

CMA Canada/CAM-I Summit
On Cost, Process and Performance
Management

September 6 & 7 2006

Delta Meadowvale Resort and Conference
Center

Mississauga, Ontario

Hitting the Target
The CAM-I Target Costing
Implementation Guide

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Agenda

- Field of Dreams Implementation Approach
- Interactive Questions with Audience
- Benefits of the Implementation Guidebook
- Target Costing: What is it? / Why is it important?
- Target Costing Process Overview
- Content Source: CAM-I Target Costing Interest Group
- Guide Book Development & Scope
- Guide Book Organization
- Key Learning's from the chapters
- How can I learn more?

Not so fast

- Implementation is no easy task
 - Sometimes when you build it, they still don't come.
 - The reality of day-to-day operations overwhelms attempts to make the necessary changes to make the target costing process successful.
 - Target Costing requires people to change their existing practices or habits.... The experience of the new is rarely without some stirring of foreboding.

So.... Have you tried?

Audience Participation

“Who has experience implementing a new process in their environment?”

“Tell me a story, good, bad, or ugly about your change management initiative.”

Benefits of the Guidebook

This book balances the change management aspects of target costing with the technical tasks that need to be accomplished.

- Provides a road map so you can proceed logically
- Avoid false turns
- Avoid spending capital on tools you are not ready for.
- Prioritize the implementation tasks

What is Target Costing?

“The target costing process is a system of profit planning and cost management that is price led, customer focused, design centered and cross functional. Target costing initiates cost management at the earliest stages of product development and applies it throughout the product life cycle by actively involving the entire value chain.”

CAM-I Target Costing Group (1996)

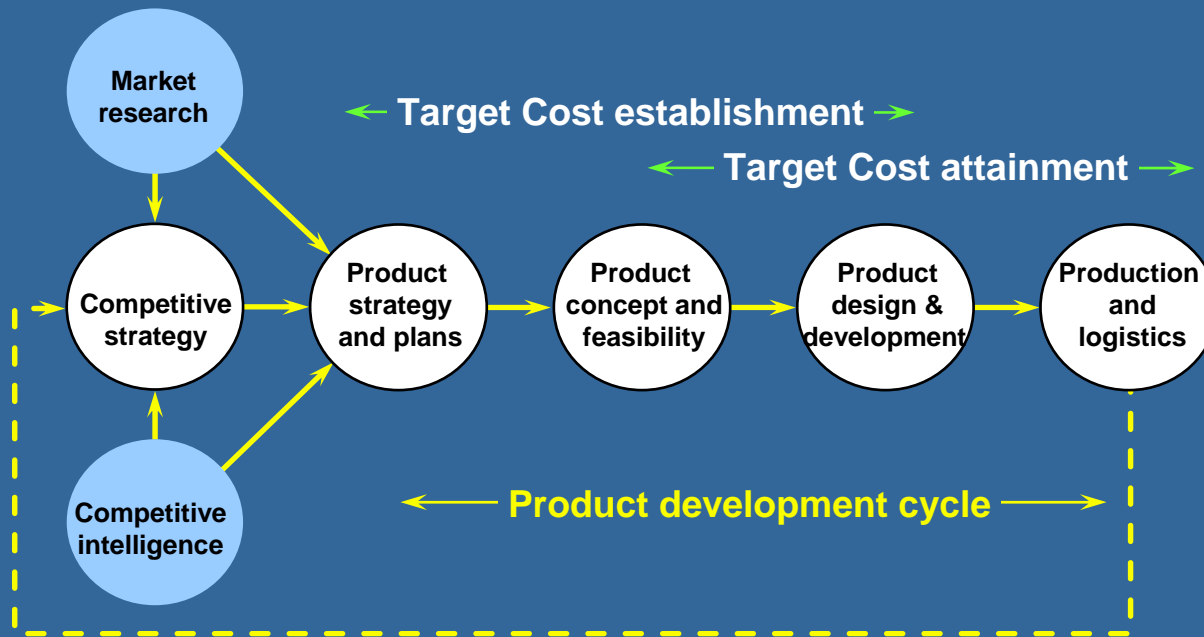
Why do Target Costing?

- Improve profit, market or cost position
- Produce the right product at the right time for the right price.

For many organizations this means reducing costs without sacrificing quality.

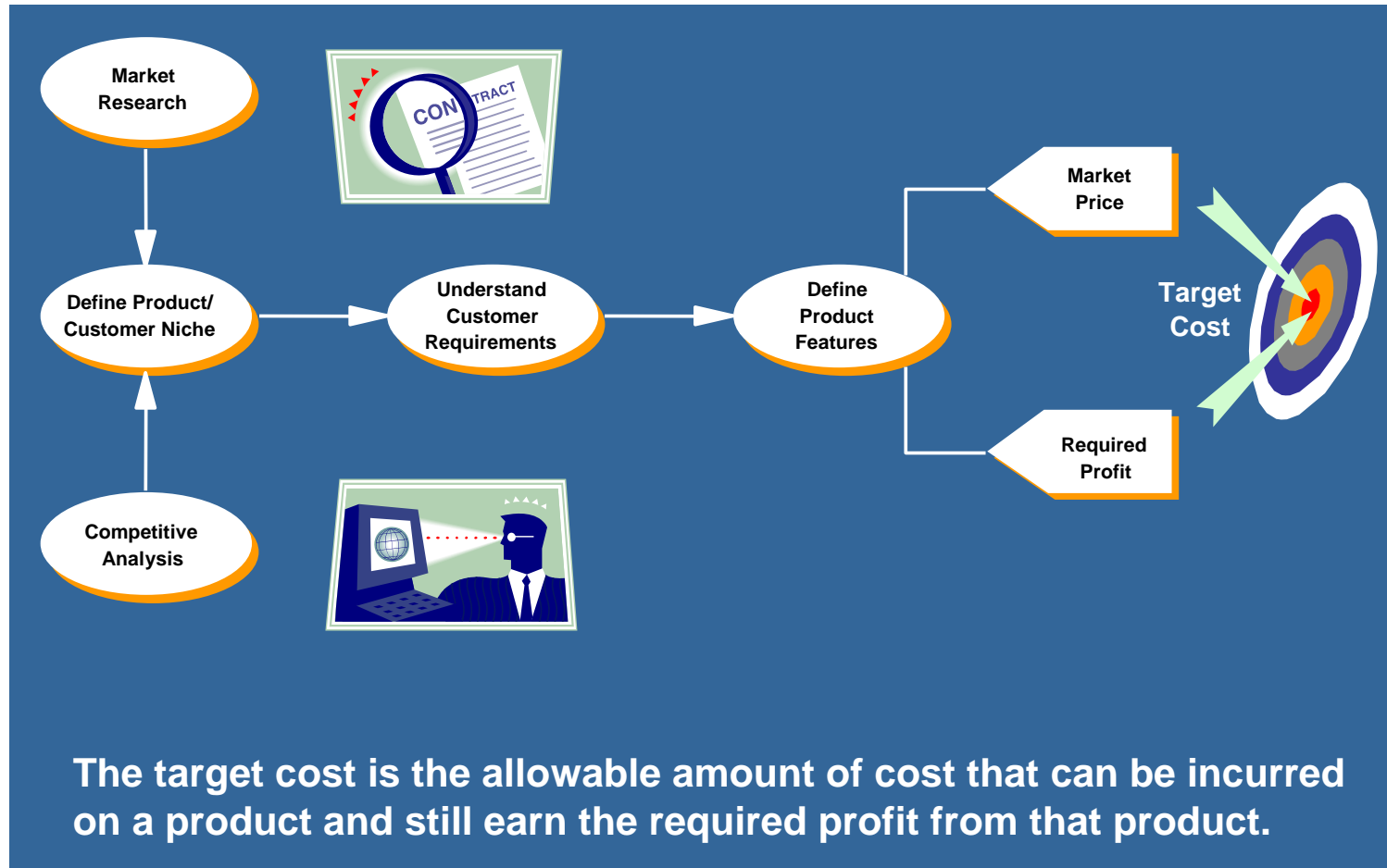
Process Overview

VOICE OF THE CUSTOMER

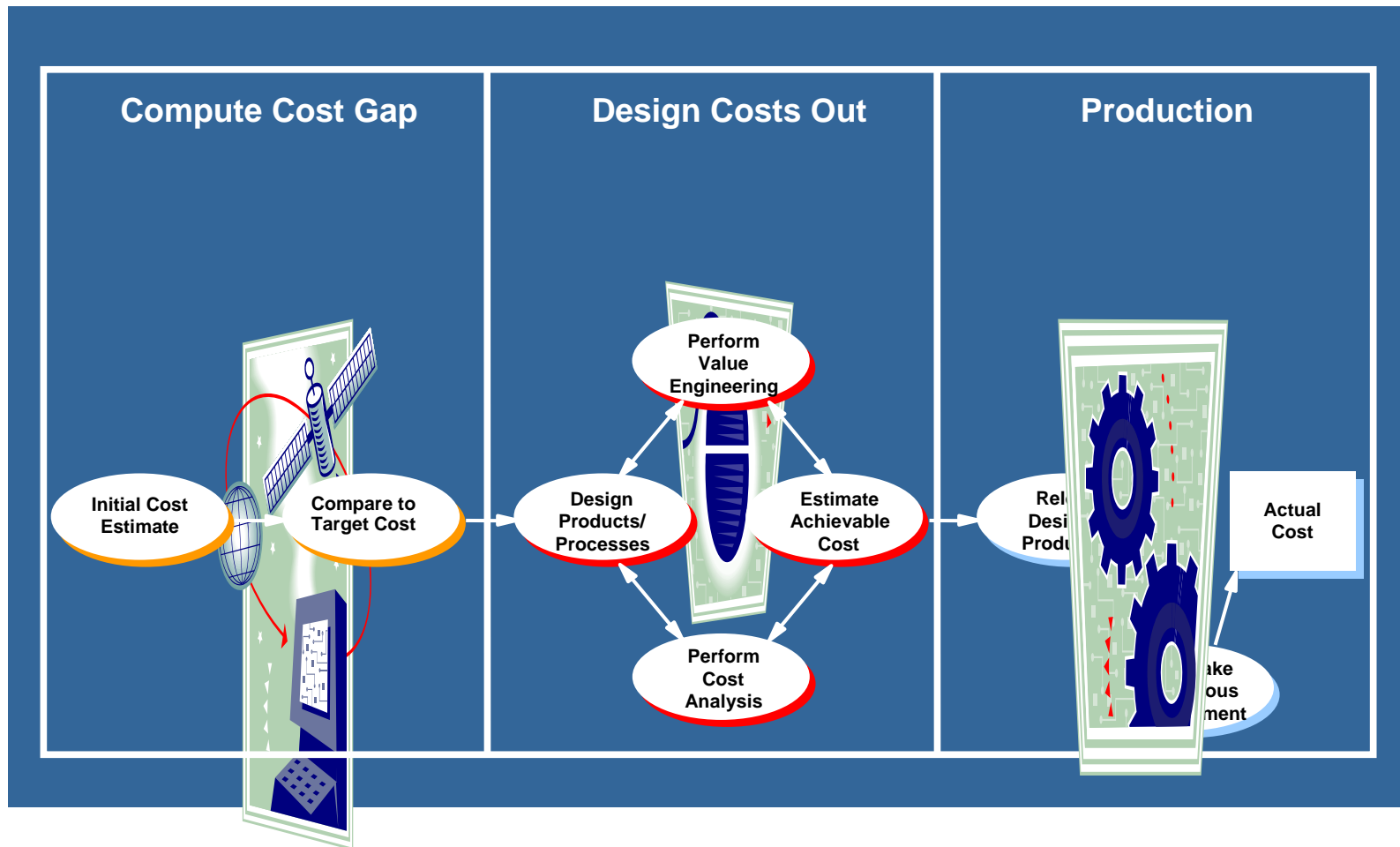


EXTENDED ENTERPRISE PARTICIPATION

Process: Target Establishment



Process: Target Attainment



Guidebook Content

CAM-I Target Costing Best Practice Interest Group

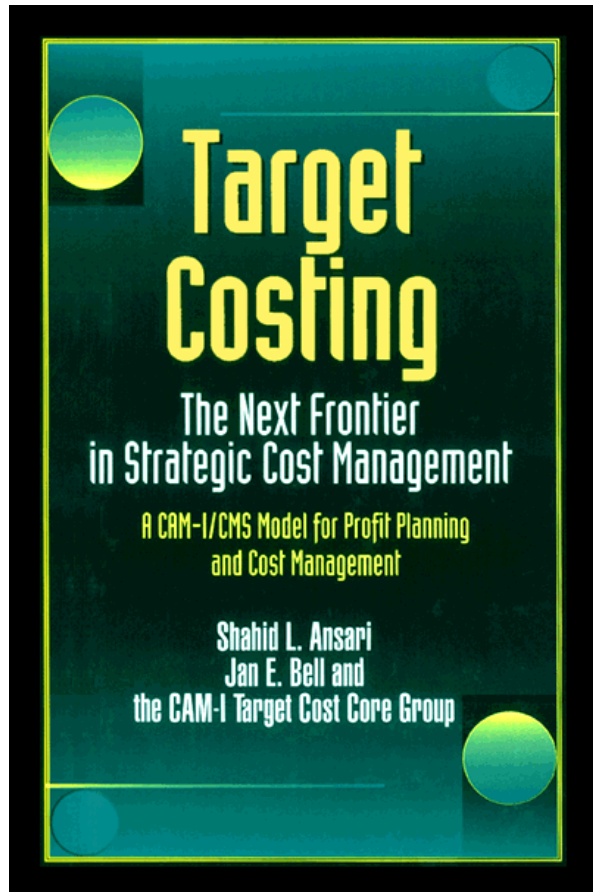
➤ **Mission Statement:**

- Develop on ongoing vehicle for sharing target costing practices among the participants

➤ **Accomplishments:**

- The Book ***Target Costing: The Next Frontier in Strategic Cost Management - 1997***
- The CAM-I Target Costing Process Model
- 8-Hour CAM-I Target Costing Training Course
- **International Target Costing Best Practice Study 1999**
- CAM-I Target Costing Diagnostic Tool - 2000
- **Best Practices in Target Costing Implementation Study 2002**

Information Source



www.cam-i.org

Core Team

Allied Signal
Arthur Andersen LLP
The Boeing Company
Chrysler Corporation
Eastman-Kodak
Texas Instruments
Cal State Northridge

Participation from:

AMP, Incorporated
Arizona State University
Caterpillar
Eastman Chemical
Emerson ElectricCo.
Fraunhofer Institute
GTE
Harris Corporation
Johnson Controls
Metropolitan State University
NUMMI
Osaka City University
Pella Corporation
Rockwell Corp./Rocketdyne
Sandia National Laboratories
San Jose State University
SMAC
University of Missouri-Columbia

Guidebook Development

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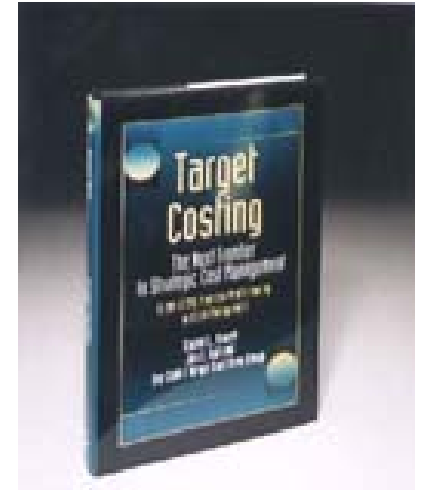
- The Boeing Company
- Cost Vision
- IBM Systems & Technology
- i4cast
- Maytag Corporation
- Northrop Grumman IT TASC
- Rockwell Collins
- US Coast Guard

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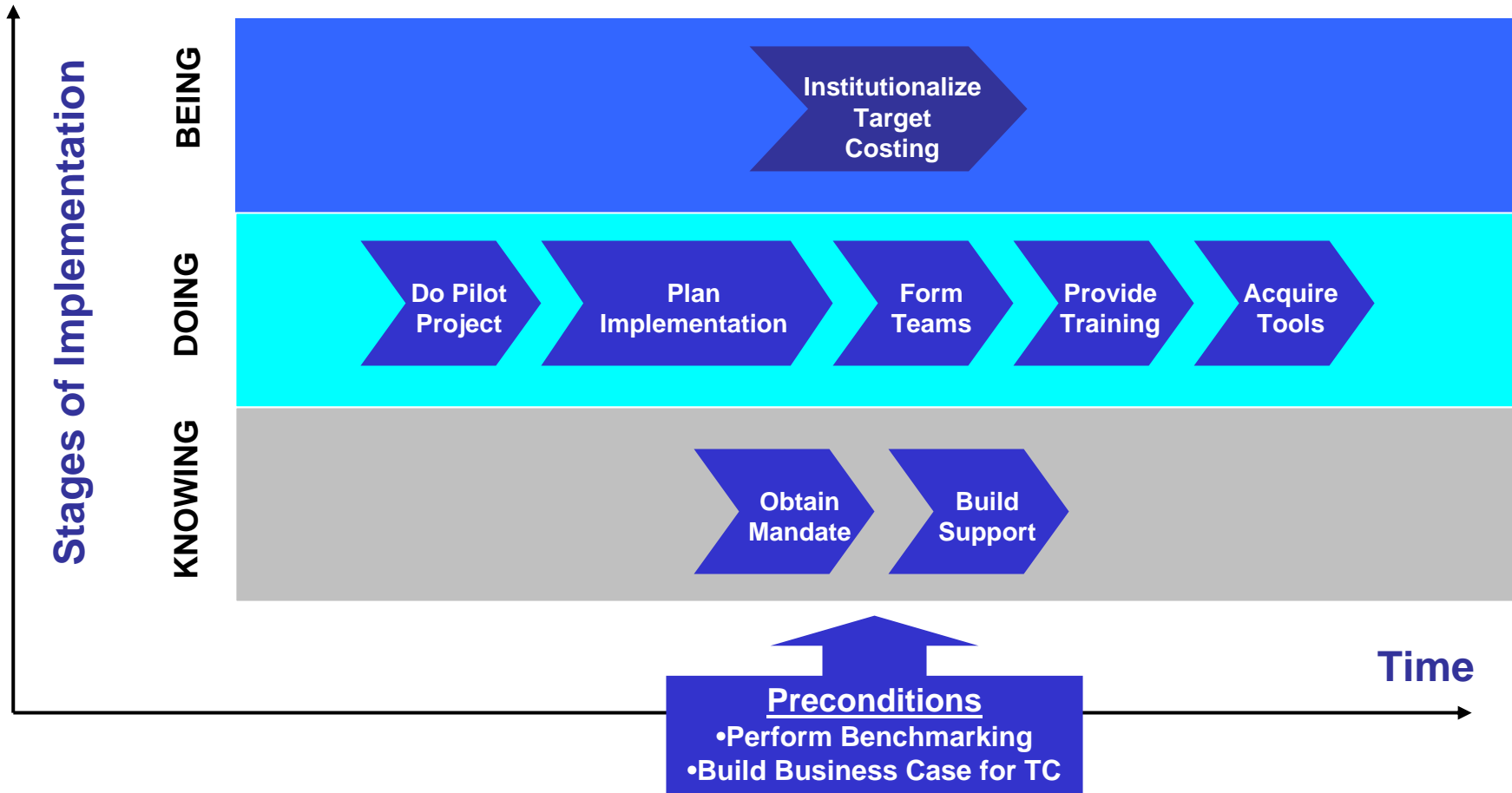
Guide Book Scope

An actionable guide for the target costing implementer who has been charged by upper management to implement target costing in a specific part or parts of the organization. This is a continuation of the group's Book: ***Target Costing, The Next Frontier in Strategic Cost Management.***

Chapters are in an easy to read format covering: Key learning points, case for action, lessons from practice and check lists.



Guide Book Outline



Dr. Ansari developed this model for Shell's Learning and Transformation Services

The “Knowing” Phase

Check Preconditions
✓Business Case Exists?
✓Benchmarking Done?



Obtain
Mandate

- Establish Legitimacy & Authority
- Understand Degree & Scope of Change Desired
- Integrate with Company Competitive Strategy

Assess
Change
Readiness

- Conduct Readiness Assessment
- Determine Current Change Capacity
- Identify gaps between capacity and changes required to implement TC

Create TC
Awareness

- Focus on what TC is, who uses it, and the benefits
- Begin with Senior Stakeholders
- Make associations with other important initiatives

The “Knowing” Phase



Make The Case for Action

- Remind the Organization of the larger strategic imperative driving the need for Target Costing
- Appeal to the mind and heart of the participants

Get Top Leadership Support

- Participate in training program
- Provide resources
- Actively engage in the process
- Address issues & concern of participants

Align Key Stakeholders

- Identify organizations that are likely to lose power & influence
- Lay ground work to obtain their buy-in

The “Doing” Phase



Select Pilot Site

- Part of core business
- Receptive to new ideas

Select Project

- Select a project that is early in its concept development when opportunities to impact costs are the greatest
- Choose a Project Manager who is motivated to succeed

Involve Value Chain

- Include key members of your value chain

Create Process Milestones

- Tie the pilot implementation steps to the project's milestone plan

Capture Lessons

- After Action review
- Translate lessons into full-fledged implementation plan
- Celebrate success along the way
- Communicate Success.

The “Doing” Phase



Capture Pilot Lessons

- Bases of developing a full implementation plan

Assess Maturity

- Set maturity goals and assess the current environment

Identify Gaps

- The delta between the current reality & the maturity goal will identify the tasks that need to be addressed in the detail plan

Develop Detailed Plan

Identify Process Owner

- Owners keep implementation moving so the efforts don't get bogged down.
- Spell out roles & responsibilities

Communicate Plan

- Add status to existing Meeting agendas
- Use Command media

The “Doing” Phase



Identify Team Types

- Form teams early
- Central Implementation Team
- Product Teams
- Support Teams

Match Teams to Product & Process Development Strategy

- Match teams to major WBS components
- Keep team size manageable
- Product Team leadership is determined by make / buy strategy
- Co-locate team members when possible

Compose the Teams

- Balance cross-discipline representation
- Include value chain members
- Choose team members who can meet time commitments
- Provide team building guidance
- Provide rewards & incentives

Formalize Team Charter & RAA

- Define team objectives & goals
- Define Responsibility, Accountability & Authority for team members

The “Doing” Phase



Establish Training Objectives

- Build awareness / acceptance
- Facilitate communication
- Increase technical capability

Identify Audience & Messages

- Identify intended audience
- Document knowledge gaps
- Tailor messages to target audience

Design Curriculum

- Develop course content
- Select teaching method
- Get approval for training budget

Deliver Training

- Align training schedule with project milestones
- Get Leaders agreement on attendance
- Select location

Assess Training Effectiveness

- Perform training assessment
- Evolve training through feedback

The “Doing” Phase



Acquire Core Tools

Acquire tools that support the following applications:

- Customer Needs Analysis
- Target Decomposition
- Cost Estimation
- Value Engineering
- Target Cost Status Tracking

Identify Support Tools

- Identify general business support tools
- Identify the TC tools that align with the product and process development strategy

Conduct a Tool Inventory & Gap Analysis

- Identify data, process & tool gaps
- Conduct a company wide search

Develop a Tool Acquisition Plan to Close Gap

- Find a source for missing tools
- Match tool acquisition with Implementation Plan
- Evolve tool requirements
- Don't let the lack of tools be a show stopper

The “Being” Phase



Link to Plans and Budgets

- Link to competitive strategy
- Tie TC results to the Business Plan

Tie to Routines

- Include process steps in company operating policies & procedures
- Include TC performance metrics in Program Reviews and evaluation systems

Find Home For Target Costing

- Choose the organization that has the most leverage on cost

Identify Performance Measures

- Financial metrics
- Customer Satisfaction
- Internal business processes

Link to Rewards

- Make working in the TC office a career enhancing assignment
- Tie TC performance to compensation

Incorporate In Culture

- Continuously retrain and resell new people
- Kiss Principle

How can I Learn More?

Books:

**“Target Costing The Next Frontier in Strategic Cost Management”
Available Now**

**“Hitting the Target: The CAM-I Target Costing Implementation Guide”
Available Now**

Order from the CAM-I Website: www.CAM-I.org

Join the CAM-I Target Costing Interest Group!

Next Meeting September 11 – 13th in Seattle

For more information contact Tami Capperault at:

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Thank you!

Questions
and
Answers?