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The Considerations for the Implementation of an Activity Based Costing (ABC) System

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Activity Based Costing (ABC) has been widely discussed as a costing tool in academic and practitioner circles for nearly two decades. There are theoretical and empirical accounts of ABC implementation processes and techniques in different studies. This study is a synthesis of past studies on the implementation of ABC in an organizational context. Using a literature analysis of published papers over the last ten years, the study develops a typology of implementation issues, following three major themes: the type of organization, the methodologies used to explain the implementation processes, and the factors leading to the adoption or abandonment of an ABC system. The findings suggest that ABC is used in manufacturing, service and even government sector organizations, that organizational, economic and sociological theories are used to explain the implementation processes, and finally, that technical and human factors affect the implementation or abandonment of an ABC system in any organization. A comprehensive account of ABC system implementation, as well as other related major considerations reported in this paper, will enhance the knowledge base of interested academic researchers and practitioners. This research could be extended to a quantitative analysis of the themes reported here, in order to improve the reliability and validity of the conclusions reached in the paper.

Keywords: Activity Based Costing (ABC), implementation, adoption, organizational factors, human factors, theories.

JEL codes: M40, M49

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