Introduction to Strategic Cost Management

> 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.

> 4 Stages of Implementation of SCM

1) Formulation 3) Implementation
2) Communication 4) Control

> Traditional Cost Management Limitations

> Focus on Cost Control & Reduction
> Doesnot 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.

> Components of SCM.

1. Sustainable Competitive advantage:
2. Product differentiation. **
3. Cost Leadership. **

> Components of SCM.

Strategic Positioning Analysis

> Org. Culture, Values & System
> Internal Envt (Employees & Resources)
> External Envt (PESTEL)

Cost Driver Analysis

> Structural cost driver
> Executional cost driver

Value Chain Analysis
(Micheal ~~Portal~~ porters)

Primary

- Inboard logistics
- Operations
- Outsource log.
- Marketing
- after sales

Secondary

-> Procurement
-> Technology
-> Human resources
-> Mgt & Finance

Case study - SMart Example

> Strategic framework for VCA

Case study wireless / manufactor

Industry structure Analysis Casestudy WDG cocacola

> Porters 5 forces <

1. Threat of New Entrants
2. Bargaining power of Customers 3. " Supplier
4. Rivalry among current players
5. Threat of Substitutes

Core Competencies analysis

Resources Create value for customer

Capabilities Use of resources productivity

Segmentation analysis

> Superior performance
> Competitive advantage
> product differentiation
> cost leadership

Scanned with CamScanner

> **VCA for Competitive advantage :-**

Internal differentiation analysis	Vertical Linkage	Internal Cost analysis
↓	↓	↓
Create customer Value using differentiation strategy.	> Analysis of upstream & downstream activities > Supplier analysis	> Firms Value creating process > Cost drivers & Linking

> **Value shop model → Service Industry VCA.**

- problem Solving
- problem finding
- choice
- Execution
- Control / Evaluation

Dr. James Thompson.
↓
Service Sector
↓
Mobilising / Integrate the resources like people & their knowledge

> **Traditional Vs S-C-M** ✓

Traditional	S-C-M
- Short term focus	"
- Cost Control & reduction	Cost Control, reduction Value Enhancement
- Risk averse Strategy	Risk taking strategy.
- Focus on Internal factors	- (+) External factors.
- Focus on records keeping Controlling & problem Solving	- product differentiation & Cost leadership.