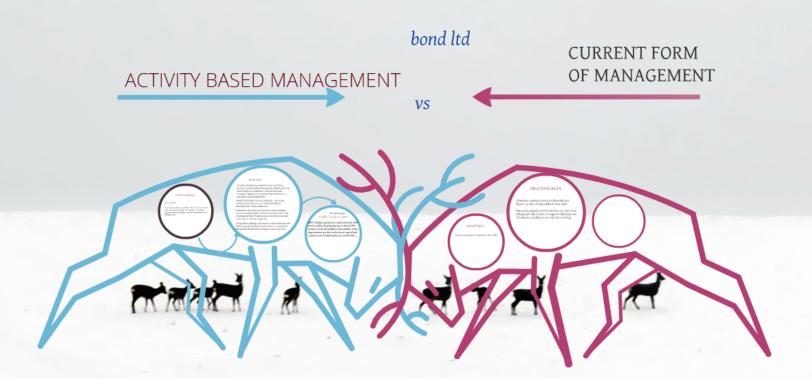
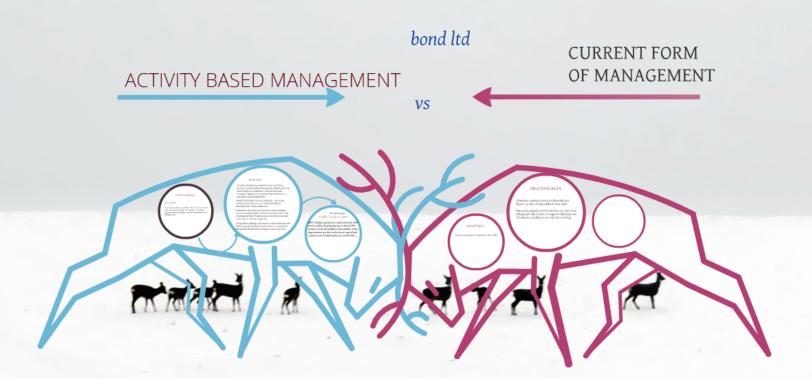
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### ACTIVITY BASED MANAGEMENT

VS

what is ABM

Activity based management is the utilisation of ABC (Activity based costing) information to support organisational strategies, improve operations and management.

ADVANTAGES (I)

### ADVANTAGES

 Creates performance measures for cost, time, quality, and outcomes so everyone understands how their activities contribute to the mission and strategy. (Leading to increased empowerment, cooperation and productivity.)

\*Basis for Business Process Redesign – processes and activities that are non-value adding are substituted for those which are.

Reduction of cost drivers and non-value creating activities and transfers resources to economic value creating activities/business processes the customer wants and is willing to pay for.

\*Using ABM to identify costs and non-value added activitihelps to quickly identify and reduce errors in production phrough the identification of triagers, causes and roots.

### Disadvantages (LIMITATIONS OF ABM)

ABM is highly expensive to implement and with recent studies showing that up to 70% of ABM systems are unsuccessfully implemented, many organisations got deterred to invest capital and resources into ts implementation. HOWEVER,....

ADVANTAGES

Easier and cheaper to implement than Al

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GEMENT

## **CURRENT FORM** OF MANAGEMENT

VS

### DISADVANTAGES

Decision making is based on distorted cost figures as ABC costing method is not used.

(II)Hard to pinpoint which activities are non value adding and which aren't to improve efficiency and effectiveness leading to poor decision making.