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Increasing A Competitive Advantage By Adopting Activity-Based Costing

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Abstract

In today's competitive market, raising prices or implementing cost reducing measures that are only cosmetic may not be a viable alternative because they may result in a loss of market share or a decline in service quality, respectively.

The capacity to precisely measure costs to ascertain genuine profit margins is essential for deciding whether or not to eliminate unprofitable goods, service lines, channels, or consumers. It's easy to track sales, but more difficult to estimate expenses. Poor strategic decision making and skewed product costs are the result of the use of outdated costing methods. The purpose of Activity-Based Costing (ABC) is to overcome these shortcomings of conventional cost accounting methods. This paper reports the results of a longitudinal research conducted at an ABC-compliant facility in India

The research was conducted at the facilities of the component suppliers to major production companies.

The outcome shows that the current system is not standardised, and that there has been no systematic approach to determining the various rates.

Key Words: ABC Costing, Decision making, Strategy, prices

Introduction

In today's price-driven, competitive global economy, it is absolutely necessary to appropriately price the items and services that a business offers. When referring to the process of determining the monetary value of a product or service, the term "costing" can refer to a variety of different approaches. Companies and organisations often try to maximise customer satisfaction while minimizing costs (Zhou et al., 2004). (Zhou et al., 2004). They have a lot of different capabilities that can make a product more viable in the market. For example, a company might settle on the strategy of engaging in substantial advertising if they so choose. There will very certainly be some costs involved with it, and it is reasonable to wonder how much money certain companies are actually able to spend towards advertising, or how much of a price reduction consumers may anticipate seeing as a result of this. Quite frequently, businesses will make significant investments in marketing without giving much thought to the impact that this will have on their working capital cycle. As a consequence, these businesses wind up losing a significant amount of money and are eventually forced to have to shut down the unit (Labro, 2004; Bhimani et al., 2005).

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After calculating the product's costs, the only thing left to do is figure out how much the product actually cost. As a direct consequence of this discovery, a wide variety of approaches to estimating costs have emerged, such as, but not limited to, partial costing, incremental costing, standard costing, task costing, and process costing, among others. The partial costing system incorporates the expenses of both personnel and materials (Kloock and Schiller, 1997). (Kloock and Schiller, 1997). This approach of pricing goods and services is insufficient in the context of modern mass production, despite the seeming ease with which it can be used. In the case of incremental costing, the guiding principle was how much more it would cost to process the item to the next level. The implementation of a standard costing model was a contribution to the improvement of budgetary management. The costs of production were monitored for one week before being multiplied by 52 to provide an annual estimate. This estimate was then compared to the actual costs of production.

The terms "job costing" and "process costing" were used to refer to different types of systems that were based on individual jobs and processes, respectively. Up to this point, nobody has taken into account the costs of the overhead. It's likely that this is the result of management being unaware of the costs associated with these activities (Cooper & Slagmulder, 1999; Kaplan & Cooper, 1998). As a direct result of industrialization, a number of new approaches to cost accounting came into existence in the decades after the 1970s. These approaches include marginal costing, standard costing based on work-study, and budgetary management. While calculating marginal costs, it was necessary to differentiate between fixed and variable expenditures. The contribution margin was then utilised to guide decision-making (Damme & Zon, 1999). Because of the more scientific nature of the underlying work-study, it was possible to develop cost benchmarks that were far more precise. As a direct consequence of this, the effectiveness of standard costing rose (Esculier, 1997)

Utilizing ABC to Increase Competitiveness

In the early 1980s, it became abundantly clear that traditional cost accounting processes were not suitable for assigning indirect expenses that were not tied to a particular product or client. This realisation prompted a reevaluation of management accounting procedures, which led to the development of a new cost accounting system (Iltuzer et al., 2007). A significant aspect of the product configuration procedure in the mass customisation paradigm is the assessment of product cost during the design stage, sometimes known as product pricing. Approaches based on analogy, statistics, and analysis are the three primary modes of investigation that are pursued in this subject. Unfortunately, these methods have restrictions when applied in an environment of mass customisation, such as a lack of precision, agility, and attractiveness in the more minute features of the product. The pricing of products intended for mass customization needs to be carried out within an efficient framework (Chen and Wang, 2007). Overhead expenditures, such as advertising, stationery, telephone, packing, legal services, etc., surged as the country transformed into a buyers' market, making it more vital to appropriately price commodities. There was no association between the size of the operational unit, the degree of product differentiation and competitiveness, the level of satisfaction with the product costing system, and the significance of product costs in the decision making process (Brierley et al., 2006). In the end, it became obvious that a single method may not be sufficient and that a hybrid approach is what is necessary. A number of different allocation strategies were offered, and several separate approaches evolved; nevertheless, none of these approaches proved to be ideal. Some of the earliest attempts to describe the use of Activity-Based Costing (ABC) were made in the environmental sector, which has significant overhead expenses that can be as high as the prices of direct materials (Harrison and Killough, 2006). In an effort to estimate production and end product costs in a high-tech manufacturing setup working with either MRP or JIT, Ozbayrak et al. (2004) looked at applying the ABC technique. There is a lot of excitement surrounding ABC, but very few companies are actually utilising it in their operations. A study by Cohen et al. (2005) looked into what variables into consideration when a company opted to switch its present cost accounting technique.

Notwithstanding the many ostensible advantages of implementing ABC, one of the most significant reasons for managers' hostility to the strategy is the impact that cost reallocations will have on performance reviews and salaries. The effect of establishing an ABC system on managers' bonuses was researched by Fennema et al. (2005). (2005).

An ABC analysis can be performed to determine how much more the multi-purpose module's variable cost can be than the average variable cost for the product-unique modules that it replaces before the overall cost of production rises to the point where it is no longer profitable to produce the good. This information can then be communicated to those who make decisions (Thyssen et al., 2006; Krishnan and Gupta, 2001). Organizational life-cycle theorists Kallunki and Silvola (2008) stressed that ABC use is more widespread in mature and revival organisations than in growth firms. Berling (2008) developed a microeconomic model of the opportunity cost of maintaining inventories by extending the notions introduced by ABC. Simmons et al. (2006) presented an approach for the costing of programmes that takes use of the procedures and ideas developed by ABC as an illustration. This method was proposed. According to Waweru et al. (2005), 's traditional management methods like as budgeting and standard costing should be used in conjunction with more recent management accounting methods such as ABC and balanced scorecard type performance measures. This is the recommendation made by the authors (2005). Zhang et al. (2007) conducted an analysis of manufacturers' costs using the principles of supply chain management and the ABC approach. Based on their findings, they developed a cost model as well as a model that optimises profits for the industry as a whole. Jun and Zhongchuan (2007) investigated cost accounting for information technology services and created an ABC-based cost accounting technique as a result of their findings. GS Dangayach and R. Joshi, both fifty years old

It resulted in the development of a variety of different pricing models that can be utilised with different types of customers. This in-depth analysis of the relevant literature reveals that the ABC strategy is adaptable to any organisation, regardless of whether it is in the manufacturing, retail, or service industries. Yet, the particulars will be different from one establishment to the next.

Since the current costing method in the filter manufacturing ancillary industry is defective and cannot effectively account for value-added activities, an attempt has been made to pinpoint those problems and create a solution. As the products change, so do the proportion of time and money spent on administrative chores. On the other hand, the distribution of the overhead costs is now restricted to being unit-based only. Therefore, it is vital to transition to a system that splits up the process's fixed costs among the many steps in accordance with their relative resource consumption. This is the only way to ensure that the process is run as efficiently as possible. So, it is absolutely necessary to begin using the ABC pricing approach.

A critical review on Activity based costing technique and its advantages when compared to traditional costing technique. In today's price-driven, competitive global economy, it is absolutely necessary to appropriately price the items and services that a business offers. When referring to the process of determining the monetary value of a product or service, the term "costing" can refer to a variety of different

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The Evolution phase of ABC Costing

The Activity-based Costing (ABC) Model in its Early Stages

Accounting for overhead costs has been a significant challenge for management accounting researchers and practitioners for the entirety of the 20th century. The beginning of the 20th century saw the development of the currently utilised conventional allocation methods (Chandler, 1977; Kaplan, 1984a).

During that time period, manufacturing companies produced a limited variety of goods, each of which required approximately the same amount of support services. The proportion of total costs that was attributable to overhead was relatively low. After the end of the Second World War, attempts were made in the United States of America, Germany and Holland (Boons et al. 1992), the United Kingdom (Bouquin, 1993; Cibert, 1976), Denmark (Israelsen, 1993, 1994), France (Bouquin, 1993; Cibert, 1976), and Denmark (Israelsen, 1993, 1994).

1 In December of 2004, conducting a search on Google with the keywords ABC returned a total of 324,000 results.

2 Gosselin contains an analysis of the published work on ABC spanning the years 1988 to 2004. (2005).

Maurice Gosselin Volume 2 States (Jones & Dugdale, 2002; Staubus, 1971; Vatter, 1945) to enhance the traditional allocation method. [Jones & Dugdale, 2002; Staubus, 1971; Vatter, 1945] In the 1960s and 1970s, the primary focus was placed on cost allocation modelling (Kaplan and Thompson, 1971; Kaplan and Welam, 1974) as well as the discussion of cost allocation arbitrariness (Eckel, 1976; Thomas, 1969, 1974; Zimmerman, 1979).

In the middle of the 1980s, research on cost allocation first showed signs of making a comeback. Miller and Vollmann (1985) highlighted the shifts that have taken place in the cost structures and environments of manufacturing companies. They demonstrated that the output volume was not the primary factor in determining the overhead costs in the new manufacturing environment. Additionally, they demonstrated that overhead drivers were associated with organisational transactions such as logistics (the movement of materials), balancing (meeting purchasing, materials planning, and human resource requirements), quality (engineering and quality control), and change (engineering change orders). They referred to these transactions as the "hidden factory," which led to the conception of transaction-based accounting being developed (Shank & Govindarajan, 1988). During the same time period, Kaplan (1984b) and Johnson & Kaplan (1987) suggested that traditional costing systems were no longer relevant. Cooper & Weiss (1985) and March & Kaplan (1987) provided examples of this circumstance in the Schrader-Bellows and John Deere cases, respectively. Cooper (1988a, 1988b, 1989a, 1989b, and 1989c), Kaplan (1988), and both authors (Cooper & Kaplan, 1988) introduced ABC in several papers published in the Harvard Business

Review and a new Journal, the Journal of Cost Management, which played an important role in the diffusion process for ABC. Both the Harvard Business Review and the Journal of Cost Management were instrumental in the spread of the ABC concept. The primary focus of each of these papers was to investigate how traditional cost accounting systems have the potential to skew product costs and how ABC may be able to address this issue. ABC was introduced, and it quickly evolved into one of the most significant developments in management accounting over the course of the previous ten years.

The ABC method of cost accounting is a two-stage process that can be used to assign indirect costs to products, services, or any other cost objects. In order for an organisation to move on to the next stage, it must first determine which activities are significant and then assign indirect costs to those activities in accordance with the manner in which those activities consume available resources. In the second stage, indirect costs that were allotted to activities or activity cost pools are assigned to products, services, or any other cost objects in proportion to the amount of the cost driver that was consumed by each of those things. As a result, costs will be allocated to products, services, or any other cost objects in proportion to the amount that they consume of this activity. For instance, the costs of warehousing will be proportionately increased for a product that requires a significant amount of storage space due to its high consumption of that space. On the other hand, conventional cost accounting methods typically allocate costs in accordance with volume drivers like direct labour hours. The emergence of ABC has resulted in the development of a particular ABC terminology, which includes newly conceived ideas such as activities, activity drivers, cost drivers, resource drivers, activity cost pools, and cost objects (Dierks & Cokins, 2000).

Information on costs is typically organised in conventional management accounting systems according to production and service departments rather than activities. This traditional method of cost classification involves grouping costs under an account that can be most easily identified with the check that was written (McGroarty & Horngren, 1993), as well as the location, in terms of the organisational structure, where the costs were incurred. In ABC, costs are broken down into their respective activity cost pools. This classification is accomplished by combining costs into a single pool that is organised according to the activity that is carried out. Instead of focusing on where the costs were incurred, this method places the emphasis on the reasons why they were incurred. Resource drivers are metrics that measure the amount of a given resource that is consumed by activities and cost pools for those activities. When one needs to assign costs to activities, which occurs in the first stage of ABC, these are the tools that are used. Activity drivers are metrics that measure the amount of activities that are consumed by a particular product or service. Whether it be a product, service, customer, project, or process, anything for which a distinct measurement is desired can be considered a cost object.

Review of literature on ABC Costing

For the purpose of this article, the author conducted an analysis of related reputable studies, and an attempt was made to summarise the findings of those studies under a specific head concerning the relationship between ABC and various recent issues such as Total Quality Management (TQM), Theory of Constrain

(TOC), Activity Based Budgeting (ABB), and Supply Chain Costing, as well as the role of ABC as a business tool, including its role as a pricing tool, role in manufacturing concern, role in Ebusiness, role in preparing financial

An examination of the ABC model and the theory of constraints

ABC and the theory of constraints are the two primary alternatives to the traditional cost accounting system, according to Robert Kee and Charles Schmidt's (1997) research (TOC). It is recommended to use the theory of constraints for the long run. A general model that falls somewhere in the middle of these two extreme approaches has been developed in this paper. There are times when neither the theory of constraints nor ABC can lead to the ideal product combination. This overarching model can be utilised to make adjustments to the theory of constraints or ABC

ABC. TQM is as simple as ABC.

Activity based costing (ABC) is essentially an accounting system that measures the use of resources by activities, and according to Steve R. Letza and Ken Gadd (1994), fundamental to total quality management (TQM) is the continuous improvement of business processes. Therefore, ABC is able to generate the accounting information that is required by TQM in order to evaluate costs.

Costing and an Activity-Based Approach for the Supply Chain

The objective of the study titled "Supply Chain Costing: an Activity Based Perspective" that was conducted by Binshan, Collins, and Robert (2001) is to assist managers in enhancing their understanding of the costs associated with logistics as well as the accounting for those costs in order to maximise their utilisation of the total cost method when it comes to the management of logistics procedures. The purpose of this paper is to discuss the history and development of logistics management and ABC, as well as the driving cost factors that affect the key logistics activities, as well as the use of the ABC system to assist in improving the allocations of logistics costs to specific cost objects. Additionally covered are the managerial repercussions and techniques for putting an ABC system into action.

A Powerful Instrument for Establishing Prices

According to what John C. Lere (2000) wrote in his journal, ABC is a more effective tool for pricing than the traditional costing system.

The reason for this is that in ABC, a cost driver is identified for each activity that takes place at the unit, batch, or product level. This cost driver then determines how much each individual unit costs. According to him, the estimates from the traditional cost system and the ABC system will be the same whenever the consumption of company resources for an order is typical of the total resources that can be expected from the company. If the orders are not typical of the total expected resource usage by the company, then they will differ.

A Strategic Cost Management Approach Using the ABM Framework

According to Trussel and Biter (1998), the design and implementation of an ABM system consists of two stages: in the first stage, resource costs are assigned to total activities, and in the second stage, activity costs are assigned to cost objects. According to Chen F. Frank (1996), the steps that can be taken to arrive at a cost-effective approach to advanced factory management through the use of the ABC approach are as follows:

Step 1: Identify and define factory activities

Step 2: Eliminate unnecessary activities to the greatest extent possible

There has not yet been a sufficient amount of empirical research on fads and fashions in management accounting, which would allow for a better understanding of the process of the diffusion of innovations in management accounting from the perspective of fads and fashions.

Step 3: Determine the cost driver for each activity Identify and define factory activities

Step 4: Determine which control and management functions are required to minimise and automate cost drivers.

Step 5: An advanced and cost-effective manufacturing management system

Hughes Andrew (2005) mentioned in his research that ABC/ABM enables businesses to focus on its activities and products and that it traces cost-to-cost drivers. Andrew's research was published in 2005. The information ABC does not, by itself, evoke actions and decisions that lead to improved profits and operating performance. If management wants the organisation to reap the benefits of the improved insights that come as a result of conducting an ABC analysis, they will need to put in place a deliberate process for organisational change and implementation.

Planning and making decisions are as easy as ABC.

Kelline et al. (1999) conducted research that demonstrated how ABC can be utilised in the context of academic institutions, specifically colleges and universities. The ABC approach divides the activities of universities into four primary categories: instruction (teaching), research, public service, and administrative activity. As a result, the costs associated with these activities are distributed in proportion to the amount of time spent on each activity. According to Sheu et al. (2003), the traditional standard costing systems are "too late to aggregated and too distorted," which makes them irrelevant for management decisions in the majority of situations. In addition, the measures do not take into account the presence of committed costs or the associated capacity limitations that lead to bottlenecks. Two competing philosophies, total opportunity costing and activity-based costing, or TOC and ABC, have been proposed as potential solutions to some of the shortcomings of standard costing in terms of enhancing the quality of managerial

decision-making and delivering information that is more pertinent to the analysis of the economic repercussions of choices made regarding resource allocation.

The application of ABC in the field of logistic business

According to Stapleton et al. (2004), ABC can be used as a tool for determining the true costs of marketing and logistics activities, and it can also assist businesses in making better decisions based on information regarding their costs that is more accurate. According to the findings of the research conducted by Thomas J. Goldsby and Darid J. Closs (2000), activity based costing, also known as ABC, has become an analytical method that many logistics organisations around the world are interested in.

The Repercussions of ABC on Organizations and Their Societies

Many people, almost 20 years after the invention of ABC, are curious as to whether or not this significant innovation was merely a passing trend or whether or not it is still relevant today. Regardless of the response that you decide to give to this question, there is no denying that ABC has had a significant impact on cost accounting and management accounting. This section includes a discussion on the effects that the advent of ABC has had on the performance of organisations, management accounting, and management accountants.

The Effect of ABC on the Performance of the Organization

It has been hypothesised by a significant number of professionals in the field as well as academics that the application of ABC has a positive impact on the financial performance of organisations. However, there is a very small amount of empirical evidence that supports this proposition. This is a significant limitation. The authors Kennedy and Affleck-Graves (2001) made an effort to explain the so-called "ABC paradox" and to demonstrate that the selection of a management accounting system, such as ABC, may have a significant influence on the value of a company. To be more specific, they demonstrated that, for a group of UK companies, those that adopted ABC outperformed similar non-ABC firms by approximately 27% over the course of the three years beginning on January 1 of the year in which the ABC techniques were initially implemented. This data was based on a sample of UK companies. They believed that their findings were reliable when compared to other matching criteria as well as accounting-based and market-based measures of performance respectively. The results of further research indicate that ABC contributes to the firm's value by improving its ability to control costs and make better use of its assets, as well as by increasing its utilisation of financial leverage. The adopting companies' evidence suggests that they made a value-enhancing choice when they decided to implement ABC because of their superior subsequent performance. As a consequence of this, the findings of this study lend credence to the evidence that Malmi (1999) presented in favour of the efficient choice hypothesis.

According to Kennedy and Affleck-Graves (2001), their findings do not help clarify Gosselin's (1997) ABC paradox; rather, they claim that their findings accentuate it: If companies that have adopted ABC have better stock performance in addition to the other benefits that have been cited in the literature, then why haven't more companies implemented this strategy?

An additional method for attempting to evaluate the impact that ABC has on performance is to investigate the effect that the announcement of the implementation of an ABC system has had on the stock market. This is the mission that was successfully finished by Gordon and Sylvester (1999). According to the findings of their investigation, the announcement of ABC adoption had no impact, either positively or negatively, on the stock price of the firms that adopted it. Cagwin and Bouwmann et al. (2002) investigated the improvement in financial performance that is associated with the use of ABC and the conditions under which such improvement can be achieved. Additionally, they investigated the conditions under which such improvement can be achieved. They discovered that businesses obtain a greater net improvement in financial performance when ABC is used concurrently with strategic business initiatives such as JIT or TQM. This improvement is greater than what is obtained from the use of those strategic business initiatives when ABC is not involved. When implemented in firms that are both complex and diverse, in environments where costs are relatively important, and in situations where there are limited numbers of intra-company transactions to constrain benefits, there is a positive association between ABC and an improvement in ROI. There is evidence to suggest that the efficacy of ABC is affected by other enabling conditions, including the level of sophistication of information technology, the absence of excess capacity, and the presence of a competitive environment. Cagwin et al. (2002) also show that previously used measures of success, satisfaction with ABC, and financial benefit obtained from ABC (Krumwiede, 1998; Shields, 1995; Swenson, 1995) are predictors of improvement in financial performance. These measures were taken from Krumwiede (1998), Shields (1995), and Swenson (1995).

Ittner et al. (2002) used a large sample of manufacturing companies that had responded to a survey in 1997 in order to attempt to evaluate the association between the extensive use of ABC and plant-level operational and financial performance. This was done by using the data from the survey. They indicated that they have discovered a positive, but "modest," association between the extensive use of ABC and manufacturing performance. This association was described as being positive but "modest." The performance of the manufacturing process was evaluated based on three different variables: the return on net plant assets; improvements in cycle time; and quality and cost reductions associated with these improvements. Ittner and colleagues have not been able to determine whether these outcomes are the results of decisions based on AA or CDA or whether they are the result of decisions based on ABC. They did not find any significant connection between ABC and return on investment, which is a measure of a company's ability to generate profits.

Even though ABC has been around for almost twenty years, there is still little in the way of empirical evidence to suggest that the adoption and implementation of ABC has an effect on performance. There is a pressing need to conduct more in-depth research into the connections that can be made between contextual and organisational factors, the achievement of the ABC implementation strategy, and performance.

Moving Away from Manufacturing Cost Accounting and Toward Cost Management

ABC imposed a new cost accounting logic that is, in many respects, responsible for the emergence of other techniques such as customer accounting and customer profit analysis. This is the case even though all of the surveys that were examined earlier in this chapter showed that the implementation rates for ABC have been limited. Prior to the development of ABC in the 1980s, the primary purpose of cost accounting techniques was primarily to ascertain the costs of products in a manufacturing environment for the purpose of inventory valuation in accordance with generally accepted accounting principles (GAAP). After the development of ABC, the use of cost accounting techniques was expanded to include organisations in the service, not-for-profit, and public sectors. Additionally, cost accounting techniques were applied to a wider variety of cost objects, including customers, projects, activities, and internal services. ABC and other costing techniques, such as target costing, and their applications to non-manufacturing settings provided the context that led to a shift from cost accounting to cost management. Target costing was one of the costing techniques.

Activities Related to Consulting and ABC

The development of ABC and ABM in the 1990s resulted in a number of important consequences, one of which was the emergence of a significant industry dedicated to assisting organisations in the implementation and utilisation of information generated by ABC models. The process of ABC's spread has been significantly impacted by the presence of this industry. In most cases, the presence of consultants speeds up the spread of an innovation. However, after this initial period, the presence of consultants can also lead to the re-invention of the innovation (Gosselin, 1997; Rogers, 2003) or to the dissatisfaction of organisations and the rejection of the innovation like ABC. Chapter 8 A Review of Activity-Based Costing (Innes et al., 2000).

Learning in Organizations and the ABC

One of the most important aspects of ABC is that it requires accountants and managers to not only learn about cost accounting techniques like ABC, but also have more knowledge about what is going on in their organisations. This is a prerequisite for using ABC (Argyris & Kaplan, 1994). In many projects involving the implementation of ABC, this dimension has not been taken into consideration. The top management team had the expectation that the managers would be able to design an ABC model and put it into action in a relatively short amount of time. Nearly twenty years after the establishment of ABC, it is abundantly clear that accountants, managers, and organisations require sufficient time to put newly acquired knowledge into practise. It's possible that this is one of the reasons why so many projects at ABC have

been scrapped in recent years. It is possible for researchers to investigate the impact that organisational learning has on the process of innovation diffusion in management accounting.

Conclusion

ABC is widely regarded as one of the most significant developments to occur in the field of management accounting during the twentieth century. Surveys have shown that ABC has not been considered by the majority of organisations, and that many organisations that had decided sometime in the 1990s to adopt and implement it have abandoned it. This is despite the fact that ABC is very attractive from the point of view of its conceptual attractiveness, and that it has been included in all management accounting textbooks and in the curriculum of the majority of business schools. Survey studies have also shown that there is, in actual practise, some confusion about what exactly ABC is, and that it is very difficult to investigate on the implementation of ABC without, first and foremost, clarifying the definition of ABC with managers. This is because it is very difficult to investigate on the implementation of ABC without first clarifying the definition of ABC with managers. It is likely that this confusion, in addition to other difficulties with the methodology, is the explanation for the decrease in the number of surveys conducted on ABC since the year 2000.

The implementation and adoption of ABC are both impacted by a number of different factors. A number of studies have shown that the decision to implement ABC is impacted by a variety of factors, including product diversity, environmental uncertainty, size of the business, and strategy. Investigations that are more refined and are based on the literature on innovation have demonstrated that the impact of these factors varies according to the stages in which the implementation is taking place. For this reason, it is necessary to have an understanding of the point at which an ABC project becomes essential in order to investigate the factors that influence the successful implementation of ABC.

Research on the effects of ABC on performance has also shown that implementing ABC does not clearly improve performance and firm value. This was one of the findings of the research. In spite of all of these contradictory findings, the vast majority of industry professionals and academics will agree that ABC has, ever since it was first introduced, exerted a significant impact on the growth and reinvention of management accounting as well as the function of management accountants.

After all, the ABC paradox still stands (Gosselin, 1997): Despite the fact that ABC is included in the majority of management accounting textbooks, the large number of ABC seminars, the consulting activities, the ABC softwares, and the large number of articles published on ABC, why companies are not implementing ABC and furthermore why some companies that have adopted ABC have decided to abandon it is a mystery.

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