

# Information Usefulness and Usage in Business Decision-Making: An Activity-Based Costing (ABC) Perspective

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*Activity-based costing (ABC) an information system developed in the 1980s to overcome some of the limitations of traditional cost accounting and to enhance its usefulness in strategic decision-making. The objective of the study is find out how managers feel about activity-based costing, especially how useful they believe it is in providing information and in helping them to make better decisions. Data was collected by means of an e-mailed questionnaire sent out to 181 ABC users consisting of executives at a large telecommunication company in South East Asia. ABC users were asked 24 items which assessed their perceptions of the information usefulness and effects on decision making of ABC usage. Descriptive analysis on the firm's experiences with the usefulness of ABC information in different business processes and how ABC information changed decisions is presented. Respondents' were asked to indicate the significance of changes made as a result of ABC site implementation. Using this measure, when an ABC implementation causes a strong change in decisions, it is viewed as being successful; when it causes less change in decisions, it is viewed as not being successful. It also reports on the organisation's usefulness of ABC information in different business processes. By viewing an ABC system as an enabler to improve the operations business processes and decisions, it demonstrates that these systems enable executive and managers to enhance the process of decision-making. The study found ABC provided better information in areas of budgeting and planning and opportunities for improvement in other business areas. In relation to ABC making changes in business decisions, these were less successful in the various business functions. The implications of these findings share the experiences of the present organisation and their perceptions on the usefulness of ABC information and where it stands in changing business decisions in their operations.*

## 1. Introduction

The main purpose of this study is to report on the perceptions of ABC users in relation to the usefulness of ABC information usage and when ABC implementation causes a change in business decisions. Furthermore it gives information on the characteristics of ABC users, such as their level of training and knowledge about ABC concepts.

The paper is important for two reasons. First, ABC at the theoretical level is expected to help a South East Asia telecommunication organisation to evaluate their cost management practices and how these systems could support their decision processes. Hence, the study

gives some indications about this organisation effort to seeing ABC usefulness in their business operations. Secondly, beside the great deal of interest, surveys conducted have shown that the diffusion process has been quite low as to why ABC implementations seem to fail.

The study covers one large South East Asia telecommunication provider. Due to the exploratory theme of this study, no formal hypotheses were tested. Rather, the paper gives some descriptive statistics that outline the current general trends and use of ABC systems by the organisation. The paper is divided into five sections. Section two provides the theoretical background for the study which includes ABC implementation and success; section three describes the population selected. Section four reports and discusses the results achieved; and the final section concludes with a summary of the results and a discussion of the limitations.

## 2. The Relevant Literature

### ABC Implementation

For many decades, management accounting had increasingly dedicated its effort in ensuring that financial accounting standards were satisfied and costing procedures were met (Garrison and Noreen, 2000). A number of recently developed management accounting techniques, such as ABC, product life cycle analysis, benchmarking, and value chain analysis, have been suggested as ways of linking operations with company strategies and objectives (Chenhall and Langfield-Smith, 1999). These techniques have not only increased the level of competitiveness and companies' strengths, they have gained a high profile in enhancing product cost accuracy (Cooper and Kaplan, 1987), and provided comprehensive cost data for performance evaluation (Joshi, 1998). Johnson and Kaplan (1987, p.1) made this observation, "Today's management accounting information driven by procedures and cycles of the organisation's financial reporting system, is too late, too aggregated, and too distorted to be relevant for managers planning and control decision".

ABC and its derivatives have now enjoyed almost a decade of high profile. In addition to its application, its adoption and application be used by public utilities, wholesale and retail organizations and by a range of service firms (Innes and Mitchell, 1995; Innes *et al.*, 2000, Drury and Tayles, 2000) A number of recent advances in the theory of management accounting and organisational change (Burns, 2000), and in understanding the spread and growth of ABC and ABM (Armstrong, 2002; Jones and Dugdale, 2002), offer new opportunities that are unexplored in the area of indirect costs (Soin *et al.*, 2002).

The paradigm of ABC has helped many organisations improve their competitiveness by enabling them to make better decisions based on better understanding of their cost structure. ABC started in the 1980s to meet the need for more accurate information on resource demands by individual products, services, customers, and channels. Kaplan and Cooper (1998) indicate ABC systems enabled indirect and support expenses to be driven, first to activities and processes, and then to products, services, and customers. The systems gave managers a clearer picture of the economics of their operations. In technical term,

ABC aims to determine an accurate cost trail between resources and cost objects. The cost trail is accomplished using two stages: 1) involves transformation of general ledger costs into activity costs and 2) transforms activity costs into product costs.

ABC distinct between the traditional cost accounting is as follows: traditional cost-accounting techniques allocate costs to products based on attributes of a single unit. Attributes include the number of direct labour hours required to manufacture a unit e.g. purchase cost of merchandise resold, or a number of days occupied. Allocations, therefore, vary directly with the volume of units produced, cost of merchandise sold, or days occupied by the customer. In contrast, ABC systems focus on activities required to produce each product or service's consumptions of the activities.

By using ABC, overhead costs are traced to products or services by identifying the resources, activities and their costs and quantities to produce output. A unit of output (a driver) is used to calculate the cost of each activity. Cost is traced to the product or service by determining how many units of output each activity consumed during any given period of time.

The literature on ABC in the past two decades has featured ABC in a number of perspectives. These include the drivers of adoption (Anderson, 1995; Gosselin, 1997; Anderson and Young, 1999; Anderson *et al.*, 2002), factors associated with successful implementation (Innes and Mitchell, 1995; Shields, 1995; Foster and Swenson, 1997; McGowan and Klammer, 1997; Innes *et al.*, 2000, Cotton *et al.*, 2003) and outcomes that have been associated with ABC adoption (Bhimani and Pigott, 1992; Friedman and Lyne, 1997, Cagwin and Bouwman, 2002).

Against this background, the implementation of ABC faces tremendous challenges. There is the need for evaluations of ABC once implemented. Literatures on ABC success covers a wide vary of success measures being used that shall be the next discussion of this study.

### **ABC Success**

Success of ABC has long been questioned. It is up to the organisation to evaluate whether the implementation of ABC is predominantly successful. As Shields (1995) explains, ABC success relates to,

“Providing a definition of [ABC success] was problematic, as the literature is vague about what constitutes success, and discussions with ABC experts during construction of the survey did not result in consensus about a tangible definition. For example, success can include top management not rejecting it, an implementation of ABC per se, use of ABC information by non-accountants, gaining competitive advantage and providing additional profits. Thus, the approach [we] adopted was to let the respondent rate the degree of success with whatever definition he or she deemed relevant. Future research can attempt to catalogue the various definitions or types of success.”

ABC can be applied to many aspects of business. A study by Foster and Swenson (1997) survey indicated that ABC/M was used more for decision-making for identifying

opportunities for improvement, product management decisions, and driving process improvement decisions. Secondly, in relation to the usage of ABC/M to assist in making decisions, the areas with the greatest changes made were processes, pricing strategy, component parts, and strategic focus.

Researchers such as Swenson (1995) looked at the benefits of ABC to the manufacturing industry. One aspect of ABC evaluation related to the frequency with which ABC information is used to support decision making in different areas of the business. The study found broad support for ABC/M systems among the sampled firms. The results represented a wide variety of industries, and each industry did gain benefit in at least one dimension of the ABC system. Without exception, all respondents reported an improvement in at least one dimension of their cost management systems following the implementation of ABC. The respondents reported the most improvement for product costing and cost control efforts, but they also reported significant improvements in their performance measurement systems. Following the implementation of ABC, they reported high levels of satisfaction with their cost management system changes.

Other research by Cagwin and Bouwman (2002) investigated the improvements in financial performance with the use of ABC, and the conditions under which such improvements are achieved. The finding of this study is aligned and consistent with statements of other researchers that management accounting systems are meant to be efficient in supporting firms' operational effectiveness (Granlund, 1997; Granlund and Lukka, 1998). There was evidence supporting previous analytical and theoretical research regarding the conditions favourable to obtaining benefits from ABC. It showed that there is a positive association between ABC and improvement in return on investment (ROI) when ABC is used concurrently with other strategic initiatives, when implemented in complex and diverse firms, when used in environments where costs are relatively important, and when there are limited numbers of intra-company transactions to constrain benefits. ABC contributes positive benefit, but not in all firm circumstances. Furthermore, there is the need for the practitioner community to have knowledge of the appropriate conditions for maximising the efficacy of ABC. There is also the indication that other enabling conditions (i.e. information technology sophistications, absence of excess capacity, and a competitive environment) affect the efficacy of ABC. There is also evidence that the previously used measures of ABC success, satisfaction with ABC, and financial benefit obtained from ABC (Shields, 1995; Cagwin and Bouman, 2002; Cotton *et al.*, 2003) are predictors of improvement in financial performance.

Past review on ABC implementation has indicated that the relationship between ABC implementation factors and success dimensions of ABC is somewhat mixed. Several studies (i.e. Shields, 1995; McGowan and Klammer, 1997; Krumweide, 1998; Anderson and Young, 2001; Anderson *et al.*, 2002) have produced significant similar results on some of the factors, although they may vary in some of the dimensions. Top management support and adequacy of training and education for developers and users seem to be the most significant implementation factors in ABC implementation. With relation to effective ABC, dimension of organisations achieving financial benefit (Shields, 1995;

Cagwin and Bouwman, 2002; Cotton *et al*, 2003), and use of information in decision-making and changing business decisions (Foster and Swenson, 1997; Innes, 1999; Gupta and Galloway, 2003) figure most for evaluating effective ABC implementation.

These implementations thus bring us towards acknowledging that many measures of ABC evaluations have been used. Overall, these literatures have shown a profound interest in the importance of ABC evaluations for effective systems.

### 3. Case Background

A large provider of telecommunication products and services in South East Asia went through companywide interventions which involved the development and implementation of ABC systems. To begin the study, 243 ABC users across 16 ABC systems were selected, each representing a different ABC systems implementation. The subjects' chosen were selected based on their experiences with using the ABC systems in their particular division. These users are mainly executives and managerial level employees in the divisions. Subsequently, a set of questionnaires containing 14 information usage items and 10 business decision items were sent to these users across the 16 ABC systems in the organisation. Of the 243 questionnaires mailed, 181 (74.5% of 243) were completed and returned. All questionnaires were checked for reliability of answers and were all usable questionnaires. Based on several demographic distributions, the representative ness of the sample appears to be adequate. The following section will discuss characteristics of the respondents. The distribution of these characteristics is so diverse that it allows us to use the sample means as the estimated average importance ratings on the entire population.

#### Survey Design

The methodology employed in this study was a case study using a postal survey. Yin (1994, p.26) points out that

“Case study research is remarkably hard, even as case studies have traditionally been considered to be ‘soft’ research. Paradoxically, the ‘softer’ a research technique, the harder it is to do.”

Yin (1994, p.13) defines the case study as an empirical inquiry where 1) it investigates a contemporary phenomenon within its real life context, 2) when the boundaries within phenomenon and context are not clearly evident, and in which 3) multiple sources are used. A case study usually implies a single unit of analysis and is usually used with the term ‘fieldwork’ (Ryan *et al.*, 1992). According to Yin (1994, p.3), in many situations, the use of case studies arises out of the desire to understand complex social phenomena. Yin states,

“The case study allows an investigation to retain the holistic and meaningful characteristics of real-life events – such as individual life cycles, organisational and managerial processes, neighbourhood change, international relations, and the maturation of industries.”

The inquiry relating to the case study approach 1) copes with the technicality distinctive situation in which there will be many more variables of interest than data points and, as one result, 2) relies on multiple sources of evidence, with data needing to converge in a triangulating fashion and, as another result, 3) benefits from the prior development of theoretical propositions to guide data collection and analysis. (Yin, 1994, p.13).

In principle, the survey consists of three parts. The questionnaire was adapted from ABC survey used in Foster and Swenson (1997) on ABC evaluations in the US. Each survey subject was asked to evaluate the use of ABC information and ABC information change in decision actions. The first part ask respondents to rate their current perception of using ABC information as compared to their previous cost management system, in the 14 specific decision areas listed in Table 1. Respondents were asked to rate ABC information use on a measurement scale of “1” = Poor, to “5” = Excellent. The latter asked respondents to indicate the significance of changes made as a result of ABC implementation in their particular division on a 10-item construct. This measurement used a five-point scale (“1” = No changes, to “5” = Very significant changes). Both constructs were tested for reliability of questions and prove to be very satisfactory at the 0.95 and 0.98 Cronbach Alpha. The third section seeks the respondent’s educational background, level of training provided and knowledge of ABC concepts.

#### 4. Results

##### Case Study: Company XYZ

This organisation is based in the service sector and has offices throughout the world. Company XYZ is a large organisation that directs its business to providing telecommunication services. In South East Asia it has developed rapidly, and now accounts for almost 100% of a country’s telecommunication industry. Its vision is to be the communications company of choice - focused on delivering exceptional value to its customers and other stakeholders.

With its massive growth both in services and monetary, the introduction of ABC in the organisation was to be an enterprise-wide implementation, with its original contribution solely meant for transfer pricing purposes. Currently, ABC is a widely used tool to improve strategic process and product pricing, mix decisions, and to facilitate product and process improvements. In other words, ABC was geared more towards operational excellence. Company XYZ was a government organisation until 1987, when it was privatised, and the government still holds 33% of the shares. The company provides a total solution to telecommunication consumers and also to its competitors in providing telecommunication infrastructure. In 1995, due to a restructuring exercise, the management divided the organisation into three business units: Telco (Fixed Telephony), Cellular and ServiceCo (Support Services). Indeed with the changes about to occur, the need to have ABC systems began here – their main intention for ABC was solely for transfer pricing between these units.

### ABC Implementation

The wide implementation of ABC in XYZ involved 16 divisions where all exist separate ABC systems to support their business operations. ABC implementation in XYZ was initially using the 'top down' approach, where its business purpose was meant for transfer pricing. This was carried out in most of the Service Co. divisions. The approach for ABC was rather less detailed as to why they used the 'top down' approach. Top-down approach explains what things cost and is sometimes called the cost object view. This approach is very effective at capturing how the diversity of things, like different products or various customers, can be detected and their costs reassign by first measuring resources through their consuming activities and then into the form of final cost object. The top-down approach was also mainly for looking at product and regulatory costing. The implications for using the top down approach was to allow XYZ to have a 'bird eyes' view of XYZ operations in order to see how resources were being used in their activities. At the same time, it was mainly to see cost cutting of the network functions that uses the bulk of the operating costs in Company XYZ. The implementation of ABC using the top-down approach involved most ServiceCo divisions and bottom-up approach was later ruled out to Telco divisions. ABC implementation in XYZ involved three types of ABC models:

1. Embedded model (EM) – This is a generic ABC model designed within a particular division with the intention of being applicable for a wide range of purposes (e.g. transfer pricing, operational excellence, improving business operations, and budgeting). The model is updated frequently, and is currently being integrated into the company's financial information system.
2. Stand-alone model (SAM) – This is a generic model designed for transfer pricing, budgeting and improving business operations. It is less frequently updated.
3. Ad hoc models (AHM) – This model is quite simpler and normally developed to meet a particular purpose. Typically, it will take less time to develop, involve fewer staff, and the decision to develop will be taken at a lower managerial level. The models are never updated and no review is being made of them.

In this company, there are two main ABC models that can be classified as EM. They are the EMA1 and EMA2 models. These models go through a longer period of development process and normally require the assistance of consultants. McKinsey Consulting recommended implementing ABC in XYZ in 1995 during a restructuring exercise involving XYZ as a whole. The main reason for ABC implementation at that time was for transfer pricing – to establish rates for ServiceCo so that it could transfer its cost to respective service users in Telco and Cellular. The purpose of transfer pricing in XYZ initially was due to the restructuring process involved how much in profit and loss for each particular division.

One of the bigger implementations of ABC was in EMA2. The ABC division implementation was originally started in EMA2, and then was further developed in

EMA1 on a larger scale compared to the latter. For EMA1, the main purpose of ABC was for operational excellence. Although ABC was originally used for transfer pricing, its implementation is on a bigger scale, requiring more stakeholders and well-experienced accountants, and the development process for the models covers a wider geographical area for its implementation. This is because EMA1 operations are very critical to the success of XYZ operations. Furthermore, the EMA1 team members are likely to be seen as more prominent in the development process.

In the case of AHMs, ABC implementation is solely intended for transfer pricing. Sometimes, the accountants relate the ad-hoc models as 'one-off models'. Normally, the process of ABC in AHMs operates in a way where, firstly, a particular division requests for an ABC exercise to be performed. The cost management division will pursue the request and a study of costing on the particular division will be conducted. From here, the accountants will generate a flow of process activities of a particular division and an output will be generated. It is a very simple process, sometimes lasting from just one day to five months. The big difference in time frame of development is a result of how local management and cost management assigns the ABC project. Some divisions request for smaller ABC systems to be implemented and some bigger ones. All this depends on its complexity of business activities. For example, a costing exercise performed on AHM1 outsourcing of a particular spare part to PERNAC<sup>1</sup>. ABC was used to calculate and analyse the outsourcing cost of spare parts management, of which will be used to verify the amount proposed by PERNAC at RM70 per set. The costing exercise revealed that AHM1 is better of using a product of lower cost for a more reliable, durable, and with lower maintenance cost rather than maintaining the outsourcing to PERNAC.

The team members are normally chosen from representatives from the particular division. They work on a part-time basis, where they are considered working team members, and regular meetings are held to generate general information and cost information from these divisions. When meetings are held, questions pertaining to cost system design and output to be generated are discussed. The users of these systems are the accountants, and they generate reports to division general managers for the decision-making process. The AHMs are operated manually and no integration into the financial system is in place. Future plans for enhancement and integration are being considered. There are some of the AHMs where enhancement and redesign are carried out towards their business process due to changing business and process demands. It is a matter of time before some of the AHMs will be developed on a larger scale.

However, SAMs are models that are quite similar to EMs. Similar, in the sense of their purposes for development, but their frequency for updating and review is less. These types of models are developed with the same concept, as EMs, but the involvement of engineers and accountants are less.

### **ABC Users' Background**

We now turn to consider the users of ABC models in relation to their backgrounds. A majority (80 per cent) of ABC users possess a Bachelor's degree. In relation to the level



of training provided to the users for using ABC, the majority of respondents (more than 80 per cent) learn ABC through on-the-job training. In terms of ABC users' knowledge of general concepts of ABC, 70 per cent of respondents understand basic ABC concepts. A small percentage (10 per cent) had heard of ABC, but did not know much about it. Almost 20 per cent felt that they knew a great deal about ABC but fewer than 5 per cent felt that they were ABC experts, and would be able to guide other users in using ABC. It was found that more than 65 per cent of respondents stated they had a general understanding of ABC within their division. Twenty two per cent of users claimed to know a great deal about the division's implementation of ABC, very small percentage regarded themselves as experts in ABC, while almost 10 per cent were aware of ABC implementation in their particular division.

### Usefulness of ABC Information

With respect to the use of ABC information, the respondents revealed they were favourable towards ABC in providing better information usage as compared to their traditional cost management system (overall mean = 3.62). In general, ABC was positively used for a variety of different decision areas. A majority scored a mean of 3.5 and above for most of the items in the different decision areas. The most prominent was ABC being used in the area of budget and planning (mean = 3.97), followed by ABC identified opportunities for improvements (mean = 3.77), ABC used in process or operating management (mean = 3.74), in product management decisions (mean = 3.73), and in the forecasting area (mean = 3.69). Hence, other decision areas used ABC information at a favourable level. This can be summarized in Table 1.

**Table 1. Summary Statistics for Survey Items and Constructs for ABC Information Use**

	Item N	Item Mean	Std. Deviation	Cronbach Alpha
<i>ABC Information Use</i>	181	3.62	0.73	0.95
1. ABC identifies opportunities for improvements.	174	3.77	0.81	
2. Use in product management decisions.	155	3.73	0.89	
3. Driving process improvement decisions.	172	3.68	0.86	
4. Outsourcing decisions.	161	3.59	0.81	
5. Process / operating management	168	3.74	0.85	
6. Product development strategies and decisions.	154	3.66	0.87	
7. Budget and planning.	180	3.97	0.77	
8. Restructuring or reorganization decision.	167	3.57	0.87	
9. Forecasting.	174	3.69	0.87	
10. Capital investment	155	3.57	0.82	
11. Performance measures	177	3.60	1.06	
12. Value-based management tools	155	3.65	0.81	
13. Manage working capital	157	3.67	0.87	
14. Rewards and recognition	163	3.32	1.11	

### Usefulness in Changing Business Decisions

A less favourable attitude was found towards ABC systems used for changing business decisions. The results in Table 2 showed ABC not providing many changes in their business decisions. In some areas, respondents generally felt that ABC had changed their decisions in transfer pricing situations (mean = 2.84), or in changing their strategic focus (mean = 2.83). Overall, users of ABC feel ABC systems implementation less favourably influenced their business decisions in the different decision areas.

### 5. Discussion

It was worth noting that ABC was used widely in all areas of business processes. One explanation to this is the type of ABC systems developed in the organization vary. The purpose of ABC being applied differs from one division to another. This is dependent on requests being put to ABC effort by certain divisions. Similarities of our result match with Foster and Swenson (1997) on ABC information usefulness for identifying opportunities for improvement and product management decisions. ABC information was strongly used for budget and planning as many of the systems developed was for divisions that incurred high operational costs. The literature itself mentions importance of ABC implementation in a wider context although in this company, its application is limited to the various areas which seemed prominent at the point of implementation. The usage of its information in the different areas require more effort at this stage, it is still evolving. A larger percentage of respondents felt they know very general concepts of ABC and only 5% felt that they would be able to educate the rest of the users. It is still at the infancy stage to be explored.

There seems to be a low profile of ABC usage in changing their business decision. ABC changed pricing strategy was seen important because ABC innovations was first and

**Table 2 Summary Statistics for Survey Items and Constructs  
for Changing Business Decisions**

	Item N	Item Mean	Std. Deviation	Cronbach Alpha
<i>Decision Actions Taken</i>	181	2.65	0.95	0.98
1. ABC changed process	154	2.68	1.02	
2. ABC changed pricing strategy	150	2.84	1.20	
3. ABC change process steps	149	2.64	0.99	
4. ABC changed strategic focus	150	2.83	1.05	
5. ABC changed operations	153	2.79	1.08	
6. ABC changed customer support / services	151	2.69	1.06	
7. ABC changed activities / processes	152	2.74	1.10	
8. ABC changed customer segments.	151	2.61	0.97	
9. ABC changed distribution channels.	144	2.60	0.94	
10. ABC changed incentive compensation.	144	2.44	0.93	

solely meant for transfer pricing at the early stage. Perhaps the changes can be seen more clearly due to the time being evaluated. Implementation of ABC within XYZ varies from one division to another and it can be seen that the XYZs' initiatives is looking at ABC at a more diverse angle. However, these changes are yet to be seen for future developments.

## 6. Conclusions and Implications

This is a descriptive study that shows the perceptions of ABC users on ABC implementation in their particular division. It provides us a view on how the various users of ABC perceive ABC information usage in different decision areas and how ABC information helped changed their business decisions. ABC is a relatively contemporary accounting system crafted to cure some of the deficiencies of traditional cost accounting systems. Advocates of ABC argue that it provides several benefits such as supporting process improvements, eliminating non-value added activities, reducing overall costs and raising operating profits. Despite the proclaimed benefits and the broad interest by academics and professionals, there are still organizations fallen back on such innovation. Through the analysis of the data, several conclusions can be drawn.

First, ABC users were very comfortable with ABC information in providing better information as compared to their traditional cost management system. The new costing system did prove to provide changes in several costing areas which they never thought would. The most prominent area where its usage can be seen is in the process of budget and planning of their business operations. There were also high indication that ABC information help identify opportunities for improvement in different business areas. This revealed that there were situations that ABC was providing improvement in various business functions not specifically specified here. Perhaps through the users' experiences, they had situations that they saw ABC was showing this. Other areas where ABC information showed positive examples were in managing and operating process. ABC aided in product management decisions and was seen to contribute to better forms of forecasting of their business operations and functions.

With relation to ABC making changes in their business decisions, ABC users show less favourable attitude to this. The organisation main purpose of ABC implementation was mainly for transfer pricing and this was the strongest area that ABC showed a change in their business decisions. Simultaneously, ABC changed users' strategic focus to decisions. Overall results indicate that XYZ implemented ABC for diverse reasons; however we conclude that in this case, ABC was less successful in bringing changes in the division's various business decisions.

It is important to realize that the ratings of the perceived importance of ABC changing in business decisions and information usage are usually different from one person to another, because each has a different level of measurement standard and personal degree of emphasis on using ABC in their respective divisions.

In summary, several implications can be made to management for future ABC innovation. It seems that when we are looking at the respondents' background, the author found that

the level of training provided to ABC users are mostly (80%) received while on-the-job. Users have greater credibility in terms of awareness of ABC concepts. There is high (70%) level of ABC users understanding the basic concepts of ABC. Almost 65% of the ABC users had a general understanding of ABC. The author stands in saying that the level of knowledge on ABC users in this particular organization is sufficient in them evaluating ABC. Users can be said to be knowledgeable in the area of ABC concepts and are vital and liable to evaluate how ABC has helped them in changing business decisions and information usage.

The organisation is recommended based on these findings to direct and recommend its future implementers to allow ABC to bring changes in their business decisions in multiple areas may it be in areas of process change, transfer pricing, pricing strategy and strategic focus. However, in light of this, there was much liking for ABC information usage in areas of forecasting, process change, product management decisions, and identifying better opportunities for improvements, although very minimal.

This paper is intended to descriptively share the experiences of one company in ABC implementation. It seems that the company has benefited from ABC in areas of usefulness of ABC information usage, however less influence of ABC in aiding changes in their business decisions respective to the divisions involved. Furthermore, it is the intention of this paper to share experiences of one company in the importance of ABC in its information usage and making changes in business decisions.

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### Footnote

- 1 PERNAC is an external firm used for outsourcing various spare parts management needed by AHM1 division.

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