

Sample entry; reduced to 80% actual size.

**GUIDE TO
FUNCTIONAL-AREA READINGS**

Sixteen functional-area reading curriculum are outlined below. Items listed beneath each heading represent titles of specific essays in the *EOM*.

GENERAL MANAGEMENT

Apprenticeship Programs
Authority and Power
Behavioral Approaches to Management
Benchmarking
Breakthrough Thinking
Budgeting
Case Method of Analysis
Centralization and Decentralization
Chain of Command Principle
Change and Resistance to Change
Chaos Theory
Commitment
Communication
Competitive Advantage
Complexity Theory
Concept Management
Conflict Management
Consultants
Contingency Approach to Management
Continuous Improvement
Corporate Social Responsibility and Social Audit
Creativity
Cultural Diversity
Decision Making
Delegation
Deregulation
Discipline and Discharge
Discrimination
Dissatisfiers
Distance Learning
Distinctive Competence
Diversity in the Workforce
Economics
Effectiveness and Efficiency
Empowerment
Environmental Issues
Ethics in Business
European Union
Experience and Learning Curves
Facilitator
Feedback
Fishbone Diagrams
Flow Charts
Functions of Management
Globalization and International Management
Human Resource Development
Hypothesis Testing
Industrial Relations
Innovation
International Business Issues
International Management Issues
Knowledge Management
Lawrence and Lorsch Model
Leadership
Life Cycle Strategy
Line-and-Staff Organizations
Macroenvironmental Forces
Management Awards
Management Control
Management Education
Management Information Systems
Management Societies and Associations: Domestic
Management Societies and Associations:
 International
Management Styles
Managerial Roles
Market Share
Matching Structure with Strategy
Middle Managers

Mission and Vision Statement
 Modes of Communication
 Motivation and Motivation Theory
 Multinational Corporations
 Nonprofit Organizations
 Open and Closed Systems
 Operant Conditioning
 Operations Management
 Opportunity Cost
 Organization Theory
 Organizational Change
 Organizational Culture
 Organizational Learning
 Participative Management
 Planning
 Porter-Lawler Expectancy Model
 Production Economics
 Professional Reading for Managers
 Purchasing
 Resumes
 Roles
 Schools of Management Thought
 Shareholders
 Small Business
 Span of Control
 Synergy
 Teams
 Utility Theory
 Value Chain Management
 Women in Business and Industry
 World-Class Manufacturer
 Zero-Sum Game

**MANAGEMENT THOUGHT LEADERS:
 PAST, PRESENT, AND FUTURE**

Deming, W. Edwards
 Hall, Edward T.
 Hawthorne Experiments
 Herzberg's Two-Factor Theory
 Hofstede, Geert
 Management Leaders
 Management Leaders: Economists
 Management Leaders: U.S. Labor
 Pioneers of Management
 Popular Press Management Books
 Vroom-Yetton-Jago Decision-Making Model

**CORPORATE PLANNING AND STRATEGIC
 MANAGEMENT**

Aggregate Planning
 Board of Directors
 Business Forecasting
 Cause-and-Effect Analysis
 Census, Economic
 Change and Resistance to Change
 Chaos Theory
 Competitive Advantage

Constraints
 Contingency Approach to Management
 Corporate Governance
 Corporate-Level Strategies
 Decision Making
 Distinctive Competence
 Diversification Strategy
 Divestment
 Downsizing
 European Union
 Exporting Logistics
 First-Mover Advantage
 Gap Analysis
 Generic Competitive Strategies
 Goals
 Horizontal Integration
 Japanese Keiretsu
 Joint Ventures and Strategic Alliances
 Leveraged Buyouts
 Licensing and Licensing Agreements
 Life Cycle Strategy
 Limited Partnership
 Location Strategy
 Longitudinal Scenarios
 Make-or-Buy Decisions
 Management Control
 Management of Technology
 Market Share
 Matching Structure with Strategy
 Mergers and Acquisitions
 Mission and Vision Statement
 New Product Development
 Non-compete Agreements
 Operations Strategy
 Order-Winning and Order-Qualifying Criteria
 Organizational Analysis and Planning
 Planning
 Poison Pill Strategies
 Porter's Five-Forces Model
 Pricing Policy and Strategy
 Product Differentiation and Diversification
 Product Life Cycle and Industry Life Cycle
 Prospector, Defender, Analyzer, and Reactor
 Organizations
 Risk Management
 Scenario Planning
 Shareholders
 Social Audit
 Strategy levels
 Strategic Planning Failure
 Strategic Planning Tools
 Strategy Formulation
 Strategy Implementation
 Strategy Implementation Issues
 Strategy in the Global Environment
 Synergy
 Systems Design, Development, and Implementation
 Technological Forecasting
 Time-Based Competition

LEGAL ISSUES

Applicant Screening
Board of Directors
Corporate Governance
Delegation
Deregulation
Dictionary of Occupational Titles
Discrimination
Employee Benefits
Employee Compensation
Employment Law and Compliance
Employment Testing
Environmental Issues
Equal Employment Opportunity Commission
Ethics in Business
Exporting
Fair Trade
Intellectual Property Rights
International Monetary Fund
Labor Law and Collective Bargaining
Licensing and Licensing Agreements
Limited Partnership
Non-Compete Agreements
Patents and Trademarks
Safety at the Workplace
Securities and Exchange Commission
Small Business
Uniform Commercial Code
Value-Added Tax

MIS, INNOVATION, AND TECHNOLOGY

Artificial Intelligence and Expert Systems
Automation
Census of Manufactures
Computer Networks
Computer Security
Computer-Aided Design and Manufacturing
Computer-Based Training
Computer-Integrated Manufacturing
Data Processing and Data Management
Decision Rules
Direct Access Storage Devices
Electronic Commerce
Electronic Data Interchange and Electronic Funds Transfer
Electronic Distribution Systems
Electronic Mail
E-manager
Internet, World Wide Web, and Intranets
Knowledge Base
Management Information Systems
Management of Information
Manufacturing Resource Planning
Multimedia
Neurolinguistic Programming
Object-Oriented Programming
Operating Systems

Parallel Design
Robotics
Systems Analysis
Technological Forecasting
Technology Management
Technology Transfer
Telecommunications
Videoconferencing
Virtual Organizations

QUALITY ISSUES

Amoeba Management System
Brainstorming
Communication
Continuous Improvement
Customer Care
Deming, W. Edwards
Environmental Issues
Facilitator
Open and Closed Systems
Performance Measurement
Problem Solving
Productivity Measures
Quality of Work Life
Service Quality
Sociocultural Dimension in Management
Strategic Partnerships
Value Analysis

MANAGEMENT SCIENCE AND OPERATIONS RESEARCH

Business Forecasting
Constraints
Cycle Time
Decision Rules
Decision Support Systems in Portfolio Management
Inventory Management
Layout
Management Science
Models and Modeling
Multiple-Criteria Decision Making
Object-Oriented Programming
Research Methods
Research Process
Simulation
Statistics

FINANCIAL MANAGEMENT AND ACCOUNTING ISSUES

Activity Based Costing
Balance Sheets
Break-Even Point
Budgeting
Cash Flow Statements
Cost Accounting
Cost-Volume-Profit Analysis

Financial Issues for Managers
Financial Ratios
Income Statements
Internal Auditing
Make-or-Buy Decisions
Management Audit
Pareto Analysis
Process Management
Risk Management
Securities and Exchange Commission
Zero-Based Budgeting

PRODUCTION AND OPERATIONS MANAGEMENT

Aggregate Planning
Amoeba Management System
Benchmarking
Bundled Goods and Services
Capacity Planning
Cellular Manufacturing
Census of Manufactures
Competitive Advantage
Computer-Aided Design and Manufacturing
Computer-Integrated Manufacturing
Constraints
Continuous improvement
Cost-Volume-Profit Analysis
Customer Care
Cycle Time
Deming, W. Edwards
Distinctive Competence
Economies of Scale and Economies of Scope
Effectiveness and Efficiency
Engineering Management
Enterprise Resource Planning
Environmental Issues
Experience and Learning Curves
Exporting Logistics
Factory of the Future
Flexible Manufacturing
Flow Charts
Focused Factory
Gantt Charts
Industrial Revolution
Industrial Standardization
International Organization for Standardization
Inventory Management
Inventory Types
Japanese Management
Just-In-Time-Production
Kaizen (Incremental Change)
Knowledge Workers
Layout
Lean Manufacturing
Location Strategy
Maintenance
Make-or-Buy Decisions

Management of Technology
Manufacturing Resource Planning
Maquiladora System
Models and Modeling
North American Industry Classification System
(NAICS)
Operations Management
Operations Scheduling
Operations Strategy
Order-Winning and Order-Qualifying Criteria
Pareto Analysis
Performance Measurement
Poka-Yoke
Product Design
Product Life Cycle and Industry Life Cycle
Production Economics
Production Planning and Scheduling
Productivity Concepts
Productivity Measures
Product-Process Matrix
Program Evaluation and Review Technique (PERT)
and Critical Path Method (CPM)
Project Management
Purchasing
Robotics
Service Quality
Service Operations
Supply Chain Management (SCM)
Sweatshops
Theory of Constraints
Time-Based Competition
Value Analysis
Value Chain Management
Vendor Rating
World-Class Manufacturer

MARKETING MANAGEMENT AND MARKETING RESEARCH

Brainstorming
Bundled Goods and Services
Consumer Behavior
Customer Care
Gap Analysis
Hypothesis Testing
Market Share
Marketing Communication
Marketing Concept and Philosophy
Marketing Research
Metropolitan Areas
New Product Development
North American Industry Classification System
(NAICS)
Pricing Policy and Strategy
Product Design
Research Methods

Financial Issues for Managers
Financial Ratios
Income Statements
Internal Auditing
Make-or-Buy Decisions
Management Audit
Pareto Analysis
Process Management
Risk Management
Securities and Exchange Commission
Zero-Based Budgeting

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Marketing Concept and Philosophy
Marketing Research
Metropolitan Areas
New Product Development
North American Industry Classification System
(NAICS)
Pricing Policy and Strategy
Product Design
Research Methods

HUMAN RESOURCES MANAGEMENT

Applicant Screening
Appraisal System Design
Assessment Centers
Autonomy
Computer Technology in Human Resources
Conflict Management
Contingent Workers
Customer Care
Discipline and Discharge
Discrimination
Dissatisfiers
Diversity in the Workforce
Employee Assistance Programs
Employee Benefits
Employee Compensation
Employee Relations
Employee Selection
Employment Agencies and Outsourcing
Employment Law and Compliance
Employment Testing
Empowerment
Equal Employment Opportunity Commission
Herzberg's Two-Factor Theory
Human Resource Development
Human Resource Management
Human Resource Planning
Industrial Relations
Japanese Management
Job Analysis
Knowledge Base
Labor Law and Collective Bargaining
Management and Executive Development
Mentoring In Organizations
Morale
Motivation and Motivation Theory
Nepotism
Nontraditional Work Arrangement
Performance Appraisal
Profit Sharing
Quality of Work Life
Employee Recruitment Planning
Resumes
Sensitivity Training
Stress in Organizations
Teams
Theory X and Theory Y
Theory Z
Women in Business and Industry

TRAINING AND DEVELOPMENT

Apprenticeship Programs
Assessment Centers
Case Method of Analysis
Computer-Based Training
Contingent Workers
Continuing Education
Creativity

Cross-Cultural Training
Deployment of American Managers Overseas
Employee Assistance Programs
Employee Selection
Employment Testing
Facilitator
Hawthorne Experiments
Knowledge Base
Managerial Grid
Mentoring In Organizations
Motivation and Motivation Theory
Operant Conditioning
Reinforcement Theory
Stress in Organizations
Training Methods

INTERNATIONAL MANAGEMENT

Association of Southeast Asian Nations (ASEAN)
Aufsichtsrat (Supervisory Board of Directors) and Betriebsrat (Works Council)
Chaebol
Cross-Cultural Training
Cultural Diversity
Danwei in China
Deployment of American Managers Overseas
European Union
Expatriates
Exporting
Exporting Logistics
Face-Saving
Globalization and International Management
Guanxi in Chinese Cultures
Hofstede, Geert
Hoshin Planning
International Business: Issues
International Management Communication
International Management Ethics
International Management Issues
International Monetary Fund
International Organization for Standardization
International Strategy
Japanese Keiretsu
Japanese Management
Just-In-Time-Production
Kibbutz
Management Societies and Associations:
 International
Maquiladora System
Mitbestimmung (Co-determination)
Multinational Corporations
Ringiseido
Strategy in the Global Environment
Sweatshops
Transnational Organization
Value-Added Tax
World-Class Manufacturer

ORGANIZING

Delegation
Downsizing
Employee Selection
Employment Agencies and Outsourcing
Ergonomics
Family-Friendly Business Practices
Functional Structure
Goals
Group Dynamics
Herzberg's Two-Factor Theory
Horizontal Integration
Incentive Plans
Layout
Line-and-Staff Organizations
Managerial Roles
Mechanistic Organizations
Middle Managers
Modes of Communication
Organic Organizations
Organization Theory
Organizational Change
Organizational Culture
Organizational Structure
Organizing
Porter-Lawler Expectancy Model
Prospector, Defender, Analyzer, and Reactor Organizations
Ringiseido
Roles
Safety at the Workplace
Sociotechnical Systems
Span of Control
Systems Design, Development, and Implementation
Task Analysis
Teams
Transnational Organization
Utility Theory
Virtual Organizations

LEADERSHIP

Centralization and Decentralization
Chain of Command Principle
Coalition Building
Commitment
Conflict Management

Delegation
Empowerment
Expert power
Innovation
Lateral Thinking
Leadership
Management Control
Management Styles
Managerial Grid
Ohio State Leadership Studies
Participative Management
Path-Goal Theory
Strategy Implementation
Vroom-Yetton-Jago Decision-Making Model

PERFORMANCE MEASURES AND ASSESSMENT

Activity Based Costing
Appraisal System Design
Artificial Intelligence and Expert Systems
Assessment Centers
Association of Southeast Asian Nations
(ASEAN)
Balance Sheets
Balanced Scorecard
Benchmarking
Cash Flow Analysis
Cash Flows Statements
Consultants
Cost Accounting
Cost-Volume-Profit Analysis
Distinctive Competence
Employee Compensation
Financial Issues for Managers
Financial Ratios
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Internal Auditing
Management Audit
Opportunity Cost
Performance Appraisal
Performance Measurement
Productivity Concepts
Productivity Measures
Profit Sharing
Vendor Rating

A

ACTIVITY-BASED COSTING

To support compliance with financial reporting requirements, the traditional cost-accounting system is often articulated with the general ledger system of a company. In essence, this linkage is grounded in cost allocation. Typically, costs are allocated for either valuation purposes (i.e., financial statements for external uses) or decision-making purposes (i.e., internal uses) or both. However, in certain instances, costs are also allocated for cost-reimbursement purposes (e.g., hospitals and defense contractors).

The traditional approach to cost allocation consists of three basic steps: (1) accumulate costs within a production or nonproduction department; (2) allocate nonproduction department costs to production departments; and (3), allocate the resulting (revised) production department costs to the various products, services, or customers. Costs derived from this traditional allocation approach suffer from several defects that can result in distorted costs for decision-making purposes. For example, the traditional approach allocates the cost of idle capacity to products. Accordingly, such products are charged for resources that they did not use. Seeking to remedy such distortions, many companies have adopted a different cost allocation approach called activity-based costing (ABC).

WHAT IS ACTIVITY-BASED COSTING?

In contrast to traditional cost-accounting systems, ABC systems first accumulate overhead costs for each of the activities of an organization, and then

assign the costs of the activities to the products, services, or customers (i.e., cost objects) causing that activity. As one might expect, the most critical aspect of ABC is the activity analysis. Activity analysis is the process of identifying appropriate output measures of activities and resources (i.e., cost drivers) and their effects on the costs of making a product or providing a service. Significantly, as discussed in the next section, activity analysis provides the foundation for remedying the distortions inherent in traditional cost-accounting systems.

TRADITIONAL COST ACCOUNTING SYSTEMS VERSUS ABC

Geared toward compliance with financial reporting requirements, traditional cost accounting systems often allocate costs based on a single volume measure (e.g., direct-labor hours, direct-labor costs or machine hours). While using a single volume measure as an overall cost driver seldom meets the cause-and-effect criterion desired in cost allocation, using a single volume measure provides a relatively cheap and convenient means to comply with financial reporting requirements.

In contrast to traditional cost-accounting systems, ABC systems are not inherently constrained by the tenets of financial reporting requirements. Rather, ABC systems have the inherent flexibility to provide special reports to facilitate management decisions regarding the costs of activities undertaken to design, produce, sell, and deliver a company's products or services. At the heart of this flexibility is the fact that ABC systems focus on accumulating costs via several key activities, whereas traditional cost allocation focuses on accumulating costs via organizational units.

Accordingly, by focusing on specific activities, ABC systems provide superior cost allocation information—especially when costs are caused by non-volume-based cost drivers. Admittedly, while ABC systems provide superior cost allocation information, traditional cost accounting systems will continue to be used to satisfy conventional financial reporting requirements. Accordingly, ABC systems will continue to supplement, rather than replace, traditional cost-accounting systems.

ABC IMPLEMENTATION

In most cases, a company's traditional cost-accounting system adequately measures the direct costs of products and services (e.g., material and labor). As a result, ABC implementation typically focuses on indirect costs, such as manufacturing overhead and selling, general, and administrative costs. Given this focus, then, the primary goal of ABC implementation is to reclassify most, if not all, indirect costs (as specified by the traditional cost accounting system) as direct costs. As a result of these reclassifications, the accuracy of the costs is greatly increased.

Garrison and Noreen suggest that there are six basic steps required to implement an ABC system: (1) identify and define activities and activity pools, (2) directly trace costs to activities (to the extent feasible), (3) assign costs to activity cost pools, (4) calculate activity rates, (5) assign costs to cost objects using the activity rates and activity measures previously determined, and (6) prepare and distribute management reports.

COSTS AND BENEFITS OF ACTIVITY-BASED COSTING

While ABC systems are rather complex and costly to implement, Horngren, Sundem, and Stratton suggest that many companies in both manufacturing and nonmanufacturing industries are adopting ABC systems for a variety of reasons:

1. Margin accuracy for individual products and services as well as customer classes is becoming increasingly difficult to achieve given that direct labor is rapidly being replaced with automated equipment and, accordingly, the company's shared costs (i.e., indirect costs) are becoming the most significant portion of total cost.
2. Since the rapid pace of technological change continues to reduce product life cycles, companies do not have time to make price or cost adjustments once costing errors are detected.
3. Companies with inaccurate cost measurements tend to lose bids due to overcosted products, incur hidden losses due to un-

dercosted products, fail to detect activities that are not cost-effective, and so on.

4. Since computer technology costs are decreasing, the price of developing and operating ABC systems has also decreased.

ACTIVITY-BASED MANAGEMENT

In order to manage costs, a manager should focus on the activities that give rise to such costs. Accordingly, given the activity focus of ABC, managers should implement ABC systems in order to facilitate cost management. Using ABC systems to improve financial management at a company is called activity-based management (ABM). The goal of ABM is to improve the value received by customers and, in doing so, improve company profits.

The key to ABM success is distinguishing between value-added costs and non-value-added costs. A value-added cost is the cost of an activity that cannot be eliminated without affecting a product's value to the customer. In contrast, a non-value-added cost is the cost of an activity that can be eliminated without diminishing value. Whereas some value-added costs are always necessary (as long as the activity that drives such costs is performed efficiently), non-value-added costs should always be minimized (i.e., are assumed to never be necessary). Examples of non-valued added activities include (1) storing and handling inventories, (2) transporting raw materials or partly finished products (i.e., work-in-process inventory items) from one part of the plant to another, and (3) redundancies in production-line configurations or other activities. Often such non-value activities can be reduced, if not eliminated, by careful redesign of the plant layout and the production process.

SEE ALSO: Inventory Management; Just-in-Time Production; Process Management; Time-Based Competition

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FURTHER READING:

Coburn, Steve, Hugh Grove, and Tom Cook. "How ABC Was Used In Capital Budgeting." *Management Accounting* 78, no. 11 (May 1997): 38-46.

Cokins, Gary. "Why Is Traditional Accounting Failing Managers?" *Hospital Material Management Quarterly* 20, no. 2 (November 1998): 72-80.

—. "ABC Can Spell a Simpler, Coherent View of Costs." *Computing Canada* 24, no. 32 (September 1998): 34-35.

—. "If Activity Based Costing Is the Answer, What Is the Question?" *IIE Solutions* 29, no. 8 (August 1997) 38-42.

Dolan, Pat, and Karen I. Schreiber. "Getting Started With ABC." *Supply House Times* 40, no. 4 (June 1997): 41-52.

Garrison, Ray, H., and Eric W. Noreen. *Managerial Accounting*, 9th ed., Boston: Irwin McGraw-Hill, 1999.