Chapter Summary

SCM

Traditional Cost Management Disadvantage
- Short term outlook
- Limited focus on revision & improvisation
- Ignore dynamics of marketing and economics
- Excessive focus on cost reduction
- Ignore competition, market growth and customer requirement
- Reactive approach

SCM
- Sustainable competitive advantage
- Product differentiation
- Cost leadership

LEADS TO DEVELOPMENT OF

4 STAGES
- Formulation
- Communication
- Implementation
- Control

Necessity
- Cost analysis in a broader context
- Cost data is analysed and used strategically
- Clear understanding of company’s cost structure
- Managerial use of cost information
- Overall recognition of cost relationship

COMPONENTS OF SCM

A
- Strategic Positioning Analysis
  - Organization culture, values & system
  - Internal environment
  - External environment

B
- Cost Driver Analysis
  - Structural cost driver
  - Executional cost driver

C
- Value Chain Analysis
  - Primary
    - Inbound logistic
    - Operations
    - Outbound logistic
    - Marketing
    - After sales
  - Secondary
    - Procurement
    - Technology
    - Human resources
    - Management & finance

CASE STUDY: S-MART

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INTRODUCTION TO STRATEGIC COST MANAGEMENT

STRATEGIC FRAMEWORK FOR VCA

Industry Structure Analysis

Core Competencies Analysis

Segmentation Analysis

资源 (Resources)

能力 (Capabilities)

(创造客户价值)

(利用资源生产性)

Superior Performance

Competitive Advantage

Product Differentiation

Cost Leadership

CASE STUDY: WIRELESS MANUFACTURER

PORTER’S 5 FORCES

- Threat of New Entrants
- Bargaining Power of Customers
- Bargaining Power of Suppliers
- Rivalry among Current Players
- Threats from Substitutes

CASE STUDY: WDG, COCA-COLA

VCA FOR COMPETITIVE ADVANTAGE

内部成本分析 (Internal Cost Analysis)

垂直链接分析 (Vertical Linkage Analysis)

内部差异化分析 (Internal Differentiation Analysis)

- 厂商价值创造过程。
- 成本驱动器和链接。

- 上游及下游活动分析。
- 供应商分析。

- 创建客户价值。
- 使用差异化战略。

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THEORY OF CONSTRAINTS (TOC)

5 Step Diagram

1. Identify The Constraint
2. Elevate The Performance of The Constraint
3. Subordinate & Synchronize to The Constraint
4. Exploit The Constraint
5. Repeat The Process

THEORY OF CONSTRUCTION

SUPPLY CHAIN MANAGEMENT

INTEGRATION OF KEY BUSINESS PROCESS FROM SUPPLIER TO END USER

CASE STUDY: SUN ELECTRONICS

TYPE OF SUPPLY CHAIN

PULL STRATEGY

PRODUCTION BASED ON ANTICIPATED DEMAND

PUSH STRATEGY

PRODUCTION BASED ON ACTUAL DEMAND

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UPSTREAM SUPPLY CHAIN MANAGEMENT

- RELATIONSHIP WITH SUPPLIERS
  - SUPPLIER STRATEGY
  - SOURCES (ALL OVER THE WORLD)
  - NUMBER OF SUPPLIERS (BULK PURCHASE, DISCOUNT)
  - COST, QUALITY, AND SPEED OF DELIVERY
  - MAKE OR BUY AND OUTSOURCING

- USE OF TECHNOLOGY
  - E-PROCUREMENT
    - E-SOURCING
    - E-PURCHASING
    - E-PAYMENT

DOWNSTREAM SUPPLY CHAIN MANAGEMENT

- Relationship Marketing
  - INTERNAL MARKETS
  - REFERRAL MARKETS
  - INFLUENCE MARKETS
  - RECRUITMENT MARKETS
  - SUPPLIER MARKETS
  - CONSUMER MARKETS

- Customer’s Relationship Management
  - ANALYSIS OF CUSTOMERS AND THEIR BEHAVIOR
  - CUSTOMER ACCOUNT PROFITABILITY
  - CUSTOMER’S LIFETIME VALUE
  - CUSTOMER’S SELECTION, ACQUISITION, RETENTION & EXTENSION

CASE STUDY: CINEMWORLD PRACTICAL QUESTION
APPLE INC

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Chapter Summary

**LEAN SYSTEM**

- Waste Minimization & Optimizing Work Flow by minimizing 7 Wastes
  - T: Transportation
  - I: Inventory
  - M: Motion
  - W: Waiting
  - O: Over-processing
  - O: Over-production
  - D: Defects

**PRINCIPLES**
- Perfect First Time Quality
- Waste Minimization
- Continuous Improvement
- Flexibility

**CHARACTERISTICS**
- Zero Waiting
- Zero Inventory
- Continuous Flow of Production

**TECHNIQUES OF LEAN SYSTEM**

**LEAN 1**

**JIT**

(Procure products / components as they are required by the customer.)

**PROCESS**
- Receive order from customer
- Intimate supplier for raw material
- Straight delivery to production floor
- Complete production
- Dispatch
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LEAN SYSTEM AND INNOVATION

JIT

**ADVANTAGE**
- Reduction in inventory
- Reduce space requirement
- Lower production cost

**DISADVANTAGE**
- Danger of disrupted production due to non-arrival of supplies
- High dependence on suppliers
- Increased ordering and admin costs

**Accounting in JIT**
**BACKFLUSHING:**
- Find total production completed in a month
- Calculate raw material required per production unit
- = Total raw material supplied for production

**Ways To Resolve JIT Problems**
- Kanban Card
  - (System used to pull work authorization through production system)
- Working Cells
  - (Small cluster of machine which can be run by single machine operator)

**Performance Measurement in JIT**
- Machine Utilization
- Direct Labour Efficiency Tracking
- Price Rate Tracking

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**LEAN 2**

**KAIZEN COSTING (CHANGE FOR BETTER)**

- Continuous Improvement
- Elimination of Waste in Production
- Benefit in small values

**CASE STUDY**

Zen Limited

**LEAN 3**

**5S**

- **SORT** (Seiri)
  - Removal of unnecessary things from work area.
- **SET IN ORDER** (Seiton)
  - Systematic arrangement of necessary things.
- **SHINE** (Seiso)
  - Keep work area clean & safe
- **STANDARDIZE** (Seiketsu)
  - Process measures established and best practices in work area.
- **SUSTAIN** (Shitsuke)
  - Continue the above things in disciplined way

**CASE STUDY:**

Y & E Chartered Accountants

**LEAN 4**

**TPM**

**EQUIPMENT MAINTENANCE TO ACHIEVE**

- No breakdown
- No defect
- No small stop

**8 PILLARS OF TPM**

1. Autonomous Maintenance
2. Planned Maintenance
3. Quality Maintenance
4. Focused Improvement
5. Early Equipment Management
6. Training and Education
7. Safety, Healthy, Environment
8. Office TPM

**CASE STUDY:**

Super Refineries Limited
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LEAN SYSTEM AND INNOVATION

PERFORMANCE MEASUREMENT IN TPM (OEE)

3 MAIN THINGS

AVAILABILITY
NO STOPS
(EQUIPMENT FAILURE/ BREAKDOWN SETUP/ ADJUSTMENT)
> 90%

PERFORMANCE
NO SMALL STOPS OR SLOW RUNNING
(IDLING & MINOR STOPPAGE REDUCED SPEED)
> 95%

QUALITY
NO DEFECTS
(REDUCTED YIELD, QUALITY DEFECTS & REWORK)
> 99%

LEAN 5
CELLULAR MANUFACTURING

A manufacturing process that produce facilities of parts within a single line or cell of machine operated by machinists who work only within the line or cell. A cell is a small scale, clearly defined production unit within a larger factory.

A sub section of JIT and lean system is cellular manufacturing. It encompasses group technology. The goals of cellular manufacturing are:

- To move as quickly as possible,
- Make a wide variety of similar products,
- Making as little waste as possible.

LEAN 6
SIX SIGMA

SIX SIGMA IS THE STATISTICAL MEASURE USED TO ENSURE QUALITY OF PRODUCTS AND SERVICES.

- 99.999998% OR 0.002 DEFECTS PER MILLION.
- Measure use to ensure quality of products and services.
- Customer satisfaction.
- Goal of perfection.

DMAIC
FOR EXISTING PROCESS

D - DEFINE
M - MEASURE
A - ANALYSIS
I - IMPROVE
C - CONTROL

DMADV
FOR NEW PROCESS

D - DEFINE
M - MEASURE
A - ANALYSIS
D - DESIGN
V - VERIFY

CASE STUDY
(ASPL)
(DERBY GRAY)

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LEAN SYSTEM AND INNOVATION

INNOVATION

PROCESS INNOVATION

BUSINESS PROCESS REENGINEER

PROCESS INNOVATION

PROCESS INNOVATION MEANS THE IMPLEMENTATION OF A NEW OR SIGNIFICANTLY IMPROVED PRODUCTION OR DELIVERY METHOD (INCLUDING SIGNIFICANT CHANGES IN TECHNIQUES, EQUIPMENT AND OR SOFTWARE).

PRODUCTION DELIVERY SUPPORT SERVOCCE

BUSINESS PROCESS REENGINEERING

REDICAL REDESIGN

DRAMATIC IMPROVEMENT

END TO END BUSINESS PROCESS

FUNDAMENTAL RETHINKING

PRINCIPLES OF BUSINESS PROCESS RE-ENGINEERING

- ORGANIZE AROUND OUTCOMES
- HAVE THOSE WHO NEED THE RESULTS OF A PROCESS PERFORM THE PROCESS
- TREAT GEOGRAPHICALLY DISPERSED RESOURCES AS THOUGH THEY WERE CENTRALIZED
- LINE PARALLEL ACTIVITIES INSTEAD OF INTEGRATING THEIR RESULTS
- PUT THE DECISION POINT WHERE THE WORK IS PERFORMED, AND BUILD CONTROLS INTO THE PROCESS

MAIN STAGE OF BPR

PROCESS IDENTIFICATION

EACH TASK PERFORMED BEING RE-ENGINEERED IS BROKEN DOWN INTO A SERIES OF PROCESSES.

PROCESS REASSEMBLY

RE-ENGINEERED PROCESSES ARE IMPLEMENTED IN THE MOST EFFICIENT MANNER.

PROCESS RATIONALISATION

PROCESSES WHICH ARE NON VALUE ADDING, TO BE DISCARDED.

PROCESS REDESIGN

REMAINING PROCESSES ARE REDESIGNED.

CASE STUDY FORD MOTOR ANI

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