manifestation of this approach is to rethink the whole business model around lower cost. The design of the product/service, supply chain, operating process, technology, inventory, sales and support, working capital cycle and ROI of the capex to be modeled into the business through most economical options.

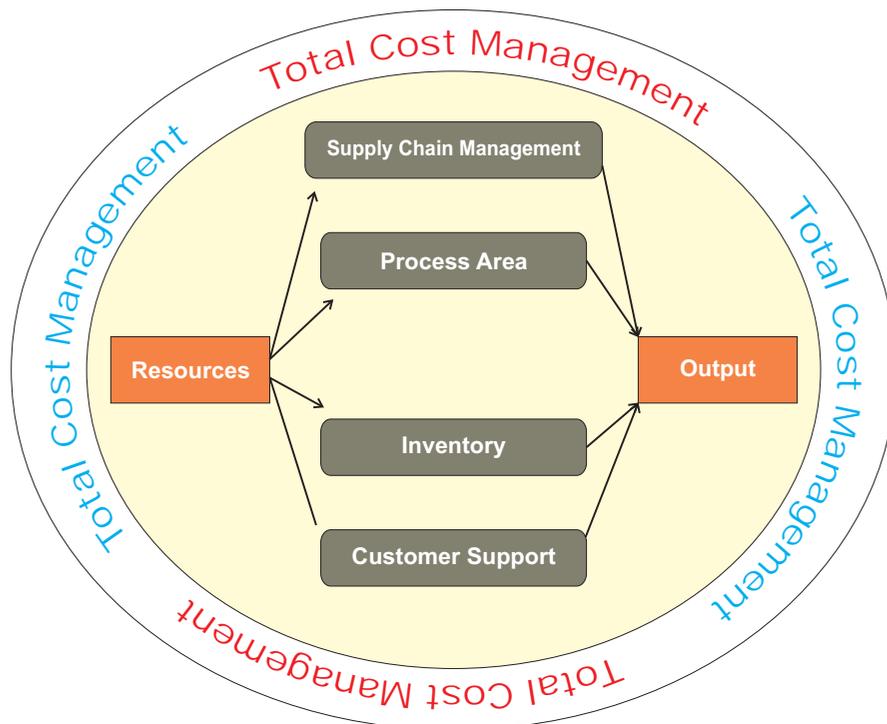
Strategically, the mission statement of the organizations should state clearly the organization's objective through a low cost model and interface with cost strategy accordingly.

STRATEGIC INTERFACE



The operational efficiency of the resources in the value chain to be taken through supply chain, improving process area, inventory analysis and customer/market support. This is primarily done through various tools and techniques of TCM.

OPERATIONAL EFFICIENCY INTERFACE



The pursuit of increased productivity and efficiency of resources has been a driving force of world wide business management for decades. TCM framework supports continuous process improvements while being flexible. In addition, TCM supports cross functional integration and multi skilling.

SUSTAINABILITY AND COST STRUCTURE

Today there is a greater understanding that corporate strategy can be crafted to encompass a larger picture that not only enhances competitiveness but also ensures responsible and sustainable growth for the organization.

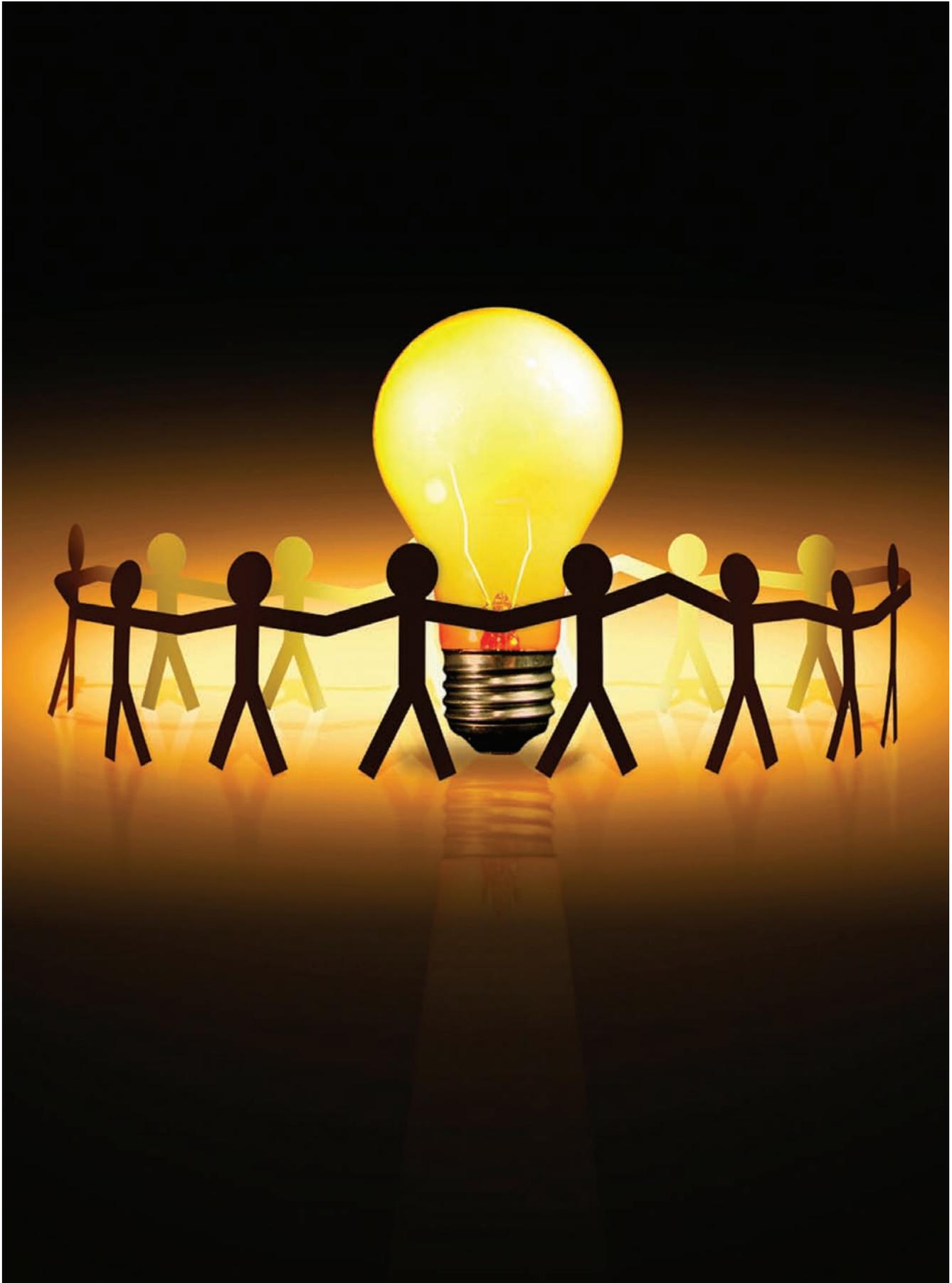
CFOs have been at the center of corporate sustainability movement. The person at this helm must focus on long term growth strategies. This is all about using resources wisely and ensuring that organization can survive and prosper for long. This makes sustainability part of CFOs imperative.

Sustainability matters in business are through risk mitigation, resource economization and productivity gains.



Sustainability can pay off in the following ways:

1. **Being sustainable reduces cost and improves efficiency:-** Environmentalism is rooted in using resources wisely
2. **Focusing on sustainability mitigates risk:-** projecting long term and risk induced cost structure for critical products
3. **Being Green creates new competitive and revenue opportunities:-** identifying new resources and markets are evolving to become CFOs significant
4. **Sustainability fuels innovation:-** drive for eco-friendly and low cost product line
5. **Strong sustainability values enhance employee morale:-** avoidance of continuous employee training cost





CII TCM INTERVENTION

Considering the need for bringing in and enhancing cost competitiveness of the Indian industry, CII TCM Division has conceptualized and operationalised TCM services for the corporate sector.

Competitiveness refers to productivity and profitability of a concern. It is phenomenon and is usually discussed in terms of – the decisions it takes, the resources it has and the environment factors which surrounds the business. Post liberalization policies in India have reduced protection and brought in a fiercely competitive scenario, both locally and globally. Avoiding rigors of competition is no longer a choice for any sector.

The transit path to face the competition head-on is only through improving the holistic approach to competitiveness in their sectors.

Following are the indicative methods and means to achieve better competitiveness in the industry:

- **Strategic**
 - a. Acquiring technologies to role out low cost and environment friendly products
 - b. Strive to achieve cost leadership in their product and service profile
 - c. Building in sustainable cost structures
- **Operational**
 - a. Creating cost consciousness and culture across the echelons
 - b. Continuous improvement projects in the operational area
 - c. Streamlining information systems through business analytical tools and thereby supporting decision making systems

CII, through its working group, strategized a vision of taking the tools and techniques of Cost Management through a maze of specialized services through the well trained and skilled personnel. This is operationalized through “intervention”.

CII, TCM Division works individually with corporates of all magnitudes to bring in competitiveness through Total Cost Management.

MSME Clusters

Close to 40% of industrial output is through MSME production from across the country-accepted as engine of economic growth for promoting equitable development. They are labor intensive and hence provide direct employment to multitudes.

Considering this key and critical segment, CII began its intervention by forming number of MSME companies into clusters.

The cluster methodology brings in both value added services and at most economical cost-since the intervention is given as a shared service to the members.

METHODOLOGY

1. Identification of cluster – 5 to 10 numbers of MSMEs are grouped together in a closer geographical location on voluntary basis for TCM intervention. The cluster is either heterogeneous (dissimilar in industry) or homogeneous (similar in industry). Generally, CII Zonal Chairman groups the closely located small and mid size companies through a common interest.

The short-listed companies are grouped through the representation of either CEO/CFO or both.

2. Training on the TCM concepts – as part of initiation of TCM in a cluster, all functional heads of all represented companies are trained on the preliminary concepts and tools of TCM.

This is done to bring in enlightening interest to the cross functional team on TCM and thereby create a bedrock for smooth trajectory of TCM movement in the group companies.

3. Formation of multifunctional teams – As a next step
 - a. Provision of structured formats under various resource heads
 - b. Training and provision of Guidelines for filling-in formats
 - c. Time frame is defined for format filling
4. TCM across the value chain –
 - a. Identification of specific issues in the business model for addressing through TCM
 - b. Observation and study of value chain of the organization
 - c. Activity and resource alignment in the value chain
 - d. Process and product profile study
 - e. Designing cost MIS for decision support systems
 - f. Simulation of model
 - g. Making final presentation
 - h. Submission of cost manual-providing best TCM practices, logic for model development, model analysis and reporting

BENEFITS

Through a feedback system, CII has comprehended the benefits accrued to various MSMEs across the country.

The intervention has brought in the following benefits:

1. Enhanced cost consciousness and awareness across the levels and functions
2. Introduction to structured cost management approach
3. Modeling of cost data through simulation and analysis
4. Supporting decision making process through a structured reporting mechanism

CREDENTIALS

South:

1. Coimbatore - Geo Cluster
2. Coimbatore - LMW Cluster
3. Coimbatore - Pricol Cluster
4. Coimbatore Open Cluster - Coimbatore
5. Madurai Cluster - 4 companies
6. Ambattur Cluster - 10 companies
7. Hyderabad Cluster - 7 companies
8. Puducherry Cluster - 6 companies
9. Vijayawada Cluster - 4 companies in 2 phases

West:

1. Kolhapur - Foundry Cluster - In the offing
2. ABB Vendor Cluster – Nashik
3. Crompton Greaves Limited Vendor Cluster – Nashik
4. Pune Open Cluster – Pune
5. Vadodara Open Cluster - Vadodara

North:

1. Mohali – 14 companies
2. Gurgaon – 10 companies
3. Parwanoo cluster
4. Munjal Showa Vendor Clusters - Faridabad & Gurgaon
5. ABB Faridabad Cluster - Faridabad
6. Hand Tools Cluster - Jalandhar



CORPORATES

TCM Intervention in corporates is primarily for streamlining cost management systems for

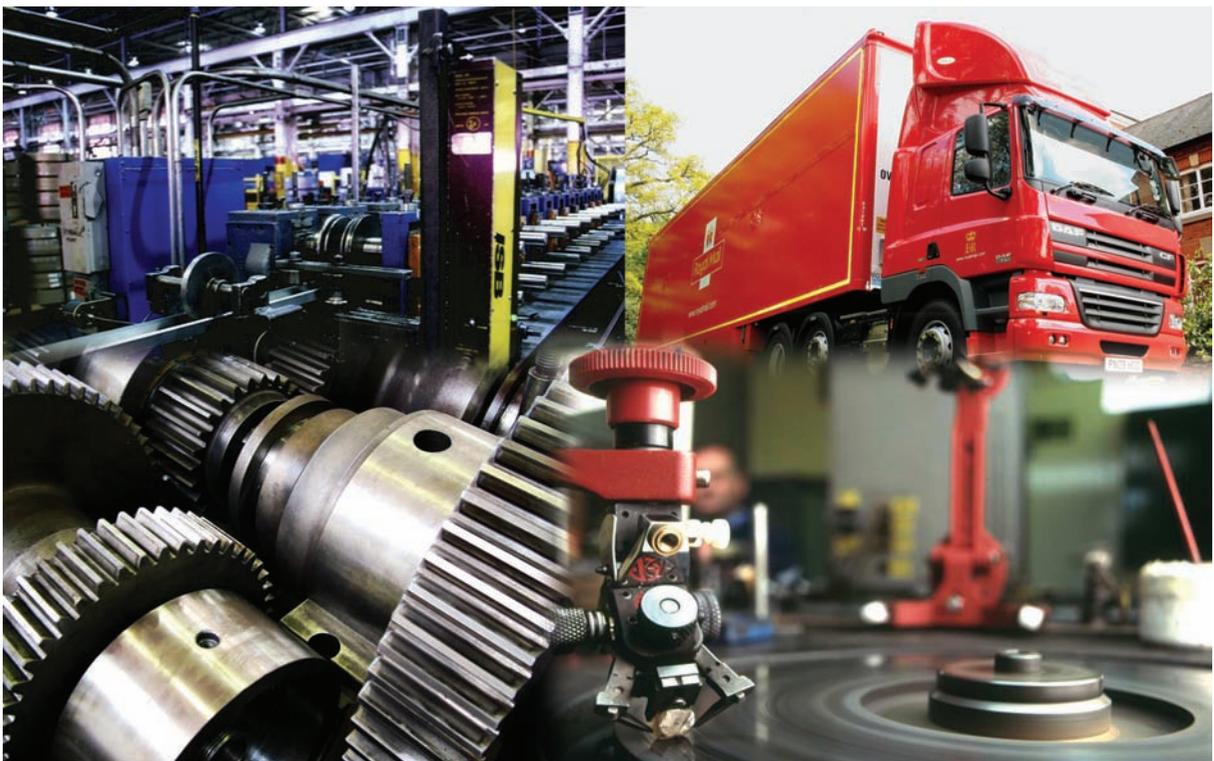
- Data capture
- Data processing
- Reporting
- Interfacing with decision support systems

CII TCM Division works with individual companies for the following services:

1. TCM Intervention across the value chain
2. Operationalizing TCM Tools & Techniques
3. Increasing operational efficiency through Cost driver analysis

TCM Across the value chain:-

1. Conducting cost awareness programmes to middle and higher level managers across all functions
2. Streamlining, data capture and analysis in structured manner
3. Analyzing resource focus across the value chain and systematizing the ownership focus and analysis accordingly
4. Reviewing cost systems and its interface across functions
5. Benchmarking & Performance indices for resource efficiency and effectiveness
6. Designing reporting mechanism and analysis for cost management systems



CREDENTIALS

The following list is indicative and not exhaustive.

A. Manufacturing

1. Gabriel India Ltd, Hosur
2. Delphi TVS, Chennai
3. NICCO Cables, Kolkatta
4. Godrej & Boyce Mfg Co Ltd, Mumbai
5. JCB India Ltd, Noida
6. Binani Zinc, Kochi
7. Scorpio Engineering, Bangalore
8. Paragon Footwear, Hyderabad
9. Yuken India, Bangalore
10. TVS Tyres, Madurai
11. Hi-Tech Arai, Madurai

B. Services

- a. Ghatge Transport Company Pvt Limited, Kolhapur



FAQs ON TCM BY CII

Confederation of the Indian Industry (Southern Region) CII-SR has been for the past six years campaigning to inculcate a world class cost management culture amongst the industries under the banner Total Cost Management. Very often questions are raised as to what constitutes the Total Cost Management (TCM) Corporation and in what stage a firm is given the practices legacy oriented as well updated from time to time. Lack of answers to these questions itself can be an impediment to the adaptation to the proposed philosophy.

In an evolving architecture like TCM it is difficult to define the destination. However it is possible to structure a growth path and enable the industry to realise at what level of maturity they are in. This maturity levelling can be based only on the best practices recognised world over and also researched and documented by the gurus in the field.

It is the vision of CII-SR through its TCM committee to bring a full scale manual for the benefit of the industry documenting the various components of the TCM movement. As a first step towards the manual, the committee is pleased to bring out this year an introductory document which answers various basic doubts on the topic in the form of FAQ. The introductory document has been accordingly divided into relevant parts and finally a maturity model table on TCM. This should enable clarity on many basic issues and also benchmark one's own company on the TCM path.

It is hoped that this document will be a forerunner to the future literature on the movement.

CONCEPTUAL ISSUES



- Q. We have been delegating our (Cost) Accounting/Finance executives to the Cost Congress hosted by the Confederation of Indian Industry for the last three events. Are we moving towards a (Total Cost Management) TCM culture?**
- A. Significantly no and partly yes. Because, TCM is a corporate philosophy and requires a top driven approach with a cross-functional orientation. Besides the accounting and finance team it is important that the other functional heads need to understand the TCM framework for a holistic implementation.
- Q. Is TCM a different form of Cost Accounting?**
- A. Definitely Not. Since TCM has cost as its central theme it does not make it a cost accounting subject. Rather, it is a comprehensive management philosophy for proactively managing the resources of the business by integrating it with the strategic and operational aspects. The ownership of this philosophy is company wide and not cost accounting encased.
- Q. Our Finance/Cost Manager keeps a tight control on costs. Is that not an adequate TCM practice?**
- A. It is certainly not a best practice particularly if cost is a strategic issue. The costs were a part of finance or cost accounting as long as the control function alone was important and competitive strategies took a back seat. TCM objectives go beyond cost control through accounting / administrative means and seeks to provide the business a firm wide ability to deploy cost information for competitive advantage.

Q. We have an elaborate cost accounting system with a monthly variation analysis. Is it not an adequate TCM practice?

A. A very good cost accounting alone is not a good TCM practice.

The cost accounting systems of the past however detailed they may be speak the accounting language. At best they organise the elements of cost through well defined cost centres or provide for a very good analysis of the fixed and variable costs. Some companies may even do this with predetermined standards based on budgets. But, TCM is based on the strategies and operational management needs of a firm with an emphasis on the decision maker becoming the centerpiece of designing the information needs as per his process context .

Q. We are already a TPM or a TQM focused company. Why we need TCM?

A. Yes you will still need many or at least some aspects of TCM.

Most of the TCM/TPM efforts run out of steam when the efforts are not translated into bottom line. This is particularly true when the TQM/TPM efforts are cost related. Further TCM helps in prioritising efforts on continuous improvement by benchmarking with reference to costs.

Strategic issues of business management such as product line optimisation and customer profitability which are focused by TCM are not addressed in the TQM/TPM implementation.

Q. We have already implemented an excellent and renowned ERP system. Why should we even think of a TCM framework?

A. Yes. You should more so the reason think of implementing TCM. ERP packages if implemented without cost management modules at various users end does not bring in the focus emphasised by a TCM framework. Some ERP packages which at best contain a good cost accounting system without the strategic and the operational clarity required by TCM framework fall short of the TCM benchmarks. The practice of the best cost management modules in some of the ERP systems can in fact produce results only if the managers are cross functionally trained and become the habitual users of TCM concepts in day to day decision making.

Q. Our plant executives participate in discussions relating to cost of various departments in the plant. Is it not an adequate TCM practice?

A. It is good TCM practice in part but not incomplete.

Traditionally the cost subject had been confined to factory cost and the plant team generally play a lead role in discussing cost performance. But the TCM practice embraces a larger thinking and would involve the marketing, service and even the design players in a firm on cost issues.

Further the strategic issues of cost would demand a cross functional orientation across business and not confined to plant alone.

Q. We do not have any manufacturing activity. We design, subcontract the manufacturing and sell goods. Is TCM applicable to us?

A. Yes. It is very much applicable.

The conventional thinking that the cost analysis is meant for manufacturing is a myth as far as TCM is concerned. Non Manufacturing specific cost focus has been evolved such as Cost of Buying, Vendor Cost Analysis, Sub contract management costs to integrate with the current thinking on business processes.

APPLICATION ISSUES



Q. We are in a service industry grouping. Is TCM applicable to us?

A. Yes. TCM is also applicable to service industries. Wherever cost becomes the basis of competitive strategy TCM can be practiced. This is akin to quality becoming universally applicable irrespectively whether it is grouped under manufacturing or service sector.

In fact the medical segment in Europe really provided the boost for various developments in the field of cost management.

Q. We make a detailed contribution analysis product wise and take decisions relating to product mix and pricing. Is it not an adequate TCM practice?

A. Depends on to what extent the products of the company are segmented with reference to customers and markets. Contribution analysis as a methodology for product mix and pricing was evolved during the era when capacity utilisation was the starting point of business performance and not customers and markets. With the advent of competitive strategies in a competitive market, new processes such as branding channel management, service led marketing etc, the contribution analysis would simplify and distort the issues. A TCM tool which recognises such issues becomes more relevant for firms who have embarked on customer driven processes.

Q. We use the variable cost structure of our products and mark up for recovering overheads and profit margins. Is it not an adequate TCM practice?

A. It is totally an inadequate practice which was more in vogue in a non competitive era of the past. The customer driven processes were not significant and pricing was not market driven. In this context marking up on costs for recovering overheads and profits would be accepted. Extending the same approach would not work in a competitive context and will also lead to sub optimal product mix and customer sales due to differential levels of activities customer wise.

Q. We make a detailed budgeting expense head wise on zero base and control the spending at department level by monthly review. Is it not an adequate TCM practice?

A. It is not an adequate TCM practice. Cost information with an expense orientation does not support the type of orientation required for a continuous improvement customer oriented environment. Further, the TCM framework works on strategic and operational issues simultaneously whereas zero base budgeting at expenses level provides focus on cost control only.

Q. We relate cost data to continuous improvement activities as a part of our TQM implementation by evaluating the expense reduction? Is it not an adequate TCM practice?

A. Yes. It is a good practice but may not be adequate and a perfect one. The continuous improvement projects of TQM are firmly grounded in root cause analysis technique. Relating the impact of the same to expense head level impact is grossly averaged and may not reveal the true story. Further the cost information in a TCM framework is schemed to provide a trigger for improvement and not only serve as a means to validate the efforts under TQM.

- Q. We have a very good input output analysis of the processes month wise which take care of costs automatically. Why do we need TCM?
- A. The input output balancing in fact is a very good exercise generally used in analysing cost inputs relating to materials and utilities. But it was more relevant for a commodity economy with less emphasis on value added services and products. With non raw material related resources becoming as important as raw materials the TCM brings in its framework process value analysis by integrating it with cost information. Due to this aspect an input output analysis alone is insufficient in a TCM framework.
- Q. We have a good product costing system in compliance with the cost accounting Rules issued by the Government of India? Why do we need TCM?
- A. Certainly you need TCM even if you are statutorily required to maintain cost accounting records. The statutory cost records were introduced in the context of an economy with regulatory framework. The contents of the records were more the price intervention measures of the Government in respect of commodities of common man's use.

The cost structures contained in such reports provide information only on product costs and contain annually averaged information. This information basically does not focus on customer and channel costs. Further, it does not differentiate between strategic and operational cost information. Further the cost records information cannot support a continuous improvement environment.



TCM FRAMEWORK



Q. What is then TCM?

- A. TCM is a management planning and control system to be adopted by a firm to enable it to greatly enhance its competitiveness involving the following:
- Identifying and measuring the cost of resources consumed in performing the significant activities of the firm
 - Determining the efficiency and effectiveness of the activities performed
 - Identifying, evaluating and implementing the most appropriate methodologies to enhance the competitiveness of the firm with a view to achieve long term leadership

TCM involves selection and implementation of various tools of cost management as appropriate to the strategies and operations of the business.

Q. Is TCM relevant only for manufacturing sector?

- A. TCM framework is relevant for any business grouping. The applicability comes in the form of adaptability of various tools which are process oriented at a generic level. For example, the principles of Target Costing can be made applicable a telecom sector in as much they are applicable to an automobile sector.

Q. Does TCM differentiate between strategic and operational issues of a firm?

- A. TCM exercise starts in fact from mapping of the processes to the strategies and operational targets of the firm. The tools of TCM are linked with reference to the strategies of the organisation as well as the operational needs to drive the cost strategies.

Q. What are the TCM tools for strategy control of a business?

- A. There are various TCM tools which are applied in managing strategies such as
- Customer/Market Segment Profitability
 - Channel Profitability Analysis
 - Target Cost management
 - Product Line Profitability Management
 - Vendor Cost Analysis
 - Total Cost of Buying



Q. What TCM tools are relevant for operational control?

A. There are various TCM tools which are deployed for operational control such as

- Activity Management
- Cost Driver analysis
- Cost of quality
- Support tool for TCM/TPM
- Kaizen Costing
- Performance measurement at business process level

Q. Should we practice all tools of TCM?

A. It is not necessary that a firm need to implement all the TCM tools. The selection of the tool depends upon the needs of the strategy. For example a firm practicing kaizen costing to reinforce TPM or TQM need not think of implementing activity management.

Q. Is it necessary to engage a consultant?

A. It is not necessary to engage a consultant to completely implement all aspects of TCM. But depending on the skills availability on TCM it may be required to associate a resource person who can guide the firm on the structured framework of the TCM field.

Q. How do we integrate TCM tools with TQM?

A. TQM based continuous improvement efforts work through a root cause analysis at an activity level. Cost information at an activity level can also provide the trigger for the continuous improvement efforts under a TQM environment. One of the tools of TCM provides cost information at activity level and integrates with the TQM measures.

Q. How do we integrate TCM tools with TPM?

A. TPM efforts focus on various pillars of improvement or performance Measurement. Cost information is very crucial at the level of various projects undertaken against each pillar. The traditional cost management systems which are expense oriented does not provide visible support to such pillar level activities. TCM data by its very nature of being process oriented provides cost information which enables cost measurement at pillar level and thus enhance TPM implementation.

Q. Can TCM support policy deployment techniques?

A. Yes. TCM can provide an ideal support for policy deployment in the domain of resource planning and its accountability in utilisation. Policy deployment basically provides the ideal framework for cascading down the business policies and establishing accountability at the lowermost levels for implementation.

Wherever the policy deployment is in respect of costs the information structure in a TCM environment provides the ideal way of drilling down cost targets at process and activity level for accountability and ownership.

Q. Will TCM mean excessive transparency of sensitive information?

A. TCM has two emphasis viz: the strategic and operational. The operational part of TCM cannot be implemented without sharing of information as the idea is to make the teams act on the same. However what is shared is a process based cost information and not a holistic cost structure. If required, secrecy can be maintained at a desired level in implementing the strategic part of TCM. However just like TPM and TQM initiatives unless information is made known to the process owners action cannot be expected.

Q. Can we implement TCM overnight?

A. No, TCM cannot be implemented overnight if the goal is to make it as belief system. However pilot projects can be completed in the initial stages to create the buying in of the conceptual frame work. It has to be gradual process over time by which cost information becomes an integral form of the value system along with Quality, Time, Safety and Environment related projects.

Q. Are there any maturity levels in TCM implementation?

A. There are almost five levels of maturity based on the evolution till the state of art of the total cost management domain. These levels have been created based on benchmarks set relevant to the state of level of competition in business. These levels and the attributes to be achieved against various benchmarks have been given at the end of this booklet.



TECHNOLOGY FOR TCM



Q. Can TCM be implemented without software support?

A. TCM can be implemented initially without software support. As the firm gains maturity gradually there will be a stage where software support will be eventually needed to sustain the value system created and move forward towards advanced stages of maturity.

Q. What are the key areas for supporting TCM through software?

A. Cost Management database of relationships is made of the following conceptual subsystems

- Data collection and input subsystem
- Modeling and analysis subsystem
- Reporting subsystem
- Deployment subsystem
- Predictive and planning subsystem
- Infrastructure subsystem

The above mentioned conceptual subsystems should provide the cost information in the architecture of the strategic and the operational tools of TCM. Most of the relatively well known ERP packages provide this support.

However the firms should mature into application of these tools in the absence of which the full benefits of the software cannot be reaped.



AWARENESS CREATION

CII has a long history of conducting awareness sessions on diverse technical and contemporary topics across several domains. These awareness sessions are conducted pan India in both tier I and tier II towns.

The idea behind this is to introduce and familiarize the representatives from Indian industry on the concept and methodology of the chosen topics.

Such awareness missions are accomplished by identifying renowned thinkers, research methodologists, luminaries from industry, representatives from apex bodies and academicians.

The awareness sessions are executed through the following:-

1. EVENTS

Event is organized on a broader platform where a galaxy of experts is identified from spectrum of sectors.

The working group of the division identifies the relevant topics for the whole year and the same is operationalized through the division.

The general topics addressed through events are as follows:-

- Material Cost Management
- Value Engineering / Value Analysis
- Enterprise Risk Management
- Lean Accounting
- TCM in Service Sector
- TCM in IT/ITES
- Performance measurement and management
- Revenue Management

COST CONGRESS

Cost Congress is annual flagship event of TCM Division. Generally, it is conducted alternating between Southern and Northern region of India.

The theme and the topics chosen for the event are clearly positioned and balanced between strategic and operational perspectives.



The gist for the previous Cost Congress events are as follows:-

S.No.	Year	Theme	Chief Guest	Master Speaker	Venue
1	1996	Total Cost Management for Competitive Advantage		Dr Peter Turney (ABC)	Chennai
2	1998	TCM –The Tool for Survival & Growth		Dr Robert Kaplan, Harvard Business School (Balanced Scorecard)	Chennai
3	2000	TCM - Global Competitive Advantage		Prof. Vijay Govindarajan (Strategic Cost Management) Professor Michiharu Sakurai Senshu University, Japan	Chennai
4	2001	Building Organisational Competitiveness through TCM	Dr Bala V Balachandran , Kellogg Graduate School of Management – Global Competitiveness through Total Cost Management	Dr Robert Kaplan , Harvard Business School – Cost Management to Influence Organisational Behaviour	Chennai
5	2004	Enhancing Global Competitiveness through Technology		Mr R Seshasayee, MD , Ashok Leyland Ltd.	Chennai
6	2007	Sustained Competitive Advantage through better Cost Management		Mr Ashok Vadagama , President, CAM-I	Chennai
7	2008	Connecting Enterprise Excellence to the Bottom of the Pyramid through TCM	Mr Jitesh Khosla, IAS , Joint Secretary, Ministry of Corporate Affairs, Government of India	Mr Gary Cokins , Global Products Marketing Manager, SAS, USA	New Delhi
8	2009	Achieve world class excellence through TCM	Dr T V Somanathan , Managing Director, Chennai Metro Rail Limited	Dr Raef Lawson , Professor-in-Residence & Vice President of Research, Institute of Management Accountants	Chennai

1. MEANING & IMPORTANCE:-

Cost Congress has its uniqueness as:-

- The only platform in the world for sharing best practices/Successful case studies/ Emerging trends in TCM
- Unique opportunity for networking with global renowned Cost Management Experts

Cost Congress holds the track record of its previous versions as:-

- Evoked tremendous interest in both, among stake holders and eminent personalities cross the globe
- Dr Robert Kaplan, Mr Peter Turney, Prof Vijay Govindarajan, Dr Bala Balachandran, Mr Gary Cokins, Dr Raef Lawson, Prof Mohan Gopalakrishnan USA and Mr Jerald D O'Dwyer addressed the conference
- Best practices of TCM by blue chip companies were shared in podium



TCM EVENTS



TCM IN MEDIA

“Extend total cost management to small and medium enterprises”

It is vital for infrastructure projects: Metro Rail chief

Special Correspondent

CHENNAI: Total cost management (TCM) is vital for infrastructure projects as there is often a mismatch between the estimated cost and final cost after execution, said T.V. Somanathan, Managing Director, Chennai Metro Rail Company, here on Thursday. Organising ‘Cost Congress 2009’ organised by the Confederation of Indian Industry (CII) here, Dr. Somanathan said cost management is key to success in infrastructure projects as a majority of them were long-term projects, where there were many uncertainties that could not be anticipated.



HONOUR: T.V. Somanathan, Managing Director, Chennai Metro Rail Company (left), distributing TCM Maturity Model Award for Escorts Limited, at the ‘Cost Congress 2009’ organised by CII, in Chennai on Thursday. Geyatri Srinivas, Chairperson, CII Chennai Zonal Council is also in the picture. PHOTO: S. SANDILYA

The increase in cost resulting from time delay was often not considered. The projects were also hit by wage inflation and increasing labour cost. All these factors could be included in cost management of the projects.

Plans sought
Dr. Somanathan was also extending the total cost management to small and medium enterprises and manufacturing industries. He suggested the CII prepare a simple and effective TCM manual to the demands of management of industries. He said total cost management was not an end in itself but only a means.

Dr. Somanathan said the company had developed best cost management practices and disseminated it across the world. The company’s research team had gone to China, where a cost management study in 12 companies that were adopting best practices of the TCM.

Dr. Somanathan said the company had developed best cost management practices and disseminated it across the world. The company’s research team had gone to China, where a cost management study in 12 companies that were adopting best practices of the TCM.

‘China shifting focus away from cheap export manufacturing’

Salaries in China double than in India

Chennai, Dec 17
India is not to expect cheap export manufacturing. A surprisingly large gap has appeared between China and India in terms of cost as China has become more expensive due to rising salary levels, said Dr. Raaf Lawson, Professor-in-Residence and Vice-President of Research, Institute of Management Accountants, USA.



Strategic challenges: (From left) Dr. Raaf Lawson, Vice-President of Research and Professor-in-Residence and Institute of Management Accountants, USA; Dr. T.V. Somanathan, Managing Director, Chennai Metro Rail Ltd; and Ms. Gayathri Srinivas, Chairperson, CII - Chennai Zonal Council, at the inaugural session of Cost Congress 2009, in Chennai on Thursday. PHOTO: S. SANDILYA

He was addressing a session on ‘Strategic challenges of the Chinese cost advantage’ organised by the Confederation of Indian Industry.

Salaries in China are double of those in India, Dr. Lawson said. China has moved beyond being the manufacturing destination, for labour-intensive manufacturing. This means that market now belongs to India and other countries such as Vietnam, he said.

The gross hourly net salary paid in Beijing was \$2.6 in comparison, a worker in Delhi was paid \$1.2 and the same worker in Mumbai was paid \$1.2.

China is now shifting its emphasis on global trade away from cheap manufacturing and instead to developing its massive domestic consumer market, he said.

Salary comparison of three countries annual income (US \$)

	New York	Beijing	Delhi	Mumbai
Building workers	\$2,000	2,500	1,300	1,300
Engineers	87,700	15,300	7,700	4,700
Product Managers	105,800	28,500	17,000	8,500

cheap export-driven manufacturing model, being replaced by a more balanced version that focuses on moving up the value chain. In contrast, China is a destination for adding value, research and development and services.

The single greatest contribution to China’s future global competitiveness today is production growth. In terms of productivity, China had improved its productivity to 7.5 per cent during 1995-2007 from 6.2 per cent during 1987-95.

For the same time period, India’s productivity climbed to 4.6 per cent from 3.8 per cent while US productivity increased to 2.1 per cent from 1.2 per cent.

Cost control needed for infrastructure projects



T.V. Somanathan, IAS, Secretary to Chief Minister of Tamil Nadu & Managing Director Chennai Metro Rail Ltd presenting TCM Maturity Model Award to Escorts Limited, Agri Machinery Group, Faridabad on Thursday at Cost Congress 2009 organised by CII - TCM division. Also seen in the picture are P. Thiruvengadam, Chairman, Cost Congress 2009 and Managing Director, Chennai Metro Rail Ltd; Raaf Lawson, Vice-President of Research & Professor-in-Residence & Institute of Management Accountants, USA; Gayathri Srinivas, Chairperson, CII Chennai Zonal Council & Managing Director, UCL Auro Private Ltd; A.N.Raman, Member, CII - TCM Working Group.

ENS Economic Bureau Chennai, December 17

COST control is very much needed even for the construction and infrastructure projects for saving public money to a great extent, said T.V. Somanathan, Secretary to Chief Minister of Tamil Nadu and Managing Director, Chennai Metro Rail Limited.

Speaking at the Cost Congress 2009 under the auspices of the Confederation of Indian Industry (CII) on the topic ‘Achieve world class excellence through TCM (Total Cost Management)’, he said that the time had come for the infrastructure and construction sector to take important measures and enhance their cost management initiatives.

He also said that the CII also needed to address the cost management issues of small and medium enterprises as they constituted the bulk of the industry in the country. He wanted CII to develop a TCM Maturity Model to suit the needs of the MSMEs. Somanathan also distributed the TCM Maturity Model Award to nine companies across the spectrum on the occasion.

Call to adopt risk mitigation strategies to evolving scenario

ENS Economic Bureau Bangalore, September 17

“**BUSINESSES** across the globe are going to spend about \$100 billion in 2010 for the risk management and US businesses account for 30 per cent of it,” said Martin Stulder, ENR/IA Risk Leader, Ernst & Young on Friday. He was delivering a keynote address at a Confederation of Indian Industry (CII) seminar on Enterprise Risk Management.

“But our past experience shows that such investments did not avert collapse of organisations during the global financial crisis. So the need of the hour is more comprehensive and dynamic approach,” he added.

The seminar stressed on the need to take a comprehensive look at various risks at enterprise level, in addition to financial risk.

K. Jaishankar, Additional Chief Secretary, Government of Karnataka, cited various examples of how endogenous and exogenous risks can be addressed.

Like Siemens classified risks as country risk, business risk and regulatory risk when they wanted to participate in the bidding for BIAL. At that time India was not very attractive to global investors though the scenario has changed now. But after negotiations, the State Govern-

“Concept of lean accounting applies to all sectors of industry”

Special Correspondent

CHENNAI: The concept of lean accounting applies to all sectors of industry and represents a continuous journey rather than an endpoint, S. Sandilya, chairman, Lean Management Institute of India, said on Friday.

In his key-note address at a conference on lean accounting hosted by the Total Cost Management Division of the Confederation of Indian Industry (CII), Mr. Sandilya pointed out that while the application of the lean concept to accounting was valid in itself, what was more important was to align the processes involved towards the goal.

Historically rooted
“The core of lean management philosophy, which is historically rooted in the manufacturing industry, involved the 3P’s of process, people and product, in essence it involves defining purpose of business, setting out the process to best achieve it and aligning the people towards the target.”

‘Cost accounting critical to bizmen’



Chennai Metro Rail Ltd managing director T.V. Somanathan presenting a TCM Maturity Model Award to Escorts Ltd at a Cost Congress 2009 organised by CII in Chennai.

NT Bureau Chennai, Dec 19:

In today’s competitive environment, cost accounting and management played a critical role for enterprises to sustain business, according to T.V. Somanathan, managing director of Chennai Metro Rail Ltd and Secretary to Chief Minister of Tamil Nadu.

Businessmen have to be systematic in their approach by giving due importance to cost accounting and finalising the prices of their products or services to remain competitive,

he said. He pointed out low wage factor was no longer a possibility now with prices of essential commodities hitting the roof of late. He was speaking at a two-day Cost Congress 2009 summit organised by the Confederation of Indian Industry (CII) under the theme of ‘Active world-class excellence through Total Cost Management (TCM)’ in Chennai on Thursday.

Delivering a special address, US-based Institute of Management Accountants vice-president Raaf Lawson made detailed presentation on strategic challenges of the Chinese cost advantage.

OUR EVENT HISTORY

CONGRESS '96

CC:1996 : 1st International Conference on Total Cost Management highlights:

CII-TCM division's first flagship event, Cost Congress is conducted on 3rd & 4th October 1996 at Chennai, India, under the leadership for CII TCM Division, Mr. R Rajagopalan, M D (Comml), Wadia (India) Ltd.

Inaugural address by Mr Yoginder K Alagh, then Union Minister of State for Planning & Programme Implementation and Science & Technology.

Keynote address was delivered by Cost Guru Dr Peter Turney, President & CEO, Cost Technology Innc, USA.

The conference was attended by over 400 delegates. Eminent speaker from India, Australia, Peru, Singapore, Switzerland and the UK

Other prominent speakers
 Mr. Jack Claret of Chartered Institute of Management Accountants

Mr. Thomas Ericsson of ABB

Mr Bruce Hunt, Director, KPMG

Dr Stan Manton of the Warwick Manufacturing Group

Mr Alfredo Rodriguez-Neira, director, Public Accountants Association of Lima and

Mr. M G Subramanian of Hewlett Packard Ltd

TCM Division: starting operational Activities

The Total Cost Management Cell, under the Chairmanship of Mr. T Anantha Narayanan, became operative from April 1999 with the prime objective of imbuing a cost management philosophy in the Indian Industry.

TCM adopt 2 level approach to build the cost culture in the Indian Industry

Macro level Activities: Training programmes on TCM tools and techniques

Micro level Activates: Advisory services on TCM tools and techniques

TCM Division after Cost Congress 1996

With the feedback from Cost Congress 1996 and the economic imperatives of the present competitive environment led to a separate sub committee on Total Cost Management (TCM) being constituted.

This sub committee was chaired by Mr. T Ananthanarayanan, Executive Director (Finance) Ashok Leyland Ltd.

TCM Committee is conducting various seminars and conferences across the India

Cost Congress 98: 2nd International conference on total Cost Management: 8-9 December 1998 at Chennai

Theme: Total Cost Management - The tool for survival and growth

Dr Robert S Kaplan, Professor, Harvard Business School was the lead speaker for the conference

The two day conference covered sessions on

1. Strategic Cost Management ,
2. Process Change Management,
3. Logistics cost Management,
4. Supply chain Management,
5. Target Costing,
6. Activity Based Cost

Cost Congress 2000: 3rd International conference on Total Cost Management: 28-29 January 2000 at Chennai

Theme: TCM for Global Competitive Advantage

Highlights:

Dr. Vijay Govindarajan, Amos Tuck School, US was the keynote speaker

Prof Michiharu Sakurai, School of Business Administration, Senshu University in Japan delivered the special address.

Conference covered sessions on : 1. Management strategies for global competition, 2. Cost Management strategies for growth under WTO regime, 3. Cost management through manufacturing strategies, 4. Inter-Organizational cost management through integrated supply chain management, 5. Managing organizational change Cost Management in market-led pricing Balanced score card – it's role in TCM, 6. Transactional cost management

LUMINARIES ADDRESSED IN COST CONGRESS



Dr Robert Kaplan, Baker Foundation Professor, Harvard Business School



Dr. Peter Turney, Principal Research Officer, National Research Council-Canada & Adjunct Professor, University of Ottawa.



Prof. Vijay Govindarajan - Director, William F. Ahtmeyer Center for Global Leadership, Tuck School



Mr R Seshasayee: Managing Director, Ashok Leyland Limited



Mr Gary Cokins, Global Product Marketing Manager for Performance Management SAS



Prof. Lawson, Vice President of Research and Professor-in-Residence at the Institute of Management Accountants, USA

2. TRAINING PROGRAMME

TCM Movement is taken to organizations and individuals through various relevant tools and techniques embedded in TCM.

They are :-

- ABC
- Target Costing
- Time driven ABC
- Balance Scorecard
- Case Studies
- ABM
- Inventory Management
- TCO
- Supply Chain Management

TARGET AUDIENCE :-

It is earnest endeavor of CII-TCM Division to reach out the above modules to various finance and non-finance (all operational heads) personnel across the sectors.

The above modules, besides, providing technical perspective of the tools also provide, cost culture and cost consciousness stream into the mindsets of the target audience.

DURATION :-

It is either one/two day sessions either done in-house or open-house training programmes conducted across various metros in India.

CREDENTIALS :-

- Seminars & Conferences: Beneficiaries around 1500+ through TCM seminars conducted on various subjects from 2001 to till date
- TCM Training programmes: Beneficiaries around 400+ though in house training program in reputed organizations and general training programs conducted in various cities



TCM MATURITY MODEL

Launch of the CII-TCM Maturity Model



from L to R: Mr S Raghupathy, Senior Director & Head CII-Godrej GBC; Mr Ravi Bhamidipati, Chairman, Cost Congress 2007; Mr Ashok G Vadagama, President, CAM-I; Mr S Mahalingam, Chairman, CII TCM Working Group & CFO, TCS; Mr A N Raman, Member, CII TCM Working Group, Mr K V Mahidhar, Principal Counsellor, CII TCM Division.

TCM Maturity Model

CONCEPT

Considering the importance of cost management process as the heart of cost competitive strategies across sectors in the industry, CII has been positioning it as a framework entitled Total Cost Management (TCM).

CII has established TCM division under the aegis of Mr. Mahalingam CFO, TCS and through a panel of internal and external experts was established to bring in an integrated approach to improve the cost competitiveness of the Indian Industry.

CII has taken up the mission of cost management in the country through its TCM initiatives. The TCM initiative of the Maturity Model calibrates the maturity levels in cost management from a pace to the highest through 5 layers with differentiating characteristics at each layer.

It will be worthwhile to consider the description of TCM philosophy in the context of modeling its maturity levels in enterprises.

There are 5 levels of maturity in cost management practices which has been identified after considerable study and works with experts in domain field. The names of the levels are Minimal, Functional, Operational, TCM Enabled & Exemplary.

The numerical count of the levels is based on the CMM-I architecture in IT industry.

The top layer should be the destination for all the corporates regardless of the sectors.

It is expected that this Maturity Model assumes a very high level of importance in the evolving days of cost competitive pressures.

CII also set in motion a roadmap of assessing the levels of the enterprises on a voluntary basis and several of them have already been rated.

Several benefits are expected to accrue from the rating of the model – beginning from strategic perspective of cost to benchmarking the best practices.

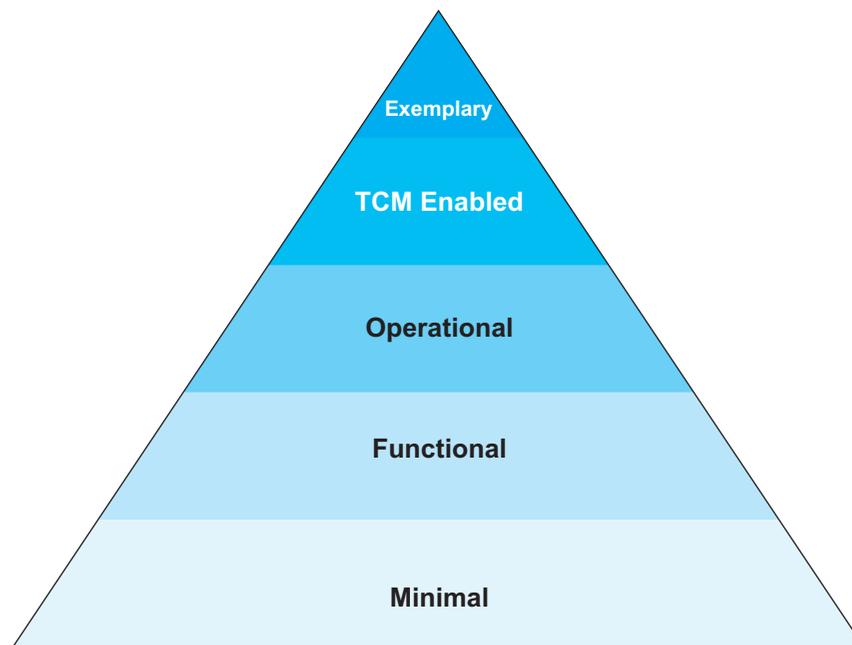
The Credit Rating Agencies, Financial Institutions and Insurance companies can play a significant role in taking this model to the industry. Awareness of this model to the above sectors will enable a better perspective of their rating of the industry.

A brief presentation to the prominent players in the Insurance, Credit Rating Agencies and Financial Institutions sector, will enable to bring in the right comment, visibility and efficacy of the model.

The overview of the maturity model to the above sectors brings in:

- An organization's sojourn across the maturity levels of the model and its related advancement in cost perspective at unit level and corporate level
- Facilitates better focus / understanding of systems / processes related to TCM

LEVELS OF TCM MATURITY MODEL



BACKGROUND

Business models are constantly reviewed for sustained competitiveness which has also injected a new dynamism into cost management. The basis and assumptions used in the traditional costing are constantly being challenged resulting in pressure for evolving the organizations into higher maturity levels.

The contemporary challenges, faced by the business organizations are emerging to be more intense than ever.

The focus point of the senior management at this moment is emphasizing on strategic issues and effectiveness of the resource utilization in the process of value creation of the business.

CII has taken up the mission of building cost competitiveness of the Indian Industry through TCM initiative. As part of this initiative CII TCM division has launched TCM Maturity model which is a major milestone in its objective of creating and sustaining TCM movement in Indian industry.

Genesis

The journey of TCM Maturity Model began in November 2007 with the draft version been launched by Mr S Mahalingam, Chairman-CII TCM Working Group & CFO and Executive Director, TCS.

Pilot Study

The year 2009 saw the participation from organizations from plethora of sectors. The response from the industry was overwhelming. The approach and content were standardized through the experiences of pilot studies.

CREDENTIALS:-

S. No.	Company Name	Industry	Location
1	Hi-Tech Arai Limited	Auto Ancillary	Madurai
2	Kirloskar Brothers Limited	Pumps	Dewas
3	Escorts Limited - Agri Machinery Group	Tractors	Faridabad
4	Subros Limited	Auto Ancillary	Noida
5	Godrej & Boyce Manufacturing Limited - Material Handling	Material Handling	Mumbai
6	Godrej & Boyce Manufacturing Limited - Security Solutions	Security Solutions	Mumbai
7	Godrej & Boyce Manufacturing Limited - Process Equipment	Process Equipments	Mumbai
8	Godrej & Boyce Manufacturing Limited - Precision Engineering	Precision Engineering	Mumbai
9	Amara Raja Batteries Ltd.	Batteries	Tirupati
10	JCB India Limited	Excavators	Ballabgarh
11	Kirloskar Brothers Limited (Re-Evaluated)	Pumps	Dewas
12	Menon & Menon Limited	Auto Ancillary	Kolhapur
13	ITC – ILTD (2 Plants)	Tobacco Processing	Guntur
14	Hyderabad Industries Limited	Building Materials	Hyderabad
15	CavinKare Private Limited	FMCG	Chennai
16	Kirloskar Brothers Limited	Pumps	Kirloskarvadi
17	Jindal Steel Works Limited*	Steel	Mumbai
18	Wipro Infrastructure Engineering Limited*	Engineering	Bangalore

* in the offing

TCM Maturity Model has gone through the process of IPR both for its text and logo.

Copyright:-

The chief proprietary of TCM Maturity Model is the questionnaire, the content of which is protected through Copyright Act of 1957. We have received the certificate of registration of copyright.

Trademark:-

The logo has been applied for the trademark and we are in process to receive the trademark rights.

VOICE OF EXPERTS

TCM Maturity Model received accolades from luminaries from

- CAM – I (USA)
- CMA (Canada)
- ICMA (Sri Lanka)
- IFAC - PAIB
- Dr Robert Kaplan, Baker Foundation Professor at Harvard Business School

VOICE OF COMPANIES

In the words of Godrej & Boyce Mfg. Co. Ltd.

We were having a feeling of inadequate costing systems in our business and were looking for ways to improve them. The interactions from introducing the concept, filling the questionnaire, assessment and the feedback helped us to appreciate where we are good, to understand the current state in the maturity process and to develop a read map to take it further. Concepts like moving from cost accounting to cost management, linking cost structures to strategy, risk management were completely new ideas and their interpretation in our context would not have been occurred to us with going through the process of assessment. We could experience the passion of the CII-TCM for evolving Cost Management further.

In the words of JCB India Ltd.

“Methodology followed by CII and Evaluators for assessing TCM practices helped to identify the gaps in process followed at JCBI. It further helped to understand the best practices & Structures followed by other Companies that are helping to improve on the process followed by JCBI.”

In the words of Kirloskar Brothers Limited, Dewas

The CII-TCM Model acts as a catalyst to integrate an all-pervading cost culture throughout the organization. It creates a thrust for cost control and cost reduction and enables the organization to focus on its cost structure continuously so as to achieve systems, procedural and financial benefits.”

BENEFITS

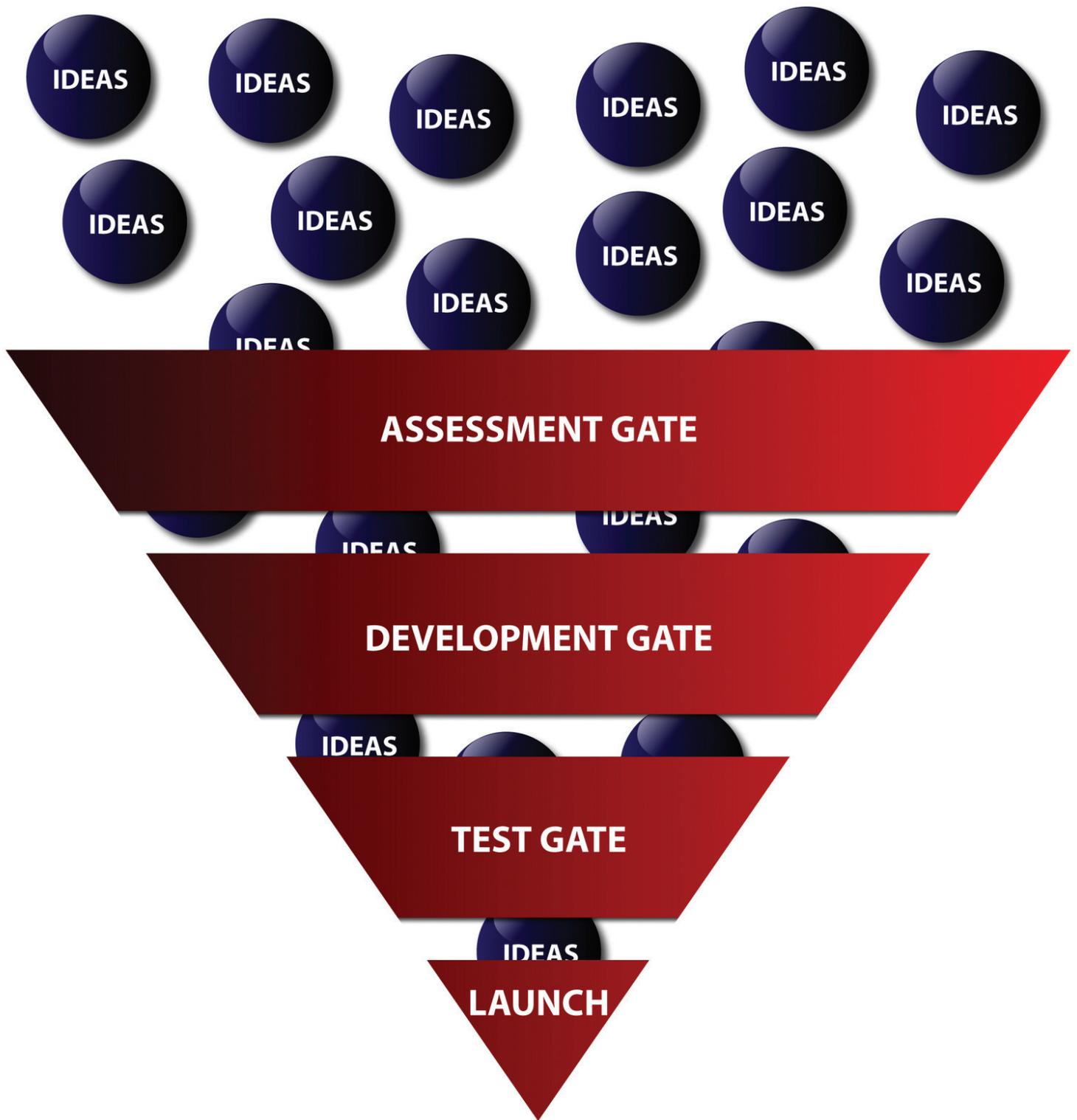
1. Strategic
 - a. Products and customer profitability: Through understanding individual product and customer profitability and its drivers, enable plethora of actions which transform unprofitable to profitable product/customer
 - b. Knowledge Management Process: It encompasses making vast amount of cost information accessible, sharing of the best practices and technology that enables generating new knowledge for achieving competitive advantage for the organization
2. Operational
 - a. Assessment of cost management maturity across the internal value chain
 - b. Emphasize and facilitate TCM culture across the Functional levels of the organization

TCM MATURITY MODEL IN SERVICE SECTOR AND MSMEs

Triggered by the success of the model in manufacturing industry, a draft version of the model for service sector and MSMEs has already been conceptualized. It is been proposed to take the model under pilot mode in the year 2011.

TCM MATURITY MODEL AWARDEES - 2009





Interaction

TCM CLUB

“Interactive and knowledge sharing for best practices in TCM”

TCM, an acronym for Total Cost Management, the concept and framework initiated by CII – TCM Division to enhance the cost competitiveness of the industry.

CONCEPT

CII proposes to bring on one platform, the galaxy of companies across sectors into its umbrella of membership. The primary objective is to provide a dais for cross fertilization and sharing of practices / ideas for betterment in both, operational and strategic areas.

The purpose behind setting up of common platform is to shorten the learning curve of the members. This enhances the knowledge sharing in a rapid manner.

OBJECTIVES

Both finance and operational heads of various organizations go through an array of cost management initiatives which generally become reactive measures from cost pressures (either internal or external).

It is an endeavor from CII to systematize and structure the initiatives and position them at strategic level of the organization. This would, for sure flow down towards echelons and functions.

ACTIVITIES

Meeting and get together of companies on quarterly basis in a host company to discuss and deliberate:-

- Best/Next practices in cost management both at strategic and operational level
- Contemporary developments in Total Cost Management
- Networking and exchange of ideas
- Provide roadmap towards a structured cost management process in organization

The initial and direct membership of TCM Club is for Maturity Model rated companies.

The other companies may please fill in the attached form at the end of this booklet to participate in this Interaction initiative.

About CII

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the growth of industry in India, partnering industry and government alike through advisory and consultative processes.

CII is a non-government, not-for-profit, industry led and industry managed organisation, playing a proactive role in India's development process. Founded over 115 years ago, it is India's premier business association, with a direct membership of over 8100 organisations from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 90,000 companies from around 400 national and regional sectoral associations.

CII catalyses change by working closely with government on policy issues, enhancing efficiency, competitiveness and expanding business opportunities for industry through a range of specialised services and global linkages. It also provides a platform for sectoral consensus building and networking. Major emphasis is laid on projecting a positive image of business, assisting industry to identify and execute corporate citizenship programmes. Partnerships with over 120 NGOs across the country carry forward our initiatives in integrated and inclusive development, which include health, education, livelihood, diversity management, skill development and environment, to name a few.

CII has taken up the agenda of "Business for Livelihood" for the year 2010-11. Businesses are part of civil society and creating livelihoods is the best act of corporate social responsibility. Looking ahead, the focus for 2010-11 would be on the four key Enablers for Sustainable Enterprises: Education, Employability, Innovation and Entrepreneurship. While Education and Employability help create a qualified and skilled workforce, Innovation and Entrepreneurship would drive growth and employment generation.

With 64 offices in India, 9 overseas in Australia, Austria, China, France, Germany, Japan, Singapore, UK, and USA, and institutional partnerships with 223 counterpart organisations in 90 countries, CII serves as a reference point for Indian industry and the international business community.

About TCM Division

The complex web of factors impacting the growth and performance of Indian Industry are economic scenario, input prices, forex fluctuations, skilled manpower availability, contemporary technology and competitiveness.

With the above challenges looming large at the industry, the greatest challenge to the industry is will be to produce high quality product/ service at the most economical cost. This will enable the organization to gain competitive advantage in the industry.

Objective

Understanding this requirement CII has established the TCM division to provide cost management services to the Indian industry.

The prime objective of the division is to facilitate the national movement on TCM in order to make Indian industry cost competitive.

Genesis and TCM Working Group

The TCM Committee was first visualized in early 1990s in Southern Region of CII during the Chairmanship of Mr Venu Srinivasan. A team consisting of Mr Venu Srinivasan, Mr T Anantha Narayanan, then Executive Director-Finance of Ashok Leyland and Mr KV Shetty, now director IP rings, short listed the external resources and formed the committee

first under the Chairmanship of Mr T Anantha Narayanan. This was followed by the Chairmanship of Mr S Narayan, MD of WS Industries and eventually it became a national agenda through the constitution of a working group under the Chairmanship of Mr S Mahalingam, CFO of TCS. Mr A N Raman, Cost Management Professional and Mr P Thiruvengadam, Senior Director, Deloitte have been contributing and working very closely with CII from 1990s towards TCM movement in the country

Key activities of the Division

- To create basic awareness on TCM through the series of workshops and interactive sessions across southern region. More than 3000 executives participated in these workshops. The workshop session was mainly focused on Activity Based Costing (ABC), Activity Based Management (ABM) and Target Costing etc.
- To give Indian industry more exposure on the global development on TCM. An international event on TCM-Cost Congress, was conceptualized. The first event was conducted in 1996 and the rest is history
- A booklet was released in 2001 by CII forming an basic understanding of TCM, its relevance to industry, myths of TCM and broad approach details follow this section
- A sub committee was formed in CII southern region on TCM under the chairmanship of Mr S Mahalingam which has grown to a working group of more than 90 CFOs now

Operational Activities

The core activities of the division are in the form of

- Training Programmes – Division is actively involved in training the executives across the industry to carry out practice of Total Cost Management in their respective organization in national and in-house level
- Seminars and conferences on important subjects – During the beginning of financial year, CII TCM Division proactively attempts to design the subjects of paramount importance and the contemporary topics and address this as topics for the events/seminars to be conducted during the course of the year
- Newsletters and case study booklet – the division's dynamic research wing is involved in understanding the current happenings and need of the industry and releasing the publications to address the need in the forms of newsletters, case study booklets
- TCM intervention in organizations/ MSME clusters in the form of implementing Cost Management tools and also facilitating in streamlining cost management systems
- TCM & research – A specially dedicated research arm is into developing new concepts in the discipline to improve the efficiency of an organization in managing the costs

TCM Maturity Model

In view of developing TCM and scaling into greater heights, a research wing is put in place to take this subject forward. The need understood to recognize the level of the cost management practices in an organization, to enhance the level of the systems and procedures of an individual unit to a certain level of Industry leader.

Realizing the need, the division has conceptualized and developed a model to assess and rate the cost management systems of an organizational unit.

TCM SERVICES

We are interested to know more details/avail the following services (please tick, whichever is applicable)

- CII – TCM Maturity Model & Rating
- Design and Streamlining of Costing System
- Cost Improvement Programme
- TCM Training Programmes

Name:

Designation:

Organization:

Address

.....

E-mail: Website

Tel Fax

SIGNATURE



Confederation of Indian Industry
Since 1895

K V Mahidhar, Principal Counsellor
Total Cost Management Division,

C/o CII-Sohrabji Godrej Green Business Centre, Survey No. 64, Kothaguda, NearHITEC City, Hyderabad - 500 084
Tel : +91 40 23112971 - 74, Ext. 201, 206, 219, Fax: +91 40 23112837 email : tcm@cii.in, web : www.ciitcm.in

TCM CLUB

We are interested to

- Know more about TCM Club
- Join TCM Club

Name:

Designation:

Organization:

Address

.....

E-mail: Website

Tel Fax

SIGNATURE



Confederation of Indian Industry
Since 1895

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Total Cost Management Division,

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Confederation of Indian Industry

Since 1895

K V Mahidhar

Principal Counsellor

Total Cost Management Division

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