

AN EXAMINATION OF INTERNATIONAL DIFFERENCES IN ADOPTION AND THEORY DEVELOPMENT OF ACTIVITY-BASED COSTING

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ABSTRACT

This paper examines the theory development and implementation of activity-based costing (ABC) in an international managerial accounting context. More specifically, each phase of ABC theory development and various aspects of ABC implementation are evaluated based on a critical review of ABC research that has been published thus far using an international perspective. This is intended to synthesize the ABC theory development and implementation delineating any international differences that potentially exist. There have been notable differences in the rates of ABC adoption in different countries in the early days of ABC dissemination. U.K., Australian, and Scandinavian firms followed adoption of ABC in the U.S. in its early days without too much gap in the implementation time frame. A global perspective, however, was so evident in the diffusion of ABC in different countries. The paper analyzes why there have been very little international differences in the ABC theory development.

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INTRODUCTION

This paper examines the theory development and implementation of activity-based costing (ABC) in an international managerial accounting context. More specifically, each phase of ABC theory development and various aspects of ABC implementation are evaluated based on a critical review of ABC research that has been published thus far using an international perspective. This is intended to synthesize the ABC theory development and implementation delineating any international differences that potentially exist. The focus will be on the two issues: (1) how much international differences exist in the ABC theory development; and (2) how much differences exist in the implementation of ABC from the international perspective.

INTERNATIONAL DIFFERENCES IN ABC ADOPTION

International Differences in Adoption Rates

There have been notable differences in the rates of ABC adoption in different countries in the early days of ABC dissemination. Lukka and Granlund (1994) reported that no Finnish firm surveyed were using ABC but about 30% of Finnish firms were implementing or considering the implementation of ABC. Seventy percent of the firms surveyed had rejected or were not considering ABC adoption. The adoption of ABC in the U.S. was higher around the same time with 39% of firms that were surveyed were already using ABC, according to a 1994 report quoted in Lee (1999). Ask and Ax (1992) reported that no firm surveyed was using ABC but 22.5% of the Swedish firms surveyed were implementing ABC.

In the U.K. the rates of ABC adoption were higher, according to three surveys. Four percent of firms surveyed were using ABC and 46% were implementing or considering the implementation of ABC, according to Drury and Tayles (1992). Nicholls (1992) reported higher adoption rates for U.K. firms: 10% were already using ABC and 80% were implementing or considering the implementation of ABC. Innes and Mitchell (1995) reported that 19.5% of their firms were already using ABC. The adoption rate in Ireland was 14%, according to Clarke (1992), and Australian firms showed a comparable rate of 13.6%, according to Clarke and Lokman (1993).

Based on the above-mentioned surveys, it is safe to say that U.K., Australian, and Scandinavian firms followed the ABC adoption in U.S. in its early days without too much gap in the implementation time frame. A global perspective was so evident in the diffusion of ABC in different countries as can be observed in the above reports. This is confirmed in the empirical study of Groot (1999).

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