



# Proposed Framework on Total Cost Management (TCM) by

CII TCM Division



## Framework – Meaning & Examples

- Any framework logically presents the building blocks of an evolving domain of knowledge.
- It lays the conceptual foundation in a structured way.
- The boundaries can be expanded around the structure as the domain evolves.
- Some of the best known frameworks which have become gold standards of GLOBAL Practices are
- Sustainability Framework of GRI.
- COSO Framework on Internal Control
- COSO Framework on Enterprise Risk Management.



## Why TCM Framework from CII TCM Division

- Plethora of ideas and perceptions dominate business as cost management goals.
- EBITA improvement alone seen as a goal of cost management.
- Cost Reduction or Waste Elimination through Kaizen alone seen as a boundary of cost management.
- Cost Accounting practices frequently equated with good cost management.
- New developments in the field of measuring current and future costs.
- Need for evolving a scale to benchmark current practices and plan a journey of excellence towards cost competitiveness.



# Contents of TCM Framework

- Background
- Strategic Context
- Journey towards TCM excellence
- Guiding Principles of TCM.
- Tools of TCM
- TCM Processes
- KPIs of TCM (output)
- TCM Outcomes
- TCM Maturity Levels





# Guiding Principles of TCM

1. Resource Centric
2. Strategic Connect.
3. Future Outlook
4. Integration with other initiatives
5. Learning and Innovation
6. Enterprise wide involvement
7. Aligned to policy deployment
8. Process Orientation.
9. Performance Orientation



## Principles Expanded

- Resource Centric . Akin to sustainability in GRI framework and Risk to COSO framework , measurement and management of resources will be central to TCM framework.
- Strategic Context. Connecting TCM to the business strategy. Elements of strategy like markets, customers , new products, new processes to become the coordinates of cost management. Sharp contrast to factory as starting point.
- Future Outlook. Measuring and managing life cycle costs and target costs in sharp contrast to accounts based historical cost structures.



## Principles Expanded (contd)

- Integration with other initiatives. Alignment and not overlapping or competing with other initiatives such as TQM, TOM, Lean Philosophy, Business excellence etc. architecture.
- Learning and Innovation. The commonly known PDCA cycle embedding in TCM and connecting innovation into the TCM. Competency matrix of the organisation to be inclusive of TCM.
- Enterprisewide involvement. Ownership of TCM across the enterprise and extend to full value chain. Metrics of TCM to be deployed in all functions and not finance alone.



## Principles Expanded (contd)

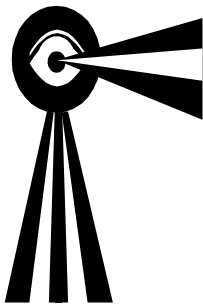
- Aligned to policy deployment. Leadership voice on TCM linked to business strategy at optimum intervals. Key matrices linked to overall goals to be deployed at all levels as a cascading exercise.
- Process Orientation. The business processes supporting the business strategy to become an integral part of TCM.
- Performance Orientation. The desired outcomes of the TCM efforts to be clearly set as a part of the organisational TCM framework and measured.



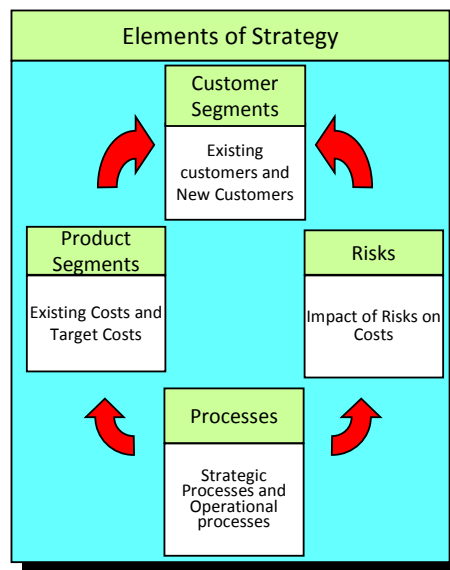
# TCM Tools alignment with Business Strategy

## Understand Strategy

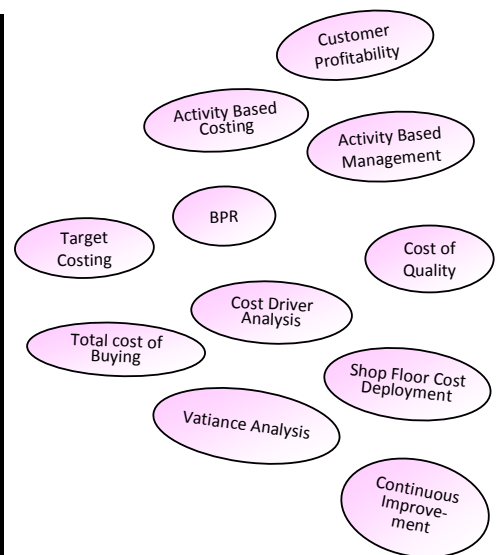
Strategy



## Translate the Strategy



## Develop and Align Initiatives and Actions



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