

Abc-abm at hewlett-
packard europe for
customer support
essay sample



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The ABC system permitted to answer German manager's request to subdivide the activity " Call Receipt". Then they were able to know the exact cost of each sub-activity.

A market analysis revealed that some other firms would charge a lower price for the same activity. According to Table 1. 4, " Call Receipt» is 60% less expensive in Italy than in Germany and 33% less expensive in the United Kingdom.

So in HP's case, it would be interesting to treat all the activity " Call receipt" in Italy. A less expensive solution could also be to externalize this activity to countries where workforce is cheaper such as African ones.

" Call qualification" from Germany could also be treated in Italy or in UK.

Managers can also wonder why there are so high differences of costs between those three countries, like for " freight» or " call qualification". Here may be the beginning of an investigation to reduce costs and raise profitability.

4. The ABC method is a tool to set up prices

As this method provides the precise cost of each activity and allows benchmarking, (marketing or sales) managers have an accurate basis to set up the price of their products or services.

Pricing a product is often easy but in HP's case, it is a service that must be priced. Setting up the price of the whole service requires knowing the cost of

each activities made by HP for the customer. Then taking into account competitors prices, HP's brand reputation ... price can be set up.

In addition, managers need to know where the profit comes from (from which activity).

Interests and disadvantages of the non-integration of ABC in the cost accounting information system.

First of all it is essential to mention the objectives and the purpose why HP considered to implement ABC and probably to integrate it in the cost accounting information system.

As the traditional accounting system was not appropriate to calculate the costs of delivering a service to customers. Neither the contribution could be evaluated. The only big advantage was to use the traditional cost system for budgeting.

The objectives were set because of the increasing competition and the increasing amount of the services to customers and therefore the competitive pricing. In order to remind the objectives: - measure the efficiency of the activities - find the link between departments and activities; - measure profit per repair.

_Interests in non-integrated ABC in the cost accounting information system: _

Traditional cost accounting system, which is set up by HP for a worldwide usage by all business units, is a complex system and it is very difficult to change

ABC is concerned to one business unit and it was considered as unwise to change the whole system just because of this one business unit

The codification had to be changed, if the ABC would have been integrated in the traditional cost accounting system; especially a new codification would be necessary

The complexity of setting up and integrating in to the traditional cost system is too high; and in addition to that some countries would have had the detailed list of activities, whereas the aggregated one doesn't show a detailed description of the activities

Each Country can save a lot of time, which can be used for spending it on analyzing the ABC results. Even money can be saved, because some countries would have dedicated somebody to extract the data

After having been published the results, each country has the possibility to change again the results, if failures had been occurred.

As the subsidiaries have control of the level of detail of activities used, and to make the correction, it is possible to use the information for decision making at the central level and ant the local level.

Disadvantages of a non-integrated ABC in the cost accounting information system:

it is complicated to use two separate information systems, because both of them have different codification, which could cause errors in extracting the data

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To use two separate systems leads to inefficiency in time and money (opportunity costs)

In either way you have to train your employees for using, extracting and reading the results /data for both systems

For long-term it is essential to integrate ABC in to the traditional cost accounting systems because of the efficiency. In both ways all the data collections represent opportunity costs. For example in USA the employees, who are charged to extract the data for all countries and calculate the results could be employed somewhere else, while providing just one systems for both results, could save time and money

The traditional system itself had the power to increase the competition feeling between the countries. And now it is ABC which increases it more, of course it should be countries which are comparable with each other.

Identify the difficulties HP could have in implementing ABC in an international environment with a lot of subsidiaries.

The implementation of a new system firstly demands a training of large scale for employees concerned. This training should be finished by different subsidiaries in almost the same time. And the training may meet different problems in different subsidiaries.

In the international environment, one obvious problem is the different cultures in different nation. Implementing ABC system means more communications among different departments, among regions and

countries. But when implementing ABC system, the company must be <https://assignbuster.com/abc-abm-at-hewlett-packard-europe-for-customer-support-essay-sample/>

organized in a certain degree by activity (ABM), because the budgeting, operating and controlling these activities need more cooperation among departments, and the performance measurement will be based on activities. This change challenges the old organization system. But in some nations, the company is strictly hierarchical, especially in Asian countries, such as Japan. In this case, the ABC system demands more coordination among the managers and employees of different department, even reorganization of subsidiary.

And the coordination and cooperation between different subsidiaries should be more important, because one activity may concern more than one subsidiary.

If the ABC system is used in the international environment, HP needs an international communal activity-list. But the situation differs in different nations. HP would probably meet divergences in deciding activities.

Briefly, the implementation of ABC would meet organizational, cultural and technical problems.