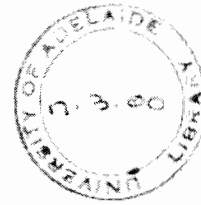


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# **Activity Based Costing in its Organisational Context**

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## Abstract

Activity-based costing (ABC) is one of the changes in management accounting that has appeared as response to Relevance Lost. A Department within a government-owned electricity generator and distributor provides the setting to study the relationship of the implementation of a new accounting technology with the organisational context. The ABC implementation is seen in the context of broader international, national and local pressures on the electricity industry.

The ABC system could not be imposed on the organisation as a fixed concept, impervious to change within the organisation. The ABC system was itself changed over time as the owners of the system responded to organisational pressures and changes. By following the system over a period of time these changes have been tracked – from ABC as a strategic management tool to a transfer pricing system and finally to its demise. The failure of the system is linked back to the broader ABC failure literature.

An inductively derived model of the intentions behind the introduction and use of ABC is developed. The core concept is survival. Managers were moved to find avenues to survive change – a system such as ABC could contribute to this. Managers saw it as a tool for resisting pressure from senior managers to bring about more radical change and hence enable the survival of the section. At the same time the information provided by the system was expected to be useful to bring about greater efficiency and effectiveness and hence guarantee survival of the Department of the organisation. In both respects ABC was unsuccessful despite the large investment in it.

Finally the research is directed back to the role of accounting during organisational change. Accounting is often seen as problematic during change whereas in this research accounting is seen as beneficial or at least relatively benign. Several concepts of organisational change are used in order to provide theoretical triangulation.