

Introduction to Strategic Cost Management

① Necessity of SCM

Cost analysis in broader context

Cost data is analysed & used strategically

Clear understanding of cost structure

Mgmt. use of Cost of Information

Overall recognition of Cost leadership.

② 4 Stages of Implementation of SCM

1) Formulation 3) Implementation

2) Communication 4) Control

③ Traditional Cost Management Limitations

> Focus on Cost Control & Reduction

> Does not consider external factors on Competition

> Inferior quality of goods

> It does not consider dynamics of marketing & economics.

> Limited focus on review & improvisation

> Reactive approach. (Not proactive).

> Short Term Outlook.

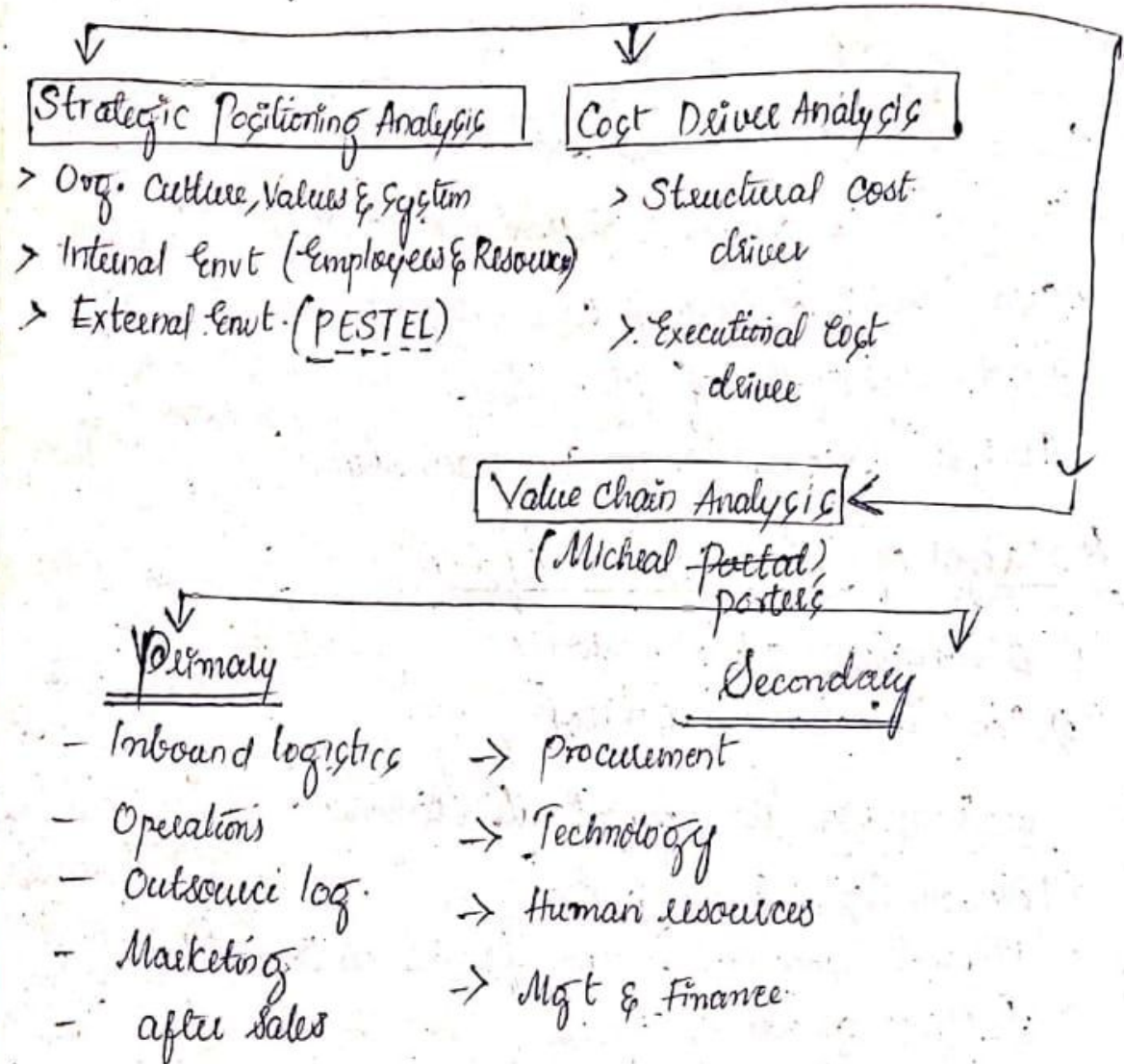
④ Components of SCM

① Sustainable Competitive advantage:

② Product differentiation. **

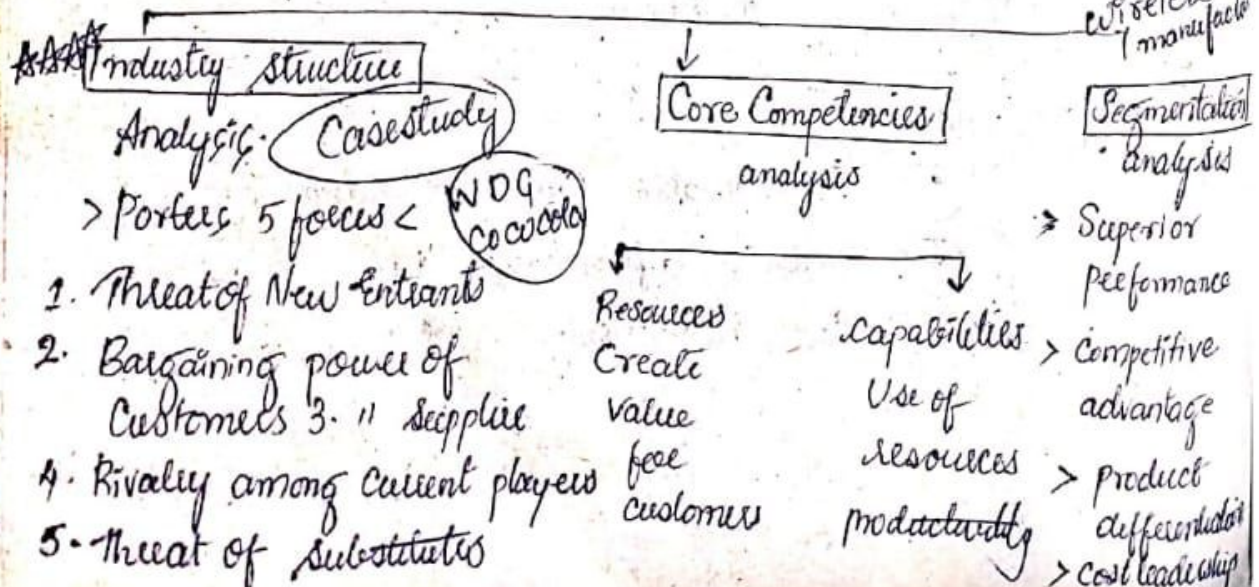
③ Cost Leadership. **

> Components of SCM.

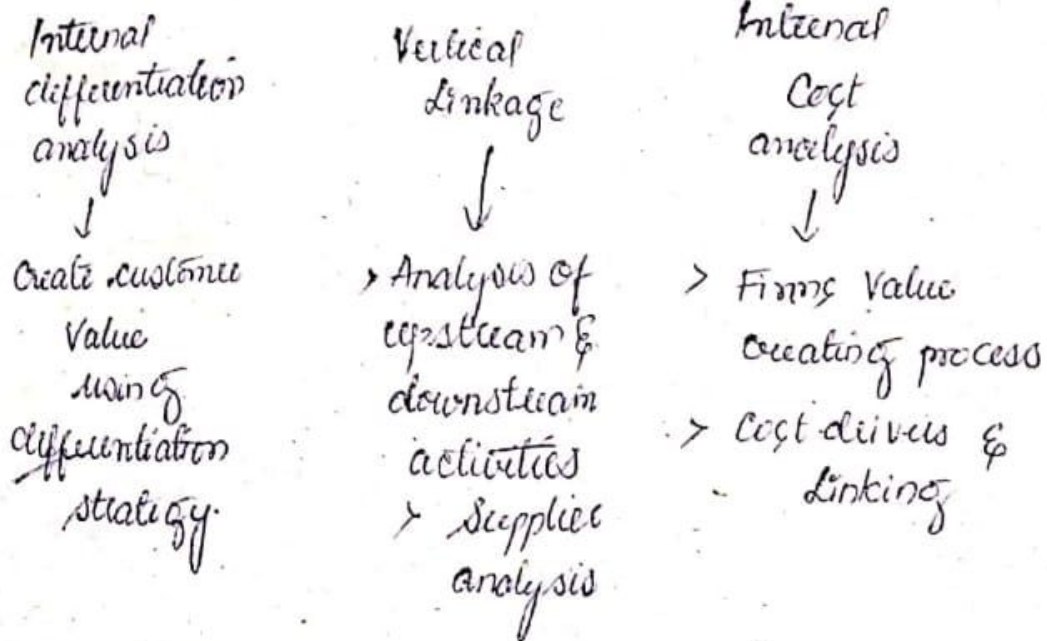


Case study - Smart Example

> Strategic framework for VCA.



> VCA for Competitive advantage :-



> Value shop model → Service Industry VCA

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| <p>- problem solving</p> <p>- problem finding</p> <p>- choice</p> <p>- Execution</p> <p>- Control / Evaluation</p> | <p>Dr. James Thompson</p> <p>↓</p> <p>Service Sector</p> <p>↓</p> <p>Mobilising / Integrate the resources like people & their knowledge</p> |
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> Traditional Vs S-C-M ✓

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| <p>- Short term focus</p> <p>- Cost Control & reduction</p> <p>- Risk averse Strategy</p> <p>- Focus on Internal factors</p> <p>- Focus on records keeping controlling & problem solving</p> | <p>"</p> <p>Cost Control, reduction</p> <p>Value enhancement</p> <p>Risk taking strategy.</p> <p>- (+) External factors</p> <p>- product differentiation & Cost leadership.</p> |
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