Australian Government

Department of Education, Employment and Workplace Relations

MSS405030A Optimise cost of a product or service

Release: 1

MSS405030A Optimise cost of a product or service

Modification History

New unit, superseding MSACMT630A Optimise cost of product* - Not equivalent
* Prerequisite *MSACMT631A Undertake value analysis of product costs in terms of customer requirements* - removed

Unit Descriptor

This unit of competency covers the skills and knowledge required to examine the costs of a product or service and determine methods of reducing costs.

Application of the Unit

This unit applies to an individual a who is required to undertake a detailed study of a product or service's costs, including analysing it by its cost components to determining the best method of lowering the cost overall. This unit differs from *MSS405031A Undertake value analysis of a product or process costs in terms of customer requirements*, in that it looks at all costs, including overheads and takes a wider and more traditional approach to the cost of the product. Information and cost reduction strategies gained from the application of this unit may support other cost approaches in the enterprise, including value stream costing.

This unit primarily requires the application of skills associated with communication in gathering, analysing and applying information. Problem solving, initiative and enterprise, and planning and organising are required to calculate cost components and determine cost optimisation strategies. This unit also requires aspects of self-management and learning to ensure feedback and new learning is integrated into costing methods.

Licensing/Regulatory Information

Not applicable.

Pre-Requisites

Not applicable.

Employability Skills Information

This unit contains employability skills.

Elements and Performance Criteria Pre-Content

Elements describe the essential outcomes of a unit of competency.

Performance criteria describe the performance needed to demonstrate achievement of the element. Where bold italicised text is used, further information is detailed in the required skills and knowledge section and the range statement. Assessment of performance is to be consistent with the evidence guide.

Elements and Performance Criteria

1	Analyse total cost components of a product or service	1.1	Identify all cost components of product or service
		1.2	Allocate cost components to major categories, such as overhead, depreciation, energy, consumables and labour
		1.3	Distinguish between costs which directly deliver customer features/benefits and waste
2	Optimise costs	2.1	Analyse causes of costs which lead to customer features/benefit
		2.2	Determine methods of increasing the customer benefit/cost ratio
		2.3	Analyse causes of waste costs
		2.4	Determine methods of reducing/eliminating waste costs
		2.5	Analyse interactions between cost components
		2.6	Check that one method of reducing costs does not cause an increase in another cost/reduction in consumer benefit
		2.7	Check that cost reduction plans do not reduce required levels of regulatory compliance or occupational health and safety (OHS)

3	Implement cost optimisation	3.1	Develop cost optimisation plans
		3.2	Negotiate with relevant people to agree on implementation plans
		3.3	Take actions to implement the cost optimisation
		3.4	Monitor the implementation of the cost optimisation
		3.5	Make adjustments to the plan, as required

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Required Skills and Knowledge

This section describes the skills and knowledge required for this unit.

Required skills

Required skills include:

- undertaking self-directed problem solving and decision-making on issues of a broad and/or highly specialised nature and in a wide variety of contexts
- communicating at all levels in the organisation and value chain and to audiences of different levels of literacy and numeracy
- identifying relevant cost component categories for organisation, product and process
- identifying customers, including final customer and features/benefits as valued by customers
- expressing customer features/benefits in cost terms
- determining application scope of cost reduction plan, including product/s, areas, employees and suppliers included in plan

Required knowledge

Required knowledge includes:

- cost components of product
- major costs which are controllable (and how to control them)
- concept and types of waste (muda)
- interrelationship of cost components and costs and benefits, including:
  - methods of estimating costs/benefits
  - acceptable benefit/cost ratios

Evidence Guide

The evidence guide provides advice on assessment and must be read in conjunction with the performance criteria, required skills and knowledge, range statement and the Assessment Guidelines for the Training Package.

Critical aspects for assessment and evidence required to demonstrate competency in this unit	A person who demonstrates competency in this unit must be able to provide evidence of their ability to: • determine relevant cost categories for a product or service • determine which costs are waste

	• develop a cost optimisation plan • implement and monitor the plan .
Context of and specific resources for assessment	Assessment of performance must be undertaken in a workplace using or implementing one or more competitive systems and practices. Access may be required to: • workplace procedures and plans relevant to work area • specifications and documentation relating to planned, currently being implemented, or implemented changes to work processes and procedures relevant to the assessee • documentation and information in relation to production, waste, overheads, hazard control/management • reports from supervisors/managers • case studies and scenarios to assess responses to contingencies.
Method of assessment	A holistic approach should be taken to the assessment. Competence in this unit may be assessed by using a combination of the following to generate evidence: • demonstration in the workplace • workplace project(s) • suitable simulation • case studies/scenarios (particularly for assessment of contingencies, improvement scenarios, and so on) • targeted questioning • reports from supervisors, peers and colleagues (third-party reports) • portfolio of evidence. In all cases it is expected that practical assessment will be combined with targeted questioning to assess underpinning knowledge. Where applicable, reasonable adjustment must be made to work environments and training situations to accommodate ethnicity, age, gender, demographics and disability.
Guidance information for assessment	Assessment processes and techniques must be culturally appropriate and appropriate to the oracy, language and literacy capacity of the candidate and the work being performed.

Range Statement

The range statement relates to the unit of competency as a whole. It allows for different work environments and situations that may affect performance. Bold italicised wording, if used in the performance criteria, is detailed below. Essential operating conditions that may be present with training and assessment (depending on the work situation, needs of the candidate, accessibility of the item, and local industry and regional contexts) may also be included.

Competitive systems and practices	Competitive systems and practices may include, but are not limited to:
	• lean operations
	• agile operations
	• preventative and predictive maintenance approaches
	• monitoring and data gathering systems, such as Systems Control and Data Acquisition (SCADA) software, Enterprise Resource Planning (ERP) systems, Materials Resource Planning (MRP) and proprietary systems
	• statistical process control systems, including six sigma and three sigma
	• Just in Time (JIT), kanban and other pull-related operations control systems
	• supply, value, and demand chain monitoring and analysis
	• 5S
	• continuous improvement (kaizen)
	• breakthrough improvement (kaizen blitz)
	• cause/effect diagrams
	• overall equipment effectiveness (OEE)
	• takt time
	• process mapping
	• problem solving
	• run charts
	• standard procedures
	• current reality tree
	Competitive systems and practices should be interpreted so as to take into account:
	• the stage of implementation of competitive systems and practices
	• the size of the enterprise
	• the work organisation, culture, regulatory environment and the industry sector

Waste	Waste (also known as muda in the Toyota Production System and its derivatives) is any activity which does not contribute to customer benefit/features in the product. Within operations, categories of waste include: • excess production and early production • delays • movement and transport • poor process design • inventory • inefficient performance of a process • making defective items • activities which do not yield any benefit to the organisation or any benefit to the organisations customers
Cost	Cost includes: • the monetary value of expenditures able to be directly identified for supplies, services, direct labour, materials, components, cost of inventory, faults and reworks, rejects/scrap, equipment and other items used in the production of the product • allocations and estimates for indirect costs (e.g. indirect labour, rent, energy, water and cost of capital) where a direct monetary value cannot be identified
Cost optimisation plans	Cost optimisation plans should include: • application scope (e.g. product/s, services, areas, employees and suppliers included in plan) • target costs and target cost reductions • implementation period • method of monitoring • method of communicating progress to stakeholders

Unit Sector(s)

Unit sector   Competitive systems and practices

Custom Content Section

Not applicable.

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