RESULTS BASED COSTING (RBC) SYSTEM: QUESTIONING THE UNIT OF ANALYSIS IN ABC

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Abstract

This paper aims to introduce Results Based Costing (RBC) System as an alternative accounting tool by questioning the unit of analysis in ABC. By focusing on 'Results' instead of 'Activities', it investigates its manifest and underlying agendas as a newly innovative idea, with a view to determining its degree of cost management focus and Results Based Management (RBM). Adoption of ABC in different countries especially developed countries has not fulfilled early expectations. Its influence on organizational performance, depending upon how successful performance is defined, has not been evident (see Langfield-Smith 2008). The study thus uses historical and website analysis methodologies for investigating innovative diffusion philosophies related to ABC practices and discourse. These are examined through the theoretical lenses of institutional logics theories. It thus distinguishes between institutional logics and situated logics, and their variances. ABC implementation can be characterized as an encounter between the ABC's inscribed institutional logic and the situated institutional logic that is embedded in the existing practices in a given organization. The paper moves on to consider the surrounding emergence of RBM approach and then introduces RBC as new accounting tool along with its developments, its processes, intentions and claimed advantages. RBC's dominant agenda are overhead cost reduction, cost management, performance management and results orientation. Accounting research into the management accounting system and its processes is much needed. This has been largely neglected in favor of management accounting change and innovative diffusion literature. In a world dominated by IT industries, RBC system as a center of organizational and accounting management merits greater attention by researchers. Practitioners in this way can better design and implement systems that build on past knowledge and learning. This study thus presents itself as a first study about RBC currently available in the accounting and management research literatures. It also represents one of the very few referred studies of the Results Based Accounting in the accounting research literature globally.

Keywords: Results Based Costing, ABC, Unit of Analysis, Institutional Logics, Innovative Diffusion

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1. INTRODUCTION

Although reducing costs as base in ABM has always been important for successful financial results, in the mid-1980s into early-1990s, reducing costs became a paramount priority at many organizations. An organization trying to reduce costs often clustered them into three types: materials costs, including raw materials, equipment, service, maintenance, and so on; labor costs, meaning the costs to an organization of its people, which show up in many places in the income statement, but are clearly recorded in the sales, general, and administration item of the corporate income statement; and process costs, the cost of turning materials into products or services. Some organizations tried to reduce all three costs simultaneously (Gunasekaran and Sarhadi 1998; Ulrich et al. 1999). During the last fifteen years, most executives have worked to meet organizational goals by focusing on cutting costs. Many initiatives - such as, ABC/ABM, total quality management, continuous improvement, downsizing, consolidation, reengineering, value based management, transformation, mergers and acquisitions, to name a few - focused implicitly or explicitly on reducing operating costs or improving efficiency. When successful, these initiatives, improve productivity and efficiency, which ultimately lower operating costs (ibid.).

More recently, leading organizations have begun to recognize that Results Based Management (RBM) approach provides a viable alternative to reducing costs as a way to organizational goals and continual growth. Results Based Management (RBM) is an approach to maintain the focus of organizational management on its mission and objectives, and to integrate performance information into decision-making, management, and reporting. It can be represented as a 'life cycle' where 'results' are central to planning, budgeting implementation, monitoring and evaluation, reporting and ongoing decision-making (Wholey 1999). By focusing on 'results' instead of 'activities', It assists

organizational management to better articulate its vision and support for targeted results by minimizing overhead costs, and to monitor the progress using KPIs, targets and baselines. The Government Accounting Standards Board (GASB) (2012) defines the RBM approach as.

Is "a comprehensive approach to aiding public policy [i.e. organizational strategy] and administrative organizations to focus on their missions, goals, and objectives? It establishes the accomplishment of those goals and objectives as the primary endeavor for the organization, and provides a systematic method for carrying out that endeavor. It requires the (1) establishment of performance measures, (2) use, and (3) reporting of those measures; so that management, elected officials and the public can assess the degree of success the organization has in accomplishing its mission, goals, and objectives (see also, Aristigueta and Sikkander 2010:2,3).

The transition to the RBM approach is a major change for most organizations. Business leaders must be aware of the organizational culture and understand that they are leading organizational change. Building skills on the human side of change will help managers in overcoming resistance and facilitating RBM approach. This approach builds capacity in change management specifically related to strategic planning, cost management, and RBM practices (Wholey 1999; Lavergne and Branch 2002; Ortiz et al. 2004). A focus on results, as envisioned by the new financial management, implies that programs contributing to the same or similar results should collaborate to ensure that goals are consistent and, when appropriate, program efforts are mutually reinforcing. Organizations, whether (non-) profit seeking, can use their strategic and annual performance plans as tools to drive collaboration with other organizations and partners, and establish complementary goals and strategies for achieving results. Such plans can also reinforce accountability for the collaboration (teamwork) by aligning organizational goals and strategies with those of the collaborative efforts. Accountability for collaboration is reinforced through public reporting of results for each organization (ibid.).

RBM approach is thus a management as well as accounting approach focused on realizing results; it is a broad management strategy intended at changing the way the organization operates, with improved performance (realizing results) as the central orientation (OECD 2000). It must be supplemented by organizational policies and strategies, such as human resources, information technology and learning strategies, if it is to have the planned impact on organizational effectiveness. Thereafter, RBM has a strategic, future-oriented approach to the deployment of resources to achieve significant results. Notably, the RBM initiative works best in an atmosphere of TQM and a culture of performance excellence. TQM principles must be integrated with existing accounting practices and systems to result in quality and excellence in any organization (that is, quality products and services, and satisfied customers). Organizations use continuous improvement as one vehicle for promoting a "culture of performance" whereby organizations develop a RBM approach to administering programs and allocating resources to improve performance (Lavergne and Branch 2002; Ortiz et al. 2004; DBM 2012).

Results Based Accounting (RBA) can be considered as an integral part of RBM. Accordingly, the focus of management accounting has shifted from inputs and control of expenditure into accountability for results and efficient allocation of resources, with the emphasis on making management more accountable in financial terms (Humphrey et al. 1993; Gray and Jenkins 1995). In the Results Based Accounting (RBA) process, the costing and budgeting systems are considered as an integral part of planning process in management accounting. Planning process sketches the path and permits the setting of priorities and strategies. Costing and budgeting systems provide financial resources to implement the strategic plans, and to achieve organizational objectives. On the one hand, the organizational objectives and KPIs as in the strategic plan are normally used as a basis for budget demands; at the same time, the strategic plans drives the budget requests (Try and Radnor 2007; Sulle 2011; DBM 2012). KPIs, which are derived directly from strategic objectives, connect between strategic plan and budget, as key elements of the strategic management process (Poister and Streib 2005). One the other hand, Results Based Costing (RBC) has changed the focus of the costs on achieving the results instead of activities, and the allocation base of the overhead costs based on the outputs rather than inputs. This approach developed transparency and accountability for the purposes of resources allocation and the efficiency of their use. RBC can be viewed as a comprehensive integrated costing system including accounting subsystems: budget management system; costs management, revenue management; procurement management; payables and receivables management; cash management; and general ledger.

Since RBC is based on connecting budgeted costs with performance, it makes sense to compare the cost with the service or benefit. It is one of the main challenges of reporting on achieved results. It seeks to shift attention away from activities to communicating significant results that the program or project has achieved at the organizational output and outcome levels (UNDG 2010). The decision-making and reporting process along with RBC usually takes place after a series of organizational actions such as setting strategic objectives, keeping objectives in mind while allocating resources, managing programs to achieve results, measuring performance, and reporting results. These actions help the organization to determine its progress towards its desired ends (OCA 2002). Similarly, Results Based Budgeting (RBB) communicates management's plans throughout the organization. It forces managers to think about and plan for the future. The budgeting process provides a means of allocating resources to those parts of the organization where they can be used most effectively. The budget process can uncover potential bottlenecks before they occur. Budgets coordinate the activities of the entire organization by integrating the plans of its various parts, and define goals and objectives that can serve as benchmarks for evaluating subsequent performance (Garrison et al. 2003).

To summarize, the aim of the current study is to introduce RBC as an alternative accounting system to ABC. It investigates its manifest and underlying agendas as a newly innovative idea, with a view to determining its degree of cost management focus and Results Based Management (RBM) foundations. The study uses institutional logics and innovations diffusion as theoretical lens to inform the study and how they relate to its central aim. The paper begins with a discussion of recent research and evidence about the influence of RBM upon cost accounting systems especially RBC system. Research into ABC and ABM is then critically reviewed, particularly in the context of management accounting research, discussing the contemporary underlying agendas in management accounting innovation and change that researchers have identified. The paper moves on to consider the surrounding emergence of RBM approach and then introduces RBC as new costing system and management approach along with its developments, its processes, intentions and claimed advantages.

2. MANAGEMENT ACCOUNTING INNOVATIONS

A large proportion of management and accounting publications deal with the diffusion of innovation (Rogers 1995). "An innovation is an idea, practice, or object perceived as new by an individual or other unit of adoption" (ibid:1). Diffusion of innovation attempts to determine the innovation's diffusion curve over time and to recognize the factors explaining its shape. A large size of studies with a positivist and rational approach are concerned with the diffusion of innovation. However, the models and concepts employed by most of this type of research are not easily transposed to the study of managerial innovations (Lundblad 2003). Furthermore, positivist research in management (accounting) often prefers to ignore power struggles and conflicting logics, as well as rationalities other than technical ones, which are significantly influence the diffusion of new systems and practices (Baxter and Chua 2003). These boundaries lead us towards alternative research in management accounting, which is interpretive and non-positivist approach.

Unlike rational approach, interpretive approach examines accounting as a part of social system that is influenced by power and conflicting logics. It considers accounting as a discipline of the social science and it seemed important to us to understand it in the context of a broader set of discourses from the social sciences. Although many scholars have clarified that conflict and negotiation mark in the emergence of new institutional fields (Hoffman 1999; Hargrave and Van de Ven 2006; Purdy and Gray 2009), empirical research on conflicting logics has largely focused on change within mature fields (Greenwood et al. 2002; Greenwood and Suddaby 2006; Lounsbury and Crumley 2007; Lounsbury 2008) where a dominant logic has eventually prevailed. In some emerging fields, situations such as pressure and goal similarity enhance rapid consensus on a single organizing logic, making rapid institutionalization possible (Maguire et al. 2004). However, other scholars have clarified that institutional innovations may remain contested (Fligstein 1996; Scott et al. 2000; Marquis and Lounsbury 2007), that diffusion of innovations does not always result in institutionalization (Abrahamson 1991), and that emerging fields may not always mature toward stability and institutionalization (Greenwood and Suddaby 2006). Thus, under some situations, institutionalization of a single new organizational system may not be a taken for granted conclusion (Purdy and Gray 2009). Tension between these clarifications is particularly evident when one considers an emerging field marked by conflicting logics where a new population of organizations is struggling to become institutionalized (ibid.).

Existing models of institutionalization describe a diffusion stage in which a dominant logic emerges within a field (Strang and Meyer 1993; Greenwood et al. 2002). Stage models of field evolution characterize the final stage of institutionalization as "structuration," when practices acquire legitimacy (Morrill 2006), or as reinstitutionalization, when new logics become "taken for granted […] as appropriate arrangements for all organizations within the field" (Hinings et al. 2004: 315). These models leave open the prospect that institutionalization may be weak (Hinings et al. 2004) or that "contradictory patterns of human activity" may "be organized, made sense of, and navigated" (Morrill 2006: 5-6), yet the processes by which this might occur remain underspecified. Some evidence suggests that geographic variations induce different diffusion rates and changes in what gets diffused (Hays 1996; Schneiberg and Soule 2005; Marquis and Lounsbury 2007; Purdy and Gray 2009). However, scholars have called for a fuller understanding of the mechanisms by which multiple institutional logics may be diffused and the conditions supporting the determination of multiple institutional logics within a field (Strang and Soule 1998; Davis and Marquis 2005). As Lounsbury (2008) discuses that,

"By focusing on how fields are comprised of multiple logics, and thus, multiple forms of institutionally-based rationality, institutional analysts can provide new insight into practice variation and the dynamics of practice. Multiple logics can create diversity in practice by enabling variety in cognitive orientation and contestation over which practices are appropriate. As a result, such multiplicity can create enormous ambiguity, leading to logic blending, the creation of new logics, and the continued emergence of new practice variants. Recent efforts to combine social movement analysis and institutional theoretic approaches have highlighted how collective action often underlies these processes … (Lounsbury 2008: 354)".

Institutionalists suppose that practices are fundamentally embedded in cultural and cognitive systems that are "structured as an embodiment of the range of activities, social conflicts, and moral dilemmas that individuals are compelled to engage with as they go about negotiating the sorts of everyday events that confront them in their lives" (Mohr 1998: 353). Although an institutional approach to practice argues that action must be understood as fundamentally constituted by institutional rules and institutions, to be relevant to practice scholars, institutionalists must go beyond their structuralist treatment of practice as a cloud level observation of diffusion processes (Mohr 1998; Lounsbury 2008). ABC implementation can be characterized as conflicting logics between the ABC

inscribed institutional logic and the legacy institutional logic that is embedded in the existing technology-supported practices in the adopting organization. Implementation of an ABC, thus, provides the ideal opportunity to explore how micro-level processes within an organization are activated to translate the ABC institutional logic. ABC has instigated a number of articles in accounting and management. For example, Bjørnenak (1997) examined the diffusion of ABC across the Norwegian manufacturing industry. He describes three types of diffusion processes. The first depends upon skilled workers moving about and causing change. Contagious diffusion, on the other hand, takes place when information is spread in a smooth and random way. Hierarchical diffusion happens when information is dispersed through a trickle down process. Bjørnenak studied how diffusion is affected by certain variables and looked at the relation between Cooper's (1988) statements of when ABC is necessary and adoption rates of ABC. Unlike Cooper's predictions, he found that ABC was more common in firms experiencing less competition, and with lower product diversity, than their adopter counterparts. Thus, he reported a weak correlation between the demand for information by organizations and adoption rates. A much fuller explanation arises if the suppliers of innovation are studied, where certain agents endorse the benefits and use of the innovation that they promote (Lapsley and Wright 2004).

In a similar way, Malmi (1999) examined ABC diffusion across Finnish firms, building on a conceptual matrix by Abrahamson (1991). Most adoptions are assumed to occur because of the benefits and efficiencies gained through implementation. However, Abrahamson adds three other perspectives to this 'efficient-choice' selection. Forced selection results if one supplier has influence over all interested parties and thus the motive of the adopter may not play a part in implementation. The fashion perspective is applied when many potential adopters are implementing the innovation yet still retain a choice over whether to implement or not. Finally, the fad perspective describes organizations adopting a technique in order to appear legitimate and retain a competitive advantage, rather than for reasons that are more rational. Malmi found the matrix useful in explaining the diffusion process. The earliest adopters usually fall under the efficient choice perspective, or forced selection. The fashion perspective plays a more important role in the increasing rate of adoption. Malmi concluded that there was little evidence of the fad perspective because it is unlikely that management accountants would implement a new technique without any rational basis—a perspective that we challenge, below. Malmi's paper provides a useful analysis of innovation diffusion and highlights the different reasons for adoption at different stages in the diffusion process. These findings have potential relevance to the public sector and its initiatives from the centre to operational points of public service (Lapsley and Wright 2004).

Innovations in management accounting are necessary to meet the developments in the business environment that have occurred. As a result of the lack of innovation, management accounting has lost its relevance today. Johnson and Kaplan (1987) assert that management accounting lost its relevance after the significant development in technology and information systems. Johnson and Kaplan (1987) introduce a great opportunity to discuss and encourage use of innovations techniques. New management accounting means that innovations or so-called advanced management accounting techniques, such as Activity-Based Costing (ABC), Operational Control System (OCS), and Balanced Scorecard (BSC) (Kaplan 1998), can be introduced. Although many companies modify their management accounting practices, the changes are in the methods of management accounting used, rather than the use of new systems or techniques (Scapens and Burns 2000). A variety of innovation systems have been suggested as a solution for the substitution of traditional management accounting systems in order to respond to the changes that have occurred within business environment. These innovation systems were: ABC (Cooper and Kaplan 1992; Granlund and Lukka 1998; Sharman 2003; Kaplan and Anderson 2004), balanced scorecard (Kaplan and Norton 1992; Kaplan and Norton 1996; Johnson 1998; Kaplan et al. 1998; Bach et al. 2001; García-Valderrama et al. 2009; Huang 2009), and strategic management accounting -SMA (Dixon and Smith 1993; Collier and Gregory 1995; Dixon 1998; Guilding et al. 2000; Lord 2007). However, the direction of the research, especially its assumptions, has been criticized by other researchers (Drury 1990; Bakke and Hellberg 1991; Drury et al. 1993; Drury and Tayles 1995; Tangen 2004; Geri and Ronen 2005; Thompson and Mathys 2008; Bobillo et al. 2009).

Furthermore, many researchers have criticized new management accounting systems. According to Malmi (1997), many companies suffer problems with implementing ABC (Malmi 1997). Although ABC is used by some of the UK's largest companies, Innes and Mitchell (1990) highlight that it has been rejected by around 13% of UK companies after assessment. Scapens and Burns (2000) points out that in many organizations, the change was taking place in management accounting systems and techniques. However, this change was in the methods of management accounting used, rather than the adoption of new advanced management accounting systems and techniques such as ABC, BSC, and SMA (ibid.). This led to look to the institutional logics that are manifested beyond this diffusion and implementation. While such innovations as RBC may carry potential for improved organizational performance, care is needed with respect to their balancing of agendas and suitability for their institutional and cultural environments. Institutional change has become a dominant part of social engineering in most knowledge based economies today. Such innovations as RBC must be considered in terms of the existing rules and routines into which they are introduced: how they reflect and adapt to these rules and routines? and what impacts they may also have on the prevailing culture itself?

3. INSTITUTIONAL LOGICS IN MANAGEMENT ACCOUNTING

The notion of institutional logics was introduced by Alford and Friedland (1985) to describe the

contradictory practices and beliefs inherent in the institutions of modern Western societies. They describe capitalism, state bureaucracy and political democracy as three contending institutional orders which have different practices and beliefs that shape how individuals engage in power struggles. A separate, albeit related, notion of institutional logics was developed by Jackall (1988). In his ethnographic study of ethical conflicts in corporations, Jackall (1988:112) defines institutional logic as "the complicated, experientially constructed, and thereby contingent set of rules, premiums and sanctions that men and women in particular contexts create and recreate in such a way that their behavior and accompanying perspective are to some extent regularized and predictable. Put succinctly, an institutional logic is the way a particular social world works".

Friedland and Alford (1991:232) further developed the notion in the context of exploring the interrelationships between individuals, organizations and society. They view "institutions as supra-organizational patterns of activity rooted in material practices and symbolic systems by which individuals and organizations produce and reproduce their material lives and render their experiences meaningful". Jackall (1988), like Friedland and Alford (1985), views institutional logics as embodied in practices, sustained and reproduced by cultural assumptions and political struggles (Thornton and Ocasio 2008). But the emphasis, for Jackall (1988), is on the normative dimensions of institutions and the intra-institutional contradictions of contemporary forms of organization; in contrast, the focus for Friedland and Alford (1985) is on symbolic resources and the inter-institutional contradictions of the inter-institutional system (ibid.). Developing ideas by both Jackall (1988) and Friedland and Alford (1991), Thornton and Ocasio (1999:804) defined institutional logics as "the socially constructed, historical pattern of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality".

According to this definition, institutional logics offer a relation between individual agency and cognition and socially constructed institutional practices and rule structures. While Friedland and Alford's approach represents both the structural and symbolic, and Jackall's includes both the structural and normative, Thornton and Ocasio's (1999) approach to institutional logics integrates the structural, normative, and symbolic as three necessary and complementary dimensions of institutions, rather than separable structural (coercive), normative, and symbolic (cognitive) carriers, as suggested by alternative approaches (e.g., DiMaggio and Powell 1991; Scott 1995). However, institutional logics emphasize how historical and cultural change is important in understanding the patterns of power and control in organizations (Fligstein 1987; Brint and Karabel 1991). This notion dates back to Weber (1922) and his classification of historically situated ideal types: control by individual charisma, by tradition, and by legal bureaucracy (Thornton and Ocasio 1999). Institutional logics thus encompass both the material and symbolic - they present the formal and informal rules of action, interaction and interpretation that guide and constrain decision-makers in achieving the organization's actions and in obtaining social status, credits, penalties and rewards in the process (Ocasio 1997). These rules constitute a set of assumptions and values, usually implicit, about how to interpret organizational reality, what constitutes appropriate behavior, and how to succeed (Jackall 1988; March and Olsen 1989).

Although the institutional logics approach shares with Meyer and Rowan (1977), Zucker (1977), DiMaggio and Powell (1983, 1991) and Scott (1995) a concern with how cultural rules and cognitive structures shape organizational structures, it differs from them in its center of attention. The focus is no longer on isomorphism, be it in the world system, society, or organizational fields, but on the effects of separated institutional logics on individuals and organizations in a larger variety of contexts, including markets, industries, and populations of organizational forms. Hence institutional logics shape rational, mindful behavior, and individual and organizational actors have some hand in shaping and changing institutional logics (Thornton 2004). In doing so, institutional logics still focus on 'rationality' and 'ideal forms' and depend on mathematical models that are grounded in neoclassical theory. In addition, these studies emphasize institutional change as the replacement of a one dominant logic by another and assume that organizational practices are guided by a single logic; in fact, organizational practices that operate in multiple institutional spheres often have plural logics. This means that these studies have viewed the isomorphism from a single viewpoint (Dunn and Jones 2010). Furthermore, some scholars have studied the institutional change at societal level, such as Meyer and Rowan (1977), and others have focused on the organizational field level, such as DiMaggio and Powell (1983). More recently, Alsharari et al.(2015) and Alsharari (2013) have developed a new institutional framework which integrates multiple levels of institutional change. This framework has a more comprehensive view of accounting and reveals the multiple logics in the role of accounting in the institutionalization process. By providing a link between institutions and action, this alternative model of institutional logics provides a bridge between the societal-level, macro perspectives of Meyer and Rowan (1977), DiMaggio and Powell (1983) and Scott (1995; 2001) at organizational field level, and Zucker's more micro-process approach. Situated levels of analysis are linked with beliefs and practices in wider institutional environments in ways that address the study of power conflicts and diffusion studies (Hasselbladh and Kallinikos 2000; Thornton and Ocasio 2008).

Since the initial statement on institutional logics by Friedland and Alford (1991), there has been steady growth in the development of theory and empirical research. The Institutional Logics Perspective (Thornton et al. 2012) integrates this line of analysis into a multidimensional, cross-level model and framework, presenting a focal point for the gathering of scholars forging a new wave of institutional theorizing. Research on institutional logics, started in North America but with

contributions now regularly produced by both European and North American scholars (almost equally), has extended over the past decade or so to focus not only on the effects of shifts in dominant logics, but also on understanding the implications of plural logics and how organizations respond to institutional complexity. This development reflects a growing recognition that conflicting and overlapping pressures stemming from multiple institutional logics create interpretive and strategic ambiguity for organizational leaders and participants (Greenwood et al. 2011). At the center of the imagery laid out is the notion of institutional contradiction and the fact that institutional logics must be understood as simultaneously material and symbolic (Lounsbury and Boxenbaum 2013). On the one hand, Greenwood et al.(2010) showed how potentially incompatible demands stemming from plural institutional logics are perceived and get worked out inside organizations. On the other, Greenwood et al. (2011) provide a theoretical framework to capture how the structural dimensions of fields and organizational attributes affect organizational responses to institutional complexity. This double volume contains numerous works that contribute to advancing insight into how organizations respond to multiple logics across an array of institutional fields. An additional approach to studying actions and interactions with institutional effects is reflected in the institutional entrepreneurship and work literatures (e.g., Lawrence and Suddaby 2006; Battilana et al. 2009). Engaging the theoretical conversation on logics, scholars have focused on how actors negotiate environments that are constituted by plural logics (Boxenbaum 2006; Kraatz and Block 2008). For instance, Battilana and Dorado (2010) showed how organizations can successfully hybridize two logics by attending to their human resource selection and socialization processes. Lawrence et al. (2009) further draw attention to the potentially unintended institutional effects of actors' behaviors and interactions in contexts characterized by multiple logics.

Some literature proposes that institutional change occurs when one logic is overthrown by another (Thornton 2002) through a dialectical process (Seo and Creed 2002). At the same time, others have suggested that competing institutional logics can co-exist (Reay and Hinings 2005; Marquis and Lounsbury 2007; Purdy and Gray 2009; Reay and Hinings 2009) even though they are contradictory (Smith-Doerr 2005). While some argue this co-existence occurs through separation (Lounsbury 2007), others indicate that actually people can accept living with contradictions, mobilizing one logic in the context of one decision or action and another in the context of a different decision or action (Swan et al. 2010; Kandathil and Newell 2011). In emerging fields, particularly, resolving the conflicts that ensue is difficult since "the greater the range and intensity of schisms, the more difficult will be the task of developing acceptable norms" (Greenwood et al. 2002: 75-76). To build acceptance of new institutional arrangements, institutional entrepreneurs promote opportunities for change, seek to fit into prevailing systems, mobilize support from institutionalized actors (Beckert 1999), and strive to prove the value of the new forms (Reay et al. 2006).

Institutional change ultimately happens when an alternative logic replaces a prevailing logic (Garud et al. 2002; Lounsbury 2002; Thornton 2002). However, the mechanisms institutional entrepreneurs use to diffuse new logics in emerging fields may differ from those they use in established fields. As multiple new ideas begin to diffuse, actors may draw selectively from them, exploiting some and ignoring others to advance their own interests; thus, variations emerge to suit local needs (Hays 1996; Scott et al. 2000; Lounsbury 2007). Besides, social learning, politics, and contextual factors can result in reinvention of innovations (Hays 1996). If no dominant logic emerges and common standards do not diffuse, organizations may deviate from their initial missions in order to secure needed resources (Oliver 1991) and seek the legitimacy (Suchman 1995) they need to survive (Purdy and Gray 2009). The implementation of ABC confirms the practice variance between the institutional logics and situated logics as evident in different companies. While ABC implementation does not automatically transfer the institutional logic of action inscribed in the software into the practices of the adopting organization (Dery et al. 2006; Grant et al. 2006). Research has demonstrated that this is because the logic inscribed in the ABC can conflict with the existing, structures, institutions and practices, that is, with the legacy institutional logic, of the adopting organization (Yoo et al. 2007). Nevertheless, most organizations do 'muddle through' with their ABC and eventually create a 'working information system' (Wagner and Newell 2006), albeit this often relies on significant customization (Brehm et al. 2001) as well as organizational change (Volkoff et al. 2007). Customization indicates that the institutional logic inscribed in the ABC has been modified in some way to accommodate certain local beliefs and practices (Pollock and Williams 2008). Thus, an ABC implementation can be characterized as an encounter between the ABC inscribed institutional logic and the legacy institutional logic that is embedded in the existing technology-supported practices in the adopting organization.

4. ABC AND ABM SYSTEMS: PROS AND CONS IN THE UNIT OF ANALYSIS

Adoption of ABC in developing countries, especially UK and USA, has however not fulfilled early expectations. Adoption rates internationally peaked at around 20-30% of various surveys' respondents, with 10-20% of respondents rejecting the whole notion even in its early manifestations in the early 1990s. By the mid 2000 period, the percentage of companies` adopting ABC had declined, the percentage of companies rejecting its adoption had increased, and a larger proportion of companies declared they would not consider it (Innes and Mitchell 1990; Innes et al. 2000; Cotton et al. 2003; Langfield-Smith 2008). While the reasons for this trend remain unclear, one recurring theme has been the perceived cost and complexity of installing and implementing such a system (Gosselin 2007). In Australia, research has shown up some unique features of adoption, namely that ABM practices are more widely employed than overseas, with up to 86% of business units surveyed claiming such use (Baird et al. 2004).

The question remains as to what the underlying intent and focus of ABC and ABM have proven to be? A veritable smorgasbord of potential uses has been identified: stock valuation, product and service design and pricing, output decision-making, cost reduction, value-adding analysis, budgeting, customer profitability analysis, cost modelling and performance measurement (Innes et al. 2000). However the evidence in general overwhelmingly points to two major foci upon which ABC and ABM have settled: cost reduction and performance improvement, the latter with a pronounced financial emphasis (Anderson and Young 1999; Innes et al. 2000; Ittner et al. 2002; Cotton et al. 2003; Gosselin 2007). In this focus and pursuit, ABC and ABM are intrinsically related and involved, targeting the elimination of non-value adding activities, and 'heat-seeking' cost efficiency opportunities. ABM is the process management cousin of the ABC approach, analyzing all activities and restructuring and streamlining them for cost advantage (Gosselin 2007; Langfield-Smith 2008). However their impact on organizational performance, depending upon how successful performance is defined, has not been noticeable (Langfield-Smith 2008). Survey respondents have been found to claim moderate financial benefits but not necessarily been able to quantify them (Cinquini and Mitchell 2005). Ittner et al's (2002) study found no significant effect on financial return on assets. Nonetheless, after more than 20 years of ABC and ABM application, there is a scarcity of evidence pointing to their significant impact on organizational performance (Gosselin 2007).

Armstrong (2002:101-2) mounts a persuasive argument regarding the overhead cost reduction agenda that ABC and ABM have been designed to prosecute. In his view, they commenced an attempt to dismantle the 'shelter' of fixed overhead, observing:

"The destruction of the staff department as a shelter is not incidental to ABM: it is the heart of it." (Armstrong 2002:102)

In this process, ABM transfers control and accountability from the staff performing their roles and actions to the ABC/ABM monitors, operating in and reinforcing a climate of suspicion. ABC and ABM thus become tools for invasive control of staff labor and for the axing of any activities and staff considered surplus to value-adding cost efficiency. Armstrong likens this dismantling of the staff office processual black box to scientific management's earlier breaking open the black box of craft production. Thus in his words:

"The destruction of the staff department as an employment shelter is not an unintended consequence of ABM; it is precisely the point…" (Armstrong 2002:109)

It must be said that all has not been 'beer and skittles' with ABC and ABM. Surveys reveal significant reservations about the system expressed by employees subjected to it, problems with its perceived narrow financial focus, and it's sometimes incommensurability with existing organizational culture (Malmi 1997; Innes et al. 2000). Often ignored by its proponents have been the social consequences of ABC/ABM employment, especially as its implementation and impacts are invariably a matter of perception by those involved and subject to them (Armstrong 2002). Many researchers have investigated the factors that influence the manner and outcomes of ABC implementation, more recently finding that the answers depend in part on the stage of implementation being examined. However the variety of influences is nonetheless considerable, including top management and trade union support, clarity of objectives, quality orientation, embedding within organization structure and practice, resourcing and staff training, non-accounting staff attitudes, potential complexity and associated implementation costs, links to performance evaluation and reward systems, likelihood of associated staff layoffs, and perceived relationship to successful financial impacts (Anderson and Young 1999; Innes et al. 2000; Ittner et al. 2002; Cotton et al. 2003; Cinquini and Mitchell 2005; Gosselin 2007). The authors studied different types of businesses and concluded that business units exhibiting an outcomes oriented culture including competitive expectations of high performance tend to adopt ABC/ABM processual approaches focusing on cost reduction, efficiency and effectiveness gains and competitively pitched product and service pricing (ibid.). This may offer some indications as to the drivers behind the introduction of RBC system as alternative to ABC.

As mentioned earlier, the implementation of ABC confirms the practice variance between the institutional logics and situated logics as evident in different companies. While ABC implementation does not automatically transfer the institutional logic of action inscribed in the software into the practices of the adopting organization (Dery et al. 2006; Grant et al. 2006). Research has demonstrated that this is because the logic inscribed in the ABC can conflict with the existing structures, institutions and practices, that is, with the legacy institutional logic, of the adopting organization (Yoo et al. 2007). The significant variances have been faced in the implementation of ABC, so that:

"Over the past 15 years, activity-based costing has enabled managers to see that not all revenue is good revenue and not all customers are profitable customers. Unfortunately, the difficulties of implementing and maintaining traditional ABC systems have prevented them from being adopted on any significant scale" (Kaplan and Anderson 2004:138).

There are two most common motives for ABC adoption in Finland; lack of trust in information from traditional costing in modern organizations and the failure of traditional systems to meet managers' requirements (Granlund and Lukka 1998). However, Parker et al. (2008) confirms that ABC causes many problems with managers at high organizational levels. Also, there has been considerable resistance to ABC from marketing managers (Parker et al. 2008). Sharman (2003) proclaims that ABC systems design was too complex. He declares that that may be true, although there are other issues to be considered over why ABC implementations have failed that can be summarized (Sharman 2003) as follows. First, software has not been information technology incorporated, because accountants and managers require cost accounting to be an important component of their integrated general ledger, monthly reporting, analysis, performance

measurement and the associated network of operational systems. Second, ABC/M/B/P implementations are generally not integrated into organization measurement and management systems. Third, implementations have been applied very weakly, because problems have arisen over agreement of what ABC is and how it must be arranged. Also, there are some critical points when using the ABC-accounting philosophy, which can be summarized (Bakke and Hellberg 1991:14-16) as follows: First, ABC-analysis presents no obvious or non-controversial action alternatives. Second, there is a danger that ABC-analyses motivate conservative strategies that are possibly devastating in the light of the future competitive environment. Third, in some recent ABC-case studies from Sweden the cost of Work in Process (WIP) and other inventory costs are neglected. Fourth, the potential impact of the ABC-philosophy is unlimited to long-term strategies.

Geri and Ronen (2005:135) assert that ABC is essentially a refinement of absorption costing; it suffers from the weaknesses that are typical of absorption costing and may be criticized as follows. First, ABC is based on subjective arbitrary cost allocation. So the main difference between traditional absorption costing and ABC is the number of allocation bases, or cost drivers, in ABC terminology. Second, ABC ignores constraints and does not differentiate a bottleneck from resources with excess capacity. Third, ABC regards the relation between activities and resource consumption as linear, absolute and certain. ABC has been successful in large industrial companies in improving the operational performance by providing suitable and correct information on the allocation of resources (Gunasekaran and Singh 1999). However, in New Zealand companies were contrasting perceptions on the success and importance of some ABC applications (Cotton et al. 2003). Also, it has not received significant attention from small companies (Gunasekaran and Singh 1999). The adoption of ABC in small companies has received less attention than in larger companies (Askarany et al. 2010). Many companies are suffering complications with ABC implementation (Malmi 1997). In the UK's largest companies, ABC is used by some of them (Innes et al. 2000). They indicate that ABC has been refused by a large number. Also, they mention that about 13% of UK companies have rejected ABC after assessment. However, Scapens (2000) points out that many organizations were changing what was taking place in management accounting systems and techniques. There was change in the method by which management accounting has been employed, rather than the use of new management accounting systems and techniques, such as ABC (Scapens and Burns 2000).

In this way, an ABC implementation has been proven as practice variance in the unit of analysis, and as a conflict between ABC inscribed institutional logic and situated logic that is embedded in the existing practices in a such organization. As a result, many researchers claim that there is a need for more specific information about the organizational activities, as old management accounting systems especially ABC are unable to provide that analytical information to decision-makers (Johnson and Kaplan 1987; Cooper 1988; Cooper and Kaplan 1992; Drury et al. 1993; Drury and Tayles 2006). The requirement manner aids managers to make right decisions about product cost, design, pricing, marketing, and mix, performance evaluation, and encourages continual operating improvement and growth. Such observations raise the question of the underlying agenda and orientation of RBC design and management, to which the following analysis of RBC system and practices now turns, as a main component of RBA.

5. RESULTS BASED ACCOUNTING (RBA) PACKAGE

Management accounting system is supposed to produce relevant information for the decision-maker, and a system producing information leading to decisions or actions that maximize decision-makers expected utility is therefore selected. If a proposed system leads to better decisions than the existing system, and the expected benefits from the proposed system exceed the cost of its implementation, the new system is adopted (Feltham 1972; Demski 1980). Management accounting change is also seen as a reform where innovations are created and adopted to bring practice into line with advances in information technology (Kaplan 1986; Johnson and Kaplan 1987; Anderson 1995). Except for those studies that find the origins of accounting in the social conflicts and power struggles inside organizations (i.e. using dialectics as a frame of reference); (Cooper 1980; Tinker et al. 1982; Hopper et al. 1986; Covaleski and Dirsmith 1988a; Hopper and Armstrong 1991), the literature explains development and change via teleology; the organization's goals are the cause for action (Malmi 1999). In this way, Results Based Accounting can be considered as an integral part of the Results Based Management (RBM).

RBA is defined as a management and accounting tool toward RBM approach that can facilitate collaboration among organizations, as a system of decentralizing services, and as an innovative regulatory process. At a minimum, the term implies that expected results (also known as goals) are clearly articulated, and that data are regularly collected and reported to address questions of whether results have been achieved. RBA can be developed and used at different levels: state, organization, community, agency, or program. A cohesive RBA system includes the following components: a strategic planning process, goals and indicators, benchmarks or targets, and mechanisms for regular public reporting. Strategic planning process is an essential first step in the development of a RBA system. Successful systems begin by stepping back and examining core values, then articulating a plan for the future based on these values. A strategic plan includes a vision or conceptual image of the core values of the state, organization, community, agency, or program; goals; and targets to measure progress. Organizations most successful in designing RBA efforts have developed processes to include all stakeholders in the articulation of the strategic plans. Articulations of goals and objectives as well as specification of measurable indicators are the next steps in RBA efforts. The articulated goals - or expected results - reflect the values identified in the strategic plan and are statements of the desired conditions of well-being. Objectives, derived from the goals, are

statements of the short-term conditions needed to achieve the desired conditions of well-being for communities in the long-term. Indicators are quantifiable measures which enable decision-makers to assess progress towards achievement of intended outputs, outcomes, goals, or objectives. They always specify time-frames and are expressed in measurable terms. An important component of a RBA approach is the articulation of target levels of performance expressed in measurable terms and specified time-frames, against which actual achievement is compared. Regular reporting of results to the public is an essential aspect of a RBA effort. While public reporting of data is one of the last steps in developing a RBA approach, it is important to consider audience, reporting criteria, and mechanisms early in the design and implementation of the effort. Failure to consider these vital components can jeopardize usefulness of RBA data. Public reports of RBA data should include the strategic planning framework (including the vision), goals and objectives, benchmark or targets, and indicators (measures of progress). Often, the first public reports will include goals and objectives that do not yet have measurable indicators. Nonetheless, such goals are important because they provide the public with information about organizational values and priorities[77] (see also, Alsharari 2013).

RBM together with RBA approaches deal with the tasks that any business has to discharge for results, performance, and cost management. They attempt to organize these tasks so that decision-makers can perform them systematically, purposefully, with understanding, and with reasonable probability of accomplishment. They also try to develop the perspectives, concepts and approaches for finding what should be done and how to go about doing it. That decision-makers give neither sufficient time nor sufficient thought to the future is a universal complaint. Every decision-maker voices it when he talks about his own working day and when he talks or writes to his associates. It is a recurrent theme in the articles and in the books on management and accounting. It is a valid complaint. Decision-makers should spend more time and thought on the future of their business. They also should spend more time and thought on a good many other things, their social and community responsibilities for example. Both they and their businesses pay a rigid penalty for these neglects. And yet, to complain that decision-makers spend so little time on the work of tomorrow is futile. The neglect of the future is only a symptom; the decision-maker slights tomorrow because he cannot get ahead of today. That too is a symptom. The real disease is the absence of any foundation of knowledge and system for tackling the tasks in business and managing for results approach (Drucker 1999). Like RBM, RBA assumes that,

"Firstly, neither results nor resources exist inside the business. Both exist outside. There are no profit centers within the business; there are only cost centers. The only thing one can say with certainty about any business activity, whether engineering or selling, manufacturing or accounting, is that it consumes efforts and thereby incurs costs. Whether it contributes to results remains to be seen. Results depend neither on anybody within the business nor on anything within the control of the business. They depend on somebody outside - the customer in a market economy, the political authorities in a controlled economy. It is always somebody outside who decides whether they become so much waste and scrap. Indeed, business can be defined as a process that converts an outside resource, namely knowledge, into outside results, namely economic values. Secondly, results are obtained by exploiting opportunities, not by solving problems. All one can hope to get by solving a problem is to restore normality. All one can hope, at best, is to eliminate a restriction on the capacity of the business to obtain results. The results themselves must come from the exploitation of opportunities. Thirdly, resources, to produce results, must be allocated to opportunities rather than to problems. Needless to say, one cannot shrug off all problems, but they can and should be minimized. The pertinent question here is not how to do things right but how to find the right things to do, and to concentrate resources and efforts on them. Finally, economic results are earned only by leadership, not by mere competence. Profits are the rewards for making a unique, or at least a distinct, contribution in a meaningful area; and what is meaningful is decided by market and customer" (Drucker 1999: 4-5).

Accounting and accountability became important weaponry in the tracking and controlling of efficiency targets and cost/profit outcomes (Parker 1986), through costing systems, standard costing and budgetary control (Parker and Lewis 1995). The underlying agenda was one of improving productivity so that efficiency gains and associated cost reductions would lead to higher profits. Hard work was eulogized, while at the same time indolence and waste were viewed as an anathema (Parker and Ritson 2011; Dent and Bozeman 2014). Engineers, managers, accountants, and consultants experimented with its application, from operational efficiency standards, to standard costing, to budgetary control. Efficiency was the name of the game (Parker 1986), supported by the underlying institutional logics principles of authority-based control, results orientation, costs management, disciplinary control, coordinative control, control tools, and exception control (Parker 1986; Parker and Lewis 1995).

Many accounting changes in organizations are direct consequences of the diffusion of innovations. Although management accounting history is not rich in such innovations (Johnson and Kaplan 1987), the introduction of RBC system, as a main part of RBA, can provide an interesting opportunity to study the mechanisms of such innovative diffusion. Studies on the implementation of RBC system among organizations might also enrich our understanding of the motivation for change at the level of a single organization (Malmi 1999). RBA style whereby a set of objectives is used to determine if results are contributing to an organization's mission and goals. RBC is mainly based on the concepts of "RBA" and "cross functionality": Before being a costing system, RBC is first and foremost a mode of modeling the functioning of organizations. Such an approach is a lot more ambitious than a simple cost calculation

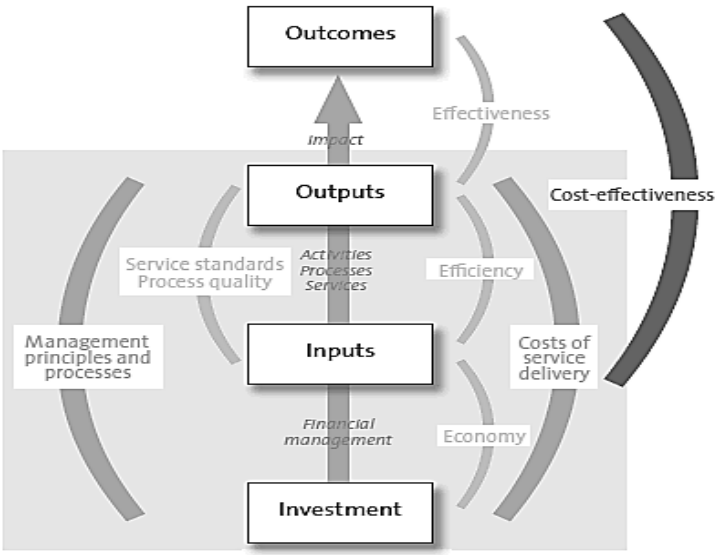
[77] See for more details, http://www.hfrp.org/publications-resources/browse-our-publications/overview-of-results-based-accountability-components-of-rba

technique. Instead of picturing an organization as a juxtaposition of responsibility centers, the organization becomes a network of processes or activities (Alcouffe et al. 2008).

5.1 Results Based Costing (RBC) System: An Overview

RBC system emerges as an alternative unit of analysis to ABC, by focusing on 'Results' and/or 'outcomes' instead of 'Activities' (see figure 1). This innovative model enables organizations to link products and services back to their mission value and costs. This allows better investment decisions and costs management in relation to the results orientation. Since RBC is based on connecting standard costs with performance, it makes sense to compare the cost with the service or benefit. It is one of the main challenges of reporting on achieved results. It seeks to shift attention away from activities to communicating significant results that the program or project has achieved at the organizational output and outcome levels. The decision-making and reporting process along with RBC usually takes place after a series of organizational actions such as setting strategic objectives, keeping objectives in mind while allocating resources, managing programs to achieve results, measuring performance, and reporting results. These actions help the organization to determine its progress towards its desired ends (Wholey 1999; OCA 2002; Ortiz et al. 2004).

Figure 1. RBC Orientation



RBC as other costing systems can be considered as an information system. It requires a specific type of information or cost drivers such as direct labor hours and units produced, to be of value. It starts from the input data that product costs and other information are determined according to followed methodology. The results obtained in RBC system are used in different ways than ABC system. As RBC system can provide information to help minimize waste and cost reduction, at the same time it is not wasteful in itself. In other words, the resources required to design, implement and maintain RBC system will be less than the benefit derived from the use of the system as usage cost of ABC. It has been developed for tracking spending and activities of organizations in relation to the results they are trying to achieve. It is a way to recast planning, budgeting, management, and reporting in direct relation to what organization wants (or is expected) to accomplish. The ideas behind RBC (like RBA) are necessary approach: to identify the needs an organization is trying to address; to develop an overall plan (mission, goals, objectives, and strategies) for addressing those needs; to come up with policies, programs, and services to meet those needs; to organize and implement budgeting, accounting, and management systems that support the strategies, goals, and objectives laid out in the overall plan; and finally, to develop and track cost and performance data that allow the organization to measure its progress in reaching its goals and objectives, and changing (or modifying) strategies, programs, policies, management systems, or budgets when necessary.

Approaching organization operations, whether profit or not-profit seeking, in such terms can have powerful impacts on organizational decision making and results. RBC system is comprised of a set of forms, processes, controls, and reports that are designed to aggregate and report to management about revenues, costs, and profitability. The areas reported upon can be any part of an organization, including: management, customers, departments, activities, processes, products and services, research and development, and value chain. It is designed to monitor the costs incurred by an organization, to trace products and services directly to specific, measurable mission results, and to make informed decisions. It thus helps business owners and managers figure out the cost for certain activities and processes. Through the use of financial computations or cost allocation bases, companies can take basic information relating to resources, such as raw materials and direct labor as well as inputs, and transform the data into useful costs for setting the price of goods and services.

Organizations can put together different cost models based on their needs, whether financial or operational. RBC can be used in both private and public organizations in their daily operations. Because the goal of private organizations is to maximize the economic value for owners and shareholders, finding ways to lower costs is a crucial step in achieving this goal. Since RBC is based on connecting budgeted costs with performance, it makes sense to compare the cost with the objective or result. Efficiency KPIs[78] and targets in public organizations can be developed, as a rather to cost drivers in private organizations, as a way of demonstrating that public organizations are not wasting government revenue. RBC system is a useful system for tracking the use of resources and measuring efficiency KPIs in the public sector.

RBC system thus is a management accounting approach focused on realizing results; it is a broad management strategy intended at changing the way the organization operates, with improved performance (realizing results) as the central orientation (OECD 2000). It must be supplemented by organizational policies and strategies, such as human resources, information technology and learning strategies, if it is to have the planned impact on effectiveness. Thereafter, RBC has a strategic, future-oriented approach to the deployment of resources to achieve significant results. Notably, the role of technology can play a critical role in the implementation of RBC system through providing an alternative to the traditional ABC plant-wide and departmental approaches to defining cost classifications and selecting allocation bases. RBC has appeal in today's business environment because it uses more cost classifications and unique measures of activity to better understand the costs of managing and sustaining products and services in the organizations (Garrison et al. 2003).

RBC system can contribute to institutional stability, and helps to make 'organizing durable' and 'scaffolding' organizational practices (Orlikowski 2007). Besides, IT can play a significant role as a carrier and diffusion vehicle for institutional change across an organizational field. This is especially the case in relation to packaged software, which organizations increasingly resort to rather than developing custom-built software. Such packages, hereafter referred to as RBC system, are material carriers of institutional logics - of beliefs, norms and rationalities about how best to structure different kinds of organizational activities (Gosain 2004). However, despite the rhetoric of software vendors, RBC implementation does not automatically transfer the institutional logic of action inscribed in the software into the practices of the adopting organization (Dery et al. 2006; Grant et al. 2006). Rather, it will take place progressively over the time through enacting and reenacting the processes and practices of RBC implementation in the adopting organization. Moreover, top management support and cross-functional team should be created to design and implement the RBC system. They should have a good knowledge of different departments of an organization's operations that is necessary for designing an effective RBC system. This will reduce the resistance to change because they will be involved in the implementation process. On the other hand, if the accountants have tried to implement the RBC system on their own without top management support and cross-functional involvement, their results will be ignored.

5.2 RBC System: Unit of Analysis

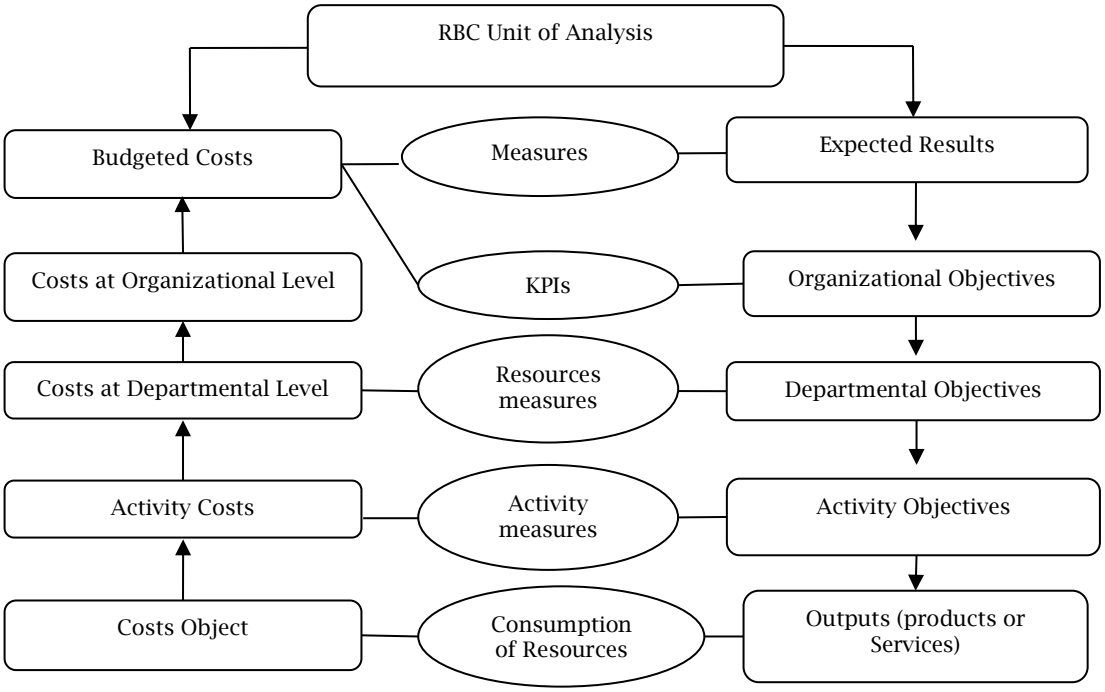
Since RBC is a new system of planning, budgeting, and performance measurement that highlights the relationship between costs budgeted and results expected and achieved, it has become an inclusive approach that involves all organizational members through the development of the organizational strategy, identifying costs priorities and performance measures (indicators). RBC also has a long-term perspective by linking cost with strategic planning, and by focusing on results it makes sure managers are held accountable for certain performance indicators. The following model shows the main processes within the implementation of RBC system. The main assumption of RBC system, as set out in the following figure, is that the costs at different levels of the organization should be hierarchy linked to the objectives of these levels through correlated performance measures. Cost objects at bottom level such as products or services can generate activities that are followed to related department. Such an activity consumes resources. A resource causes costs. RBC system thus helps to trace and link the costs with objectives through identifying how products and services affect costs at different levels among the organization.

The next figure shows that the implementation of RBC unit of analysis by using RBC Model as a unit of analysis can be achieved by following a top-down approach, where the objectives – at organizational level - introduced monitoring practices and organizational priorities including production and customer service policy. At the same time, the implementation of RBC system can be prepared by following a bottom-up approach, where the system is first implemented at bottom level to prepare the consumption of resources and related costs that are required for expected outputs (products or services). RBC is thus a life-cycle approach to management that integrates strategy, resources, outputs and measurements to improve decision-making, transparency and accountability. The approach focuses on achieving results, implementing performance measurement, learning and changing, and reporting performance. Thereafter, RBC generates performance information to support the decision-making process during planning and implementation of organizational policies (OECD 2004). The main aim of this system is to ensure the payments should be based only on the results (see figure 3).

The process of measuring performance and taking action to ensure desired results are the main components of the RBC system. The purpose of this process is to make sure that actual performance meets the set objectives, and to ensure that employees comply with organizational strategy and objectives.

[78] KPIs: Key Performance Indicators

Figure 2. RBC Model



Source: The Author

Figure 3. The Main Objective of RBC System

The first process is establishing objectives and standards. These standards can be divided into two standards: output standards and input standards. On the one hand, output standards measure the performance results in terms of quantity, quality, and cost. On the other hand, input standards measure effort in terms of amount of work expended in task performance. The second process is measuring the actual performance, and identifying the differences between the actual results and original plan, based on selected performance measures. The third process aims to compare the actual results (performance) with the set objectives and standards (desired performance). The final process is taking corrective action when a discrepancy or variance exists.

6. CONCLUDING OBSERVATIONS

RBC's application in today's business world reflects two preceding influences: results based management and activity based cost management. Their manifestation through the RBC system and process bears characteristics of institutional logics theory and innovative diffusion theory. RBC system also shares common ideas and orientations with its predecessors ABC, ABM and RBM. All three have tended to be adopted by organizations having very strong outcomes orientations. ABC and ABM have tended to prosper better in organizations with competitive performance cultures that are particularly focused upon securing cost reductions and cost efficiencies. RBC shares this same focus, arguably inherited from RBM philosophies. Interestingly, the experience of implementing ABC and ABM may provide forewarnings for RBC system.

The former processes have after many years still only been taken up long term by a minority of corporate, and indeed many have rejected ABC or experimented with and then discarded it. While numerous reasons have been advanced, most often cited have been the high cost and complexity of implementing ABC. These may prove to be similar for the significant physical, structural, and technical factors required for implementing RBC system. It has been argued that ABC and ABM are tools for

controlling costs and associated activities, particularly being intent upon reducing overhead cost activities and volumes seen to be surplus to requirements. This philosophy, albeit manifested in variant forms, has evidently flowed through to RBC system.

RBC system by focusing on growth to improve organizational performance has a number of advantages over cost-cutting measures based ABC. First, growth based RBC system has no upper limit, whereas with cost reductions based ABC; organizations are limited by what they actually spend. Second, growth based RBC excites and invigorates a work force. Focusing on cost may be demoralizing and discouraging to organizational employees, especially when they are let go and processes are reengineered. Growth based RBC offers new ideas and creative approaches to old problems. Third, growth generally has a positive impact over a longer term than does cost cutting, the benefits of which tend to be short term.

RBC system thus emerges as a rather more complex cost management and accountability development that may have first appeared. This study set out to ascertain the primary strategic agenda underpinning the RBC development and has found it to be predominantly a cost management agenda. This has become clear through the conclusions regarding the study's two supporting research questions. In response to the first research question, cost management has indeed emerged as the dominant focus. This has become manifest via RBC unit of analysis -sponsored cost reductions, results orientation and productivity design strategies. This agenda has clearly been centre stage in both RBC implementation process as a new unit of analysis. With respect to the second research question concerning any persistent undercurrent of RBM philosophy, the latter has clearly been at the heart of the RBC intent. It bears close similarities to the management accounting concepts. This has indeed been acknowledged directly in the contemporary accounting research literature on system design and management as well as implicitly within RBA literature discourse of the present day.

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