

# Activity-Based Costing/Management: The Cornerstone of Effective Management



Corporate  
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Group

## Understanding “True” Profitability

Activity-Based Costing/Management (ABC/M) has grown from its manufacturing roots and is widely being used across a range of businesses, in all industries and sectors. ABC/M is a method of allocating costs to products and services with the end goal of managing activities in an effort to reduce costs and improve customer value. It provides the tools required to transform any organization into a process-driven, profitability-based business.

ABC/M is the foundation for understanding the “true” profitability of products and services and identifying improvement initiatives. By matching costs with the activities and processes that trigger them, organizations have the ability to effectively manage costs, improve processes, positively impact the bottom line and enhance decision-making.

## Why ABC/M?

ABC/M is designed to meet the unique challenges of organizations with multiple products, services and clients. Traditional cost allocation methods allocate overheads by arbitrarily allocating indirect costs which are often inaccurate. ABC/M aims to minimize the effects of these inaccuracies.

Unlike traditional allocation methods which cannot be linked or tied to specific activities, ABC/M helps to identify and assign indirect costs and process efficiencies. It makes companies more competitive by measuring product and client profitability with a greater degree of accuracy and determining the cost-effectiveness of activities and processes.

With more in-depth knowledge about product, service and client profitability, ABC/M enables decision-makers to:

- Allocate and direct scarce resources
- Understand and improve enterprise-wide processes
- Break through silos
- Link processes to management
- Align costs to products and services, increase cost visibility and manageability
- Shift to results-based reporting
- Understand and act on shared services costs and performance

## ABC/M is for all Organizations

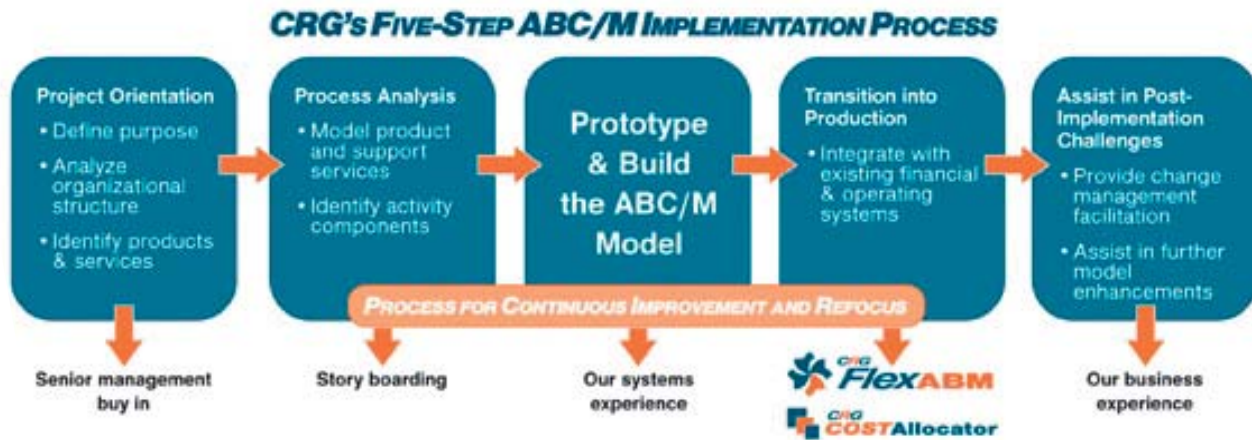
Some believe that ABC/M is strictly for larger companies—this is not the case as its principles and effects are the same for smaller organizations. It provides clear metrics for improvement and encourages management teams of all sizes to discover opportunities to improve their business process effectiveness.

ABC/M improves decision-making by providing better information. By bringing the cost of the products and services to the forefront of the organization, it encourages employees to look for improvements, efficiencies and ways to reduce waste. The essential part of any ABC/M endeavour, regardless of the size of the organization, is to get a clear picture of the activities and processes performed—the value-added activities the best accomplish a mission, deliver a product or service or meet a customer requirement.

# Improve Decision Making Through Better Information

## From Concept to Reality: The Total Solution

The CRG team of professionals has implemented ABC/M solutions around the world, in every industry and sector. We possess the technical expertise, team facilitation and leadership abilities necessary to move ABC/M initiatives from the concept board to reality. Our area of knowledge and experience includes project assessment, process analysis, prototyping and implementation. We have a proven record of successfully implementing ABC/M solutions.



## The Complete Activity-Based Costing/Management Solution

With our experience and world-class ABC/M software—FlexABM—and a complementary costing product, Cost Allocator, CRG is the only place organizations looking to implement an ABC/M and cost allocation solution have to go. Our proven, easy-to-use solutions help organizations identify the true costs of all activities and provide decision-makers with the analytical tools, models and methodologies needed to effectively evaluate business processes.

Visit [www.CostManagementProducts.com/FlexABM](http://www.CostManagementProducts.com/FlexABM) to learn more about FlexABM, the complete ABC/M solution.

### CRG Experience

The CRG team has successfully worked with public and private sector organizations around the world, helping them improve business performance.

### Next Steps

CRG is ready to help you with your shared services initiative. We would appreciate the opportunity to provide you with more information about our team of experts, our services and our lessons learned.

### Contact

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