

accounting & finance portfolio

Activity Based Management

Brian Plowman



What information do managers need? Not what many of them get in their monthly management accounts, which is a record of how input costs – such as people, consumables, rent and rates – vary against a prediction – the budget – made twelve to eighteen months previously.

Activity Based Management (ABM) provides the information managers require for making the key decisions that boost business performance.

This includes information such as the true cost of making products, providing services and the costs of servicing customers. It looks at which products, services and customers are profitable and which are not, as well as the level of resource required in future periods to make predicted volumes of products and provide planned levels of customer service.

Packed with detailed examples, drawn from practice, this course will help you to put these challenging ideas into practice in your own or your clients' organisations.

Activity Based Management enables the learner to:

- Measure and therefore identify opportunities to enhance product and customer profitability
- Plan resource requirements, improve processes and reduce output costs
- Use the data in the business to identify areas for financial improvement and model the outcome of different actions

Learning outcomes

ABM in context

- Is the customer always right?
- What led to the development of ABM?
- What is ABM?
- What are the frameworks for measurement and improvement?
- What is the ABM framework?

Flow of costs

- What are the flow of costs through an ABM model?
- What are the cost objects?
- What other costs are involved?
- What about product and customer profitability?
- How do I use process and process improvement?
- How do I embed the model?

Basic principles of building models

- What is the flow of costs in the model?
- How should I use the general ledger?
- What are the categories of costs and activities?
- How do I assign costs from the general ledger?
- What do I need to know about cost drivers?
- How do I assign costs from the ledger to activities?
- How do I reassign costs to other departments?
- How do I assign frontline activities to the cost objects?
- How do I use unit costs for analysis?

Undertaking an ABM project

- What are the objectives of the project?
- What are the key steps I need to take?
- What are the areas of potential difficulty?
- What software do I need?

- Who should I involve?
- How should I embed and refresh the model?
- How do I use ABM outputs to improve performance?
- How do I use ABM for commercial decision support?

ABM in the real world

- How do I integrate business process re-engineering?
- How do I integrate value-based management?
- How do I integrate customer relationship management?
- How does ABM offer a new perspective?
- How can I make ABM work?
- What difference can ABM make?

Target audience

Accountants and finance managers in practice and in industry as well as any manager who is charged with achieving lower costs or higher margins.

This is an ideal tool for analysis techniques used by sales, commercial, operations departments as well as shared and central services.

Partners

This course is currently available from CPA Ireland, ICAI and IPACE.

Author: Brian Plowman is a founding partner and managing director of Develin and Partners, a UK based management consultancy firm. He has 30 years' consulting experience and has specialised in the development of methods for Activity Based Management and Business Process Management. He is a Chartered Engineer, Chartered Management Consultant, a Fellow of the Institute of Management Consulting and author of several books in his specialist fields.