

# The Cost Accounting System in B-to-B Service Companies: Cost Centers or Activity-Based Costing?

Antonella Cugini and Silvia Pilonato

**Abstract**— Service business-to-business (b-to-b) companies provide a wide range of services characterized by a high level of variability and complexity, very often due to the so called ‘service customization’. In this context, the need to manage the trade-off between customer satisfaction and cost control emerges: therefore the choice of the right cost accounting system acquires an important role in order to identify and manage the links between the services offered to the customers and the costs of their production processes. In this article the two main cost accounting systems are analyzed (cost centers system and activity-based costing system), focusing in particular on the need to identify the final object of cost measurement (service component). The activity-based costing system together with the introduction of new cost containers (cost destinations), allows to accurately calculate the costs of the services provided and to identify the causal relationships between costs and services. The article analyzes the case of a b-to-b company which supplies IT services to banks.

**Index Terms**—Activity-based Costing, Service Companies, Cost Accounting, Service Component.

## I. INTRODUCTION

One of the principal complexities that business-to-business (b-to-b) companies have to face up today is the need to control the variety, the variability and sometimes the unpredictability of the services provided, as well as their consequences in term of internal and external organizational changes. A significant contribution to such variety arises from the tendency to offer a product/service which is increasingly less standardized, in order to adapt to different client preferences. However, in the attempt to pursue market orientation and deliver customer satisfaction, companies have to be particularly careful to avoid increases in costs that choke their profitability. At the same time they should manage activities generating costs without undermining their ability to deliver specific services that fit with the specific needs of the main customers. Therefore the key role of customer relations in b-to-b companies clearly highlights the need to control the trade-off between offering greater quality and customization - and guaranteeing in depth cost control.

This article deals with this topic, analyzing the cost measurement in a b-to-b services company aiming to know the real costs of the services provided, with an in-depth analysis of

the characteristics that a cost accounting system should have in order to enable management to investigate the relationships between the company’s production processes and the cost consumption. In particular, literature identifies significantly different approaches regarding the proposed methodology, which can be traced to two fundamental alternatives: measurement systems based on cost/responsibility centers and systems that utilize activities as intermediate aggregates of costs. The paper sheds light on both strengths and weaknesses of each system. Moreover the study analyse the experience of a b-to-b company which has re-designed its cost accounting system in order to obtain reliable cost information; the new cost accounting system allows management to identify, measure, and subsequently manage the main relationships between the service provision and the costs incurred by the company. The paper contributes to this emerging research stream by further disentangling the links between cost management and the provision of services to the customers in b-to-b companies: the analysis of a case study highlights how an accurate cost accounting system support the sustainability of the business. In fact a management control system is useful if it is adequate for the complexity faced by a company: system deficiencies emerge when this adequacy is missing. The case analyzed in this paper sheds light on the application of the activity-based costing (ABC) system: it allows the company to have reliable information about the costs consumed and the services provided, based on the detailed analysis of service components.

The paper is organized as follows. The next section describes the specific features of the services provided by a b-to-b company, focusing on the identification of the object of cost allocation. Section three summarize the debate regarding the most appropriate cost measurement system in b-to-b companies, underlining a comparison between the two systems suggested by literature: the system based on cost centers and the ABC system. Section four is dedicated to the case study. Finally contributions and conclusions of the study are proposed.

## II. THE FEATURES OF A B-TO-B SERVICES COMPANY AND THE FINAL OBJECT OF COST CALCULATION

In order to address the relationships between costs and services provided to the customers, three main aspects will be examined. The first is the feature of services provided by a b-

to-b company; the second is the identification of the final object of cost allocation in such companies; the third is the measurement of costs.

Referring to the most common *features of b-to-b service offerings* [23], the need to reconcile customization strategies with the containment of costs presents particularly complex application due to the lack of a common basis – the physical product – to which costs can be referred [11]. Moreover the characteristics of the output of a b-to-b service company could be extremely heterogeneous not only because of the presence of intangibles services, but also due to the various nature of the services provided. In fact they could change depending on customers requests and such changes could involve both “time” and “space” of the delivering processes. Finally, in many cases the service assumes a variable profile which depends on how the customer decides to use it: unlike a physical product, a service can rarely be considered as a predefined set of characteristics [21].

It follows that the concept of service cannot be identified in a clear and unambiguous manner: sometimes it can only be described in relation to the customers due to the different use they make of the service.

The second aspect to address is the identification of the final *cost measurement object in service companies*. It could be defined as an object that takes on the same role that the product unit has in industrial companies. In fact, in those firms the output is represented by a physical product that provides a connection between the company and the customer. In this sense, the product unit represents both the main reference on which the customer perceived value is based, expressed by the sales price, as well as the final object of cost allocation, which is used to assess whether the sales price is profitable for the company. In this context, the identification of the object that links the company and the customer is far more complex, as it is difficult to identify the service as a unit of exchange. As far as services are concerned, the unit of analysis of costs may be represented by individual components comprising the service. For further details on this aspect, reference can be made to the literature on value-for-customer [1] [2] [3] [11] [29]. In particular in this paper we refer to the marketing literature that provides a useful contribution for these topics: it deals with the measurement of value generated for customers by service companies, their level of satisfaction and the pricing definition. According to this approach [17] [28] [21], both the core service and the additional services are the sum of a certain number of service components that are the source of value for customers. The analysis can be related to the service components and to the attributes; the former refer to the individual services that comprise the offer, the latter refer to the characteristics of a service component.

Literature claims that components refer to three main categories. The first is the core service (it is provided by the key components and it creates value for the customer); the second one is a set of facilitating services (i.e. the auxiliary components that make it possible to use the core service); the third is defined as a set of supporting services (i.e. the auxiliary components that are used to increase the value of the service and/or to differentiate the service without facilitating the

consumption of the core service). In order to identify components and attributes, it is necessary to follow the whole experience developed by customers when using a specific service, from the pre-purchase phase through to the end of the relationship with the company. It is essential that these components are perceived as the source of the value, and hence of the customer’s willingness to pay a given price.

In the b-to-b companies the service components assume greater importance as the complexity of the offering concerns not only the features of the each service component (core, facilities, supporting), but also their changing in the client long term relationship. In this sense the relationships that develop in the long run could change in a significant way because the services required are different or because some “customizations” are needed [28] [19] [20].

Since the service components represent a consolidated object of analysis in services marketing literature, they could become a useful reference point for the measurement of costs. In this vein it is possible to identify and compare the costs sustained by the company to produce and deliver the value perceived by consumers [11]. As such, the service component could represent the final object of cost allocation and therefore a cost accounting system able to calculate their cost should be identified. This third aspect will be analyzed in detailed in the next section.

### III. COST MEASUREMENT IN B-TO-B SERVICE COMPANIES: COST CENTERS OR ACTIVITY-BASED COSTING?

The literature on cost measurement proposes a variety of approaches regarding the methods to be adopted; they can be grouped into two main alternatives: cost measurement systems based on cost centres and systems that use activities as intermediate aggregates of costs (ABC).

Clearly, the choice of the individual service components as the final object of cost calculation has an impact on the development of the cost accounting system to be used. Briefly, the literature underlines the inadequacy of the cost centres system to calculate the actual costs incurred by the firm to provide the individual service components. Instead the activity-based costing system [13] [14] [26] [27] [34] seems to support the cost measurement and moreover it allows the operational connection between the company’s costs and the clients’ consumption of them during the provision process.

A cost center is an (organizational) unit of the company organisational structure (departments, offices, laboratories, and so on) characterized by a certain amount of assigned resources, a given technology and a homogenous group of results [5]. The cost centers are normally divided into: production and indirect cost centers (auxiliary, service and virtual). After having localized the costs in the various cost centers, the system defines the drivers able to express the absorption that the final centers make of the intermediate centers’ resources. At this stage drivers based on volume are normally used. When all the costs are converged into the final cost centers, their allocation is passed to the product, by identifying the drivers able to represent the intensity with which each product absorbs the resources of the cost centers. Each responsibility center necessarily becomes a cost center: any responsibility center identified is instructed to achieve

objectives of various types, both qualitative and quantitative, among which the determination of costs takes on a primary role. It is therefore necessary, at least, to define a cost center corresponding to each responsibility center. The contrary is not however true, because it can happen that the establishment of cost centers does not automatically determine the attribution of managerial responsibilities. The cost center methodology has been discussed in detail in the literature, which has highlighted the complexities of the allocation of the intermediate cost centers to final ones by drivers linked to volume.

The main limit of this method is inherent to the nature of the cost centres, because they are designed to reflect the hierarchical structure of the company, and due to this reason they are not able to correlate the costs sustained by the company to the value generated for the customer [19]. Measuring costs is more difficult in companies which provide numerous, heterogeneous, inter-related services and where clients can consume different combinations of services or can choose for different ways of service delivery. Moreover some authors [18] have observed that in some service companies cost information is used for planning and control processes, but not as a support to the pricing process because the system adopted does not allow to know why and how costs are generated. Therefore they claim that a more accurate cost accounting system, such as ABC, could be extremely useful for services characterized by heterogeneity of output, by a variety of clients, by heavy investment in equipment and substantial indirect and fixed costs. The ABC system, in fact, is characterized by a greater accuracy in the allocation of indirect costs. The assumption of ABC is that resources are consumed by the activities carried out by the company, and the activities, in turn, are consumed by products/services. These authors [27] define an "activity" as a combination of people, technology, raw materials and environment aimed at realising a final output. They describe what the company does, the way it exploits its resources and the results that it achieves [9] [31] [32]. ABC originated as a method of calculating costs along the value chain which represents all the activities which contribute to forming the added value of each company and which form the basis of competitive advantages. In fact the value chain disaggregates a company into its strategically important activities, with the aim of understanding the cost performance and the existing and potential sources of differentiation [30].

Using ABC, the focus is placed on the management of resources that cut across organisational units and represent often core resources or competencies that impact the company's ability to compete in different markets [22]. This aspect is particularly significant in service companies in which the production process often takes on a cross-cut sequence as regards the organisational structure.

As regard the system that should be adopted by b-to-b companies, it is worth remembering that some authors [28] [18] argue that in labour-intensive service companies, labour costs can easily be allocated to individual tasks by measuring the time employees take to perform the same task: time that cannot be allocated to specific tasks is assigned to training, holidays, illness periods. Moreover the application of the ABC

for these companies is of utmost importance in order to ensure correct allocation of service provision costs: it is, in fact, linked not only to the organisational units and infrastructure used to provide the service, but also to the production process and therefore the cross-relations among the various business functions.

In order to identify the most appropriate system to calculate the cost of providing individual service components, it is necessary to highlight the cause-effect relationships between the production process and the characteristics of services provided: in this vein, the analysis starts from the qualitative/quantitative features of the components that are affected by the characteristics of each phase of the company's production process. This means that the cost accounting system must be able to measure the cost of each phase of the production process as well as the amount of its output consumed by each individual component.

Several authors [33] [12] [24] have shown how the ABC system can be successfully applied to various service companies: hospitals, banks, insurance companies, railway companies, data management providers, and so on. Even if some authors [35] state that the implementation of an ABC system in a service company is very similar to that of an industrial company, an in-depth study on the specific features of the cost accounting system is still missing. The framework useful for physical products based on target cost management and product attribute costing [4] [10], cannot be directly applied to tertiary sector activities and, as described in the previous paragraph, the services provided have to be broken down into their components in order to understand their relationships with the activities.

The debate about the most appropriate system for a service company is still open; this paper contributes to this debate with an in depth analysis of the case of a b-to-b company, which dropped out the cost centers system in order to adopt a cost accounting system based on activities.

#### IV. THE COST ACCOUNTING SYSTEM APPLIED TO A BUSINESS-TO-BUSINESS COMPANY

The core business of the company analysed (hereafter the Company) is focused on supplying IT services to banks and their clients in the e-money and electronic banking areas. The services provided by the Company allow banks to outsource all the activities and problems related to the management of POS terminal payment and electronic banking. It serves about 300,000 users, with about 100,000 locations for remote and internet banking and managed payments b-to-b for about 4,000 companies.

##### A. From cost centers to activity-based costing system

Until few years ago, the strategy of the Company was oriented towards the standardization of products and services offered to clients, in order to maximize the efficiency of the business. As a result, the offer of the company was composed of pre-structured services nearly identical for all clients. The system used by the Company to calculate the cost of the clients was based on cost centers (hereafter called CC or CCs), which corresponded to the organizational units that

made up the organizational structure. The profitability of the client was obtained by subtracting from the client revenue the sum of the assigned costs of the various cost centers. Client cost allocation was carried out distinguishing direct cost center and indirect cost centers. Direct cost centers were those for which the company can identify how much time (in hours) is dedicated to individual clients. The costs of the indirect cost centers (about 70% of total costs) were allocated to the clients using as driver the costs of the direct cost centers absorbed by the clients.

The CC system responded to the need of searching for efficiency in the production processes and it was based on cost centers. Such system was able only to control and monitor the internal efficiency without giving any hint on clients visibility and on the single services required by them. Within this methodology, the measurement of the cost of the clients was based on costs allocated mainly through volume-related drivers. In particular, it was possible to identify four types of cost centres: Final CCs (such as administration, sales, operations office, help desk, etc.), Support CCs (such as customer service department, technical management department, etc.), Overhead CCs (general management office, finance and administration department, sales department), Ancillary CCs (property, common costs, company mobile phones, etc.). Ancillary CCs were allocated to other CCs (final, support and overhead) and on job orders; support CCs which were at the service of other support CCs were closed on the latter (e.g. the technical management CC that carried out activities in favour of the system management CC), and finally the support CCs were allocated to the final CCs and the latter allocated to the job orders.

The model based on cost centers was suitable when the strategy of the company was that of maximizing the efficiency of its business operations because it allowed a strict control on the resources assigned to each organizational units.

In recent years, though, the critical value drivers in the services for banks have changed to an increasing customer focus, a careful monitoring of the performance and a constant attention on functional and technological evolution of the services. As a consequence the cost accounting system adopted did not fit anymore the evolution of the company's strategy towards a more personalized and detailed provision of services. Indeed, the traditional cost accounting model was not suitable for the achievement of the new company's objectives because it was not able to correlate costs to services offered to the clients.

Therefore, the Company decided to adopt the ABC system for all the business processes implemented to provide services to its clients. The following ones are the steps that have been taken in order to implement the ABC system.

#### *Identification of activities*

The first step in applying the ABC to the company lies in identifying the activities which make up its production process. Starting from the organizational structure, the application of the ABC system has involved all the activities carried out by the organizational units within the Operating Departments. The activities performed by staff units to Top Management were excluded: Marketing and Planning Unit,

the Key Market Manager of the Banks Development and the Administrative offices (overhead structure).

In order to prepare the lists of activities, three steps were followed:

- interviews with the employees: all the managers of the organizational units and all the product managers were interviewed;
- elaboration of the interviews, in order to organize all the gathered information;
- examination of the reliability of the gathered information, by comparing and discussing them with the managers of each organizational unit.

Such first step in applying the ABC methodology has identified about seventy activities and has highlighted that the majority of them consumes time of employees belonging to different organizational units. A deeper analysis of the activities highlights that the indirect activities tend to develop on a transversal sequential level with respect to the organizational structure, starting from the receipt of the order up until the completion and delivery of the services required by the client.

For example, when a client asks for a quotation (activity 45), the procedure starts from the Banks and Markets Division, in particular in the Sales Department Banks and it also involves the Operations Department. When the order is received, the procedure starts again (activity 39) from the Sales Department Banks and leads to the Administration Department, where it is processed by the Contract Management unit.

#### *Allocation of the costs to the activities*

The second step consists of assigning the costs to the activities: the costs exclusively concerning the activities are directly allocated to these, while costs that are common to more than one activity are assigned using resource drivers. In particular, the annual cost of personnel was obtained by adding together all the expenses connected to the use of human resources. The average cost of the work station and the space needed by the personnel were also calculated by adding together all the cost items regarding or originating from the building and dividing these costs by the overall area of the office space analysed; a cost per square meter is obtained and it is then multiplied by the average area occupied by a work station.

#### *Identification of cost destinations*

A special feature of the Company's cost accounting system consists in the fact that – after specific and common costs have been assigned to the activities that consumed them – in financial accounting there are numerous cost items, including those of significant amounts, which have not been allocated to the activities because they are not consumed by them, either directly or indirectly. These costs, unlike the normal procedure of the ABC methodology, have no link in terms of consumption with the activities of the production process, but they do have a link with the infrastructure, hardware and software facilities utilized by the Company to provide the various services.

It should also be noted that even the output of certain activities of the Company production process are absorbed by these infrastructure. Consequently it is necessary to create new cost containers which have been named “cost destinations” and which gather those costs that, as they are not referable to the activities or even to the cost centers, have elements of the infrastructure as their consumption destination. It is therefore necessary to break down the Company’s infrastructures into their component parts, in as much detail as the Company sees fit, and to create a cost container for each destination. The Company’s cost destination are represented by four different types of facilities: *Technological platform*, which are represented by hardware facilities (the 3 remaining are software facilities); *Procedures*, all the software for internal use and for clients’ use; *Projects and Investments*, both innovation and operating projects (those used to coordinate the activities for migrating a new client on Company’s systems).

Each of the above cost destinations gathers together specific costs - which refer to the resources consumed directly and exclusively by the individual cost destination – and common costs, which refer to the resources used by more than one cost destination and which must be assigned to these using *ad-hoc* drivers.

*Identification of the relationship between activities and cost destinations*

Table I summarizes some of the relationships between activities and cost destinations: the cost destinations, besides absorbing both specific and common costs, consumes also the output of various activities of the Company’s production process, in particular the maintenance and implementation activities on a specific procedure and management activities to coordinate a migration project.

If the output of an activity has to be allocated among many destinations, then a criteria has to be set: an example of an activity driver for support and assistance activities is represented by the number of emitted tickets (the ticket is a document issued when support is provided either to a client or a user), while for the activities of software development and maintenance, the driver is man hours absorbed.

The allocation of the costs of activities to the destinations is always carried out by calculating the unit cost of the activity driver and by measuring the share of activity driver absorbed by each cost destination.

*B. Calculation of the cost of services provided*

The first phase to measure customers profitability consists in the determination of the cost of the services they require and consume. In order to do so, we need to break down Company’s offer into its components. Such process is run by firstly identifying the service components and secondly calculating their cost, defining the relationship which connect service components with activities and cost destinations.

TABLE I  
FROM ACTIVITIES TO COST DESTINATIONS

Activities	Final cost destinations			
	Infrastruct.	Procedures	Projects	Investm.
Hardware and software updates	•	•	•	
Technical analysis				•
Activation of products or applications			•	
Projects' activities				
Documentation			•	
Specific data extraction			•	
Environmental management of equipment	•	•		
Management of wiring and telephony	•			
Management of internal certificates			•	
Management of software configurations			•	
Management of firewall		•		•
Management of migrations (projects)				
Management of nets (Lan and Wan)	•	•		
Management of Alarm notices	•	•		
Management of Front end structures	•	•		
Management and planning of lifecycle			•	
Emergency interventions		•		
System interventions on S.O. and D.B.		•		
Mainten.& implement. of alarm systems			•	
Applications monitoring			•	•
Monitoring of the functioning of the system		•		
Report and statistics			•	
Internal applicative support			•	

*Identification of service components*

With the term ‘component’ we refer to the individual elements of the service that make up the whole offering of the Company for different clients. To be identified as ‘component’ each item must create perceived value for clients. It means that they can be used by sales managers as distinctive elements of the Company in presenting itself to the market. In other words, it is a break of the offer not according to an internal point of view, but according to the customer’s perspective. Even if they are not directly related to revenues, they are indeed able to add value to the offering.

In the Company the components were identified through interviews with the clients and the most significant components of POS Services are: Processing; Help Desk; Technical administration; Maintenance; Rent; Billing; E-Commerce service. Other components concern the Call Center Services for third parties, that comprises: ATM monitoring; Prepaid cards; Non-bank POS. Other components are: Banking (Payments Service), Teleservices (support services provided to the Public Administration by means of ATM units) and Facility Management (Housing, Hosting).

*Calculation of the cost of service components*

Once we have identified the individual service components, we have to calculate the costs absorbed by each of them. In order to do this, we first identified the relationship between activities and service components and then the relationship between cost destinations and service components. In our case study, we need to identify and measure the relationship between the activities carried out by the Company and the individual components by defining and determining the activity drivers. Obviously, the activities involved in such process are those that have not yet given fully their costs to the destinations.

Once we have allocated the costs of activities onto components, we can observe that such components absorb also costs of the destinations. This means that the costs of procedures, of those projects that are not linked to specific clients and of investments are allocated to the components which consume them. In this way we are able also to close up

the calculation of the cost of service components, as there are no more other costs which they absorb.

#### V. CONCLUSIONS AND EMPIRICAL EVIDENCE

Considering the level of managerial complexity which characterized b-to-b companies, they should adopt a cost control system which allows them to understand [36]:

- the nature and the number of activities carried out by the company,
- the costs incurred to generate value for the client, through the analysis of the resources assigned to each activity,
- the efficiency pursued in carrying out the activities, observing the execution methodologies,
- the effectiveness in the performance of the activities, measuring their output and their coherence with regard to client needs.

By applying a cost accounting methodology based on the activities and the identification of the cost destinations to Company, it has been possible to accurately calculate the cost of the individual service components and to construct a reporting income statement which breaks down the company's operating profit into the contribution offered by the individual business area and by individual customer. This has great importance for the Company, which provides services characterized by heavy investments, a variety of clients, diversity of output and considerable fixed costs. In these type of companies, the cost allocation is a problematic and delicate matter, because of the high costs of the technological infrastructure. If we want to calculate the cost of providing a service, it is necessary to plan a cost accounting system which considers both the production processes as well as the infrastructures.

Moreover, it has been ascertained that Company's customers differ as to the way they choose to combine the service components. In other words, each bank requires and uses the different service components according to the value that it wants to obtain when using this service. Given that, the service offered by the Company has a variety of different configurations, depending on the specific requests of clients. The cost accounting system adopted should therefore be able to calculate the costs sustained in order to provide each individual service component to different customers.

The ABC methodology allows the Company to assign to the client only the costs of the components which the client has actually consumed. With the cost center methodology, the cost of these activities are included in the accounting cost center and are assigned to the client along with all the other costs of the cost center. Indeed, the cost center system makes possible the phenomenon of cross-subsidizing, since it distributes the indirect costs between the various clients somewhat inappropriately. This is reflected in a client profitability which is just as imprecise, therefore some clients appear more profitable than they actually do and vice-versa.

As well as this, in service companies, reference to the activities which make up the production process is particularly useful for pursuing one of the main aims of cost accounting in this type of company: controlling labor costs. The methodology based on the cost centers only allows us to know

“where”, that is in which organizational unit the personnel costs are incurred, whereas with the ABC methodology it is possible to understand “why” (that is for what reason), certain personnel costs are incurred.

This point leads us to another fundamental aim which the adoption of the ABC methodology has allowed to achieve: measuring and governing the levels of performance of the service provision process. In the Company analyzed, the process of service provision already represents the product itself; consequently the analysis of the activities which constitute it, their sequence and responsibility, must take on the same importance and receive the same attention as the physical and functional characteristics of a physical product have in an industrial company.

By analyzing the ways in which the activities of the production process are carried out, it is possible to measure their performance (quality and time taken) in order to identify any opportunities of improving it. For each activity it is necessary to have information, though not necessarily in terms of money, which are able to indicate how much efficiency and effectiveness the activity provides for the productive process, by explaining the causes of the execution of the activity (cost drivers) and the quality standards reached (performance measures). For example, maintenance activities can be analyzed, other than in terms of costs, also by the number of man hours needed, the type of repairs/improvements carried out, the number and type of IT machines repaired and so on.

ABC methodology, together with identification of the cost destinations, allow the activities of the production process to be linked to the individual parts of the infrastructure and to combine the cost information to the physical-technical information which is useful for managing the capacity of both the production process and the infrastructures.

With reference to the current cost accounting system, Company's top management states:

*“... a system which is able to connect the activities carried out in the company with what the client is willing to pay is also able to highlight the weaknesses and strengths of the business process... ...the analysis of the costs of the activities which create the competitive advantages helps in giving a strategic value to the managerial control process, extending the time horizon and allowing for more detailed and precise benchmarks with clients and competitors...”*

There are two advantages obtained by the Company from the application of the ABC system. The first is the identification of the activities that constitute the indirect costs, highlighting the fact that the adoption of the ABC system has allowed the emergence of the true causes of indirect costs and identifying those customer that, in spite of requiring little effort in terms of direct labor, create higher costs relating to the indirect activities. Such costs do not vary at all in relation to direct work, but rather in terms of the complexity of the client's requirements. The fact that such costs are under/overestimated might induce companies to adopt differentiation policies for which they are not really able to judge the real economic impact. The ABC system is able to monitor this greater use of resources, determined by the repetition of the same activities and to assign the relative raised costs to the customers.

The second advantage concerns seeing the company as an integrated group of processes, rather than a hierarchy of organizational units; it is one of the most important requirements for improving management control, as it emphasizes the need for resources which cut across organizational units and often represent key competences which have a direct bearing on the company's competitive advantage.

Given the analysis carried out, the following are the main findings.

Firstly, the analysis highlights that service components are the result of several activities provided by the different organizational units. The activities are not performed autonomously, but integrate with each other, therefore it is necessary to observe them in a process perspective. As the process is a group of activities that are interconnected and directed towards a specific final result, the activities are therefore the basic parts of the process; their confines are defined by the cause-effect relations that are created between the activities, and that pass horizontally through the organizational structure, crossing the barriers of the individual departments.

Looking at the company as a group of processes, instead of as a hierarchy of organizational units, is one of the most important requisites for improving management accounting in b-to-b companies. In this way the emphasis is placed on the management of resources that 'cut' the organizational structure transversely and that often represent key resources/competences that influence the company's ability to compete in different markets. This aspect takes on particularly significant importance in the Company analyzed, in which the production processes often tend to assume a transversal sequence with regard to the organizational structure. The 'process orientation' does not imply an annulment of the organizational mechanisms and of the hierarchical structures, but their subordination to this managerial point of view. The representation of a company through processes provides a description of the activities carried out:

- different to the organizational one which is generally expressed in terms of functional and divisional roles and responsibilities;
- invariant with regard to changes in the formal organizational structure;
- incorporates the strategic aims pursued.

Secondly, the subject of cost calculation has to be based on the individual components of the offer: the sum of the costs of the individual components allows us to express the overall cost sustained by the company to create value-for-customer. In other words, the service component are the objects to which the costs are assigned.

These "sources of value" are represented by the activities carried out by the company to provide the services. It therefore becomes essential to understand which are the clients' needs and to identify the processes to be carried out in order to satisfy them: the understanding and management of

the links existing between activities, processes and services provided are therefore an aspect of great importance.

Finally, the findings summarized above are based on a cost accounting system characterized by two different but complementary types of intermediate cost containers: the activities and the cost destinations. Given the nature of the production process (which is transversal in terms of the organizational structure, concurrent between production and consumption, characterized by immaterial output and great relevance of qualitative aspects) and the high level of fixed costs (of the IT technologies), this particular cost accounting system represents a particularly useful tool for supporting the management of this Company.

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**Antonella Cugini** is an Associate Professor of Management Control at University of Padua, Department of Economics and Management, and Senior Professor at SDA Bocconi School of Management, Department of Accounting, Control, Corporate and Real Estate Finance. Her research interests include cost management in service companies, performance measurement in universities, marketing metrics, reporting and corporate governance in private and public companies. She has published some books and several articles in international refereed journals on these topics.



**Silvia Pilonato** is an Assistant Professor of Accounting at the University of Padua, Department of Economics and Management. Her research and teaching interests include cost accounting systems, performance measurement and corporate social responsibility. She has published articles in both national and international referred journals.