

Subject : Cost Management

Strategic Cost Management

Program overview

- 3 hours e-learning
- 2 days classroom

As companies in supply chains look for ways to differentiate themselves in the 21st Century, technology, quality, service and timely delivery may not be the answer. However, providing all of these at a lower cost than that of a rival supply chain will ensure long-term profitability and survival. In the Strategic Cost Management training, participants will learn about the different cost models for analyzing cost in the supply chain.

In this program participants will learn how to analyze the costs behind the price. Using various sources, from industry benchmarks to financial reports, participants will be trained in applying various cost models in practice (should cost, percentage of sales, quote analysis etc.). Another method dealt with in this course to analyze supply chain costs is Value Analysis (VA). VA is a methodology for identifying and dealing with the factors that cause un-contributing cost or effort in products, processes, or services.

Target Audience

This program is intended for employees:

- with a bachelor or master degree (or on equivalent level via work experience) with at least 3 years of procurement/supply management experience, mastering core procurement/supply management skills and at least 3-5 years of business experience;
- who are involved in discussions internally and with suppliers to reduce overall cost in the supply chain.

Objectives

Through this program participants will be able to:

- calculate the value and cost structure of a product of service;
- understand the importance of cross functional and cross company approach to strategic cost management;
- recognize sustainable cost reduction potential;
- construct a product or service flow diagram;
- identify cost drivers and cost levers;
- identify in-efficiencies related to the value chain;
- drive action planning for cost reduction: measure, track and drive improvements and cost reduction.

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Content: E-learning, 3 hours

1. Introduction to Financial Accounting for Non-Financials
2. Introduction to Cost Analysis
3. Costimation : Introduction to Should Cost

Content: Classroom, 2 days

- Introduction to Total Cost Management and Integrated Supply Chain Management
- Cost Analysis Techniques
 - ◊ Should cost technique
 - ◊ Total Cost of Ownership technique
- Value Analysis
 - ◊ Mapping / cost & activity breakdown
 - ◊ Analysis (cost drivers & benchmarking)
 - ◊ Improvement opportunities
- Identifying cost reduction opportunities
- Price indexation

Ongoing	Leverage Cost Analysis Focus	Strategic Continuous Improvement Focus
Frequency of Purchase	<ul style="list-style-type: none"> •Estimate cost relationships •Value Analysis •Analysis of supplier cost breakdowns •Cost estimate/"Should Cost" •Industry Analysis •Total Cost modeling 	<ul style="list-style-type: none"> •Open books •Target Cost analysis •Competitive assessment/teardowns •TCO analysis •Total Cost modeling of the supply chain
	Routine Price Analysis Focus	Critical Projects Life Cycle Cost Focus
One time	<ul style="list-style-type: none"> •Competitive bids •Comparison price list/catalogues •Comparison to established market •Comparison to history •Price indices •Comparison to similar purchases 	<ul style="list-style-type: none"> •TCO analysis/life cycle costing •TCO analysis of supply chain
	Arms-length	Strategic Alliance
	Type of Relationship Sought With Supplier	

Lisa Ellram's Cost Analysis Framework