

THE USEFULNESS OF THE PROCESS APPROACH FOR VALUE CREATION IN THE TELECOM SECTOR

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ABSTRACT

This paper aims to analyze the management accounting system of the main Romanian telecommunications operator (Romtelecom) and to highlight the usefulness of the processes-based approach adopted by the entity in order to support appropriate costs management and value creation. Increasing competition by sector liberalization, the development of new technologies, investments, diversified requirements of customers and regulation in the sector are some of the peculiarities we were take into account when we chose to study this entity. In order to achieve our objectives we have turned to a variety of research methods so that we can treat from different perspectives the specific issues of this entity. Following the study, we have found that managers are concerned with improving the internal processes and adopting a cost system based on activities and processes which can provide relevant information for effective control of business, and for analyzing and understanding the performance.



Competition, value, process, ABC/ABM, Romtelecom

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INTRODUCTION

To survive in a changing environment an enterprise must ensure that all its actions will create value. This judgment, based on activities contribution to the value creation represents the foundation of the performance interpretation.

The value is assessed through functionalities (the answers to the customer needs) and therefore the size of the value created by an enterprise cannot be known. In this approach, the companies turn their attention to costs, considering that are more easily to measure, but the relations between existing activities create some difficulties in identifying the resource consumed by each activity.

For the company to be able to manage not only costs, but the entire cost – value couple, must be created a link between the value perceived by the customer and the costs involved in activities performed to provide that value. The challenge of creating a link between customer value, price and cost was the subject of many studies around the new management accounting tools, the most commonly mentioned being: activity-based costing, target costing, total quality management, strategic cost management. Referring to these techniques, McNair *et al.* (2001) said that they were designed to improve cost allocation and improve product mix decisions, increase profitability through cost reduction, improve quality and develop a competitive strategy along the value chain by using cost information. For example, Gervais (2005) proposes four tools for managing the cost-value couple: *activity based management, value analysis, target costing and feature costing.*

Activity based costing (ABC) and activity based management (ABM) are the most often mentioned tools in the management accounting literature considered to be able to evaluate the specific relationship between the cost and value defined by external factors. But, these tools must be linked with value analysis and value engineering which are necessary steps in ensuring the product/service delivers or meets customers' value expectations, booth internal or external (Yoshikawa *et al.*, 1994).

In this paper we are trying to make a coherent analysis of ABC/ABM as essential tools for managing the cost-value couple, while emphasizing the importance of adopting a process approach in the context created in the telecommunications sector, specifically in the Romanian incumbent telecom operator - Romtelecom. Along with increased competition in this market, the entity which is the subject of our analysis was forced to reorganize its affairs in order to ensure the value creation and, simultaneously, the achievement of notable performances. Therefore, we believe that the adoption of the activity based management/costing can be an important step in ensuring efficient business control.

1. ABC / ABM – USEFUL TOOLS FOR VALUE CREATION

Correlating the value perceived by the customer with the cost of activities performed by a company to provide value attributes, allows managers to assess the multiple possibilities of allocating resources in order to increase company's profits and to strengthen its market position. Booth (1997) pointed out the usefulness of value chain analysis in providing crucial insight into a company's competitive position. In this respect, the tool recognized as the most appropriate to support the value creation and which is used in most of the cases, is the ABC/ABM (activity based costing/management) couple, because allows a better understanding of the costs causes.

Some authors (Cooper, 1988; Goebel *et al.*, 1998) argued that refined costing systems, such as activity based costing, are having a value-enhancing effect on pricing decisions and on company's performance, because they allow better price differentiation among products, customers and markets.

The changes in economic and social environment, the need to manage cost–value couple, focus on customer, increasing the share of indirect costs, the difficulties in reducing costs through traditional cost systems and the emergence of new information technologies and the development of high quality information systems are just some of the issues that required the design of a activity-based approach.

In Lorino's (1991) opinion, activity-based management is:

"a new management technique, translated into full renewed panoply of tools and methods, from operational performance management to the employment forecast through management of material flows, value analysis and investments assessment".

An effective management must be "built" in such a way as to enable performance analysis and to allow the strategy deployment of an organization. Decomposition of an entity into activities helps in understanding the origin of costs, because the activities are independent in relation to the organizational changes.

Activity based management made possible the occurrence of activity and process as basic concepts to facilitate the cost computation and the cost management. Quickly, various users of the ABC revealed the importance of using the activities in decision making process. They estimated that it is possible to create a link between costs and value created for the client, through these activities and processes. This vision depicted by Chauvey and Naro (2004) present three possible causal relationships: the links between activities and costs, the links between activities and value and the links between value and costs. In the authors' opinion, the one that controls the last relationship can ensure a competitive advantage.

Simply identifying the activities is not enough, if the relationships between the activities as parts of processes are not managed and coordinated. Process management involves tracking those process factors (inductors) and resource consumption by activities that compose the processes. Based on the contribution of costs among different activities, managers can then determine the optimal mix of value chain activities and assess whether they are allocated properly to support different products and customers (Innes & Mitchell, 1995). Such kind of management allows besides the costs computing, the quality analysis and assessment, the analysis of delivery terms and, implicitly, the analysis of contribution to the customers satisfaction.

In addition to customer value creation, entities are forced to ensure the achievement of superior financial performance, creating value for shareholders. Performance should not be confused with profitability. Knight's (1998) opinion is that high profitability does not guarantee value creation for the shareholders, because the value creation three rules, such as:

- the level of profitability has nothing in common with the value creation - the profit amount does not mean that a company has an advantage to another one;
- all companies start from the same level in creating the value;
- each entity has to face some different challenges.

The issue of shareholders value creation it is not a recent one, but the "claims" of those who finance the companies have increased significantly in the last period. First, shareholders aim to protect their investment, to constantly adapt the activity to the environmental conditions, while minimizing associated risks. So, the telecom operators' strategies should be designed in order to converge with the shareholders objectives.

The relevance of management accounting information had suffered in the second half of the last century, being strongly influenced by financial reporting procedures and, in the same time, too late and too aggregated and distorted to be useful in making the decisions regarding planning and control. Creating a competitive advantage requires the understanding of the value that an entity provides to customers. Entities that are not able to understand the correlation between customer value, price and cost will face great difficulties to create a sustainable competitive advantage.

With all the advantages that the activity-based management has regarding the cost analysis in a well defined context, where strategic elements become far more explicit and formal, there are some contrary ideas that the ABC/ABM couple is not perfect when it comes to achieving competitive excellence.

In this respect, Johnson (1992: 131) said that:

“the belief that activity-based cost management tools will improve business competitiveness is a dangerous delusion ... as tool to improve cost accounting information it is impeccable.”

The author's argument is that it is not a tool to improve the competitiveness of a business. The reason why the author makes this claim consists in the idea that competitive excellence is achieved through an impeccable management of the organization relationships with its clients, and the accounting information system provides almost no information about customers, except the amount of sales.

However, activity-based costing will support these information needs, providing more relevant data than other cost systems. Kaplan and Cooper (1998: 231) argued that service firms are generally ideal candidate for designing an activity-based costing system, even more than production companies, primarily because almost all their costs are indirect and apparently, fixed. The complexity of the activities that a telecommunications company must perform raises the question of seeking an effective cost management system. Also, the increased competition in this sector, the diversity of customers' needs, and quick evolution of involved technology requires incumbent telecom operators to "reinvent" their business, adapting it to the new conditions. In this respect, activity-based costing system has a strong benefit over traditional cost systems, being valuable for price-setting in competitive markets (Cardinaels *et al.*, 2004).

2. RESEARCH METHOD

To meet the settled objectives of this paper we mainly turned to a descriptive research. However, the paper includes an explanatory approach because identifies a number of explanatory mechanisms for a certain situation and at the same time, a prescriptive approach, providing solutions. The present research provides an interpretative (because assumes the understanding of certain situations and involves an active participation) and, equally, a critical perspective (extending the interpretative approach by focusing on their implications) of the addressed issue. The information used in this study was collected from primary sources, from the information disclosed by the company, on regulation authority request.

In this study case we are trying to test some ideas stated in the literature on the usefulness of the process approach in a complex sector like telecom is. In Romtelecom's case it was observed the need for reinventing the business, by rethinking its entire business processes.

The main advantage that this study confers is the definition of a reference framework for the Romanian telecommunications companies, a comparative

analysis being very useful in this respect. Also, the information gathered during the study allows us to make relevant analysis which emphasizes the importance of a process approach in order to create value and to achieve long-term superior performance.

However, lack of access to certain information did not allow us to formulate relevant conclusions in terms of value creation for customers, our study pointing out, in particular, the issue of value creation for shareholders, which we consider to be an important limit of our research.

The study has been conducted for over two years, during which the information was collected for the period 2004-2007. We considered relevant this period because it coincides with the period in which the company has developed an extensive reorganization. The information used in this study were collected from primary sources, from the information disclosed by the company, at regulation authority request, as well as from the information collected as result of semi-structured interviews conducted with company's managers from accounting, technology and sales departments.

3. STUDY CASE: ROMTELECOM

3.1 The general framework regarding telecom sector

At the end of nineteenth century and early twentieth century, several industries - including the telecommunications - came under state control, meaning that penetration in these markets has been restricted in order to stimulate and protect private companies' investments in infrastructure so that they can provide public services. Thus was created a monopoly situation, requiring a control of the authorities to protect the users of these services.

Technological revolution, from the early '70s, increased the demand for telecommunications services. This situation has contributed to the rapid decline of the traditional suppliers which were state-owned, for several reasons (Stern & Trillas, 2002):

- investments were needed, that the governments were not prepared to finance;
- managerial and commercial skills had been necessary to keep pace with the rapid development of markets and technologies;
- the competition increased in the market, initially on the mobile one, spreading quickly to other services.

In time, as markets have matured enough so that more companies had the financial resources needed to provide similar services, it seems more advantageous that the public services prices be determined by competition. The increase of competition

has favored sector liberalization, promoting fair competition. But liberalization may involve a certain degree of regulation, aiming to increase the efficiency and to protect consumer rights.

The liberalization of telecommunications markets began in 80's in developed countries and then continued in all states. The liberalization was preceded by partial or total privatization of traditional operators. The competition in any market provides the best way of organizing the business, as it promotes economic efficiency, ensures cost reduction and resources management in a more effective way, forces firms to innovate and improve service quality.

Romania telecommunications have undergone a similar development to other states. It started with the privatization of the fixed telephony main operator, followed by the adoption of a legal framework that allows and, subsequently, supports liberalization. Romanian telecommunications have developed more slowly, primarily because of the monopoly that has operated for a long time, and because of the state control, which was not able to manage and finance a sector with a high rate of development. It could be observed that, where the competition was allowed, the results were significant.

Fixed telephony services were more social services than a real business, at that time (Oacă, 2002). The reform of this sector has been delayed, which led to delays in development of the infrastructure because of limited resources, but also because of an inconsistent pricing policy, the costs being higher than prices. In this context it was decided to privatize Romtelecom, which owned the monopoly for fixed telephony market at the time. Acceleration of the telecom market liberalization was also the result of the negotiations for the accession of Romania to the European Union, the chapter 19 being considered very important one.

3.2 Processes approach

After removing the monopoly on the telecommunications market, this industry is proving to be extremely dynamic and unpredictable, while the incumbent operators' efforts regarding the adoption of appropriate structures and strategies are considerable.

In such context, Romtelecom should be able to anticipate, develop and quickly respond to sector developments in order to survive and to gain an advantage over its competitors. The dominant position which holds on the Romanian telecom market does not guarantee it in any way this advantage.

Referring to the entities that are having a dominant market position, such Romtelecom, Duques and Gaske (2000: 40) said:

“The challenges of achieving significant growth and market dominance are difficult. However, perhaps the greatest challenge consists in keeping a company in top once it gets there. But, in the future will be even more difficult to stay in top, because the crash perspective remains pervasive. Thinking and acting like a small company, constantly seeking for internal innovation, redefining the corporate responsibility and aligning the company's culture, the organization should have a greater chance of becoming a successful organization on long term and not just a company from the second line”.

Being an ex-monopolistic operator, with a vertical structure, Romtelecom was confronting with problems regarding the rigidity of its structure, overloaded in relation to the tasks they had to perform and difficult to adjust, in terms of a dynamic environment such as telecommunications. But the main issue that the company has to face is not its organizational structure, but the structure of its processes.

Taking into account the three main forces which influence the telecommunications sector and, implicitly, on analyzed entity - customers, competition, and changes – became more evident the need for "reinventing" the business. Recently, Romtelecom has launched a comprehensive business reengineering process in order to improve its internal processes, process which involves “the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance, such as cost, quality, service, and speed” (Hammer & Champy, 1996: 57).

In essence, this redesign involves the creation of two business units and a support unit. The two business units are: *wholesale*, having as objective the management of the infrastructure and of the relationships with other operators from Romania and worldwide, and *retail*, which aims social marketing and the management of the relationship with residential customers, users. *Support unit* (administration) is providing support services for both business units.

This kind of organization is the result of the market’s “maturation”, which has evolved enough so that wholesale and retail services have become totally differentiated, making necessary the focus on specific market segments. This manner of organizing Romtelecom is not a premiere in the telecom industry, because there is a European trend in this respect, since the end of `90 years, when most of the incumbent operators, under the pressure of intensified competition, started the reorganization creating decentralized entities or holding companies. Romtelecom model is based on the model imposed by British Telecom (Ulset,

2007), which allows the focus on specific segments and brings into attention the segments with problems, while ensuring transparency regarding the regulated services.

In reengineering the emphasis is placed on processes and less on features, people or structures, the organizational model based on separate operations became obsolete. Such an approach allows identifying all the activities performed within the company, offering the possibility to eliminate unnecessary activities and to improve the activities which are not properly executed.

Organizing an entity in order to be competitive on the market and to achieve its performance objectives requires an adequate information system, of a planning and proper control system. Managerial accounting, by its structure and available tools is able to meet the managerial information needs.

3.3 Managerial accounting at Romtelecom

Dealing with the current competition is a quite important challenge, even if the manager has all the necessary information. Management accounting provides information of particular importance both at strategic and operational level. When the entity operates in an environment where companies have great difficulties in achieving and maintaining competitive advantages, costs must be managed aggressively and intelligently (Kulmala *et al.*, 2002).

Knowing the organization's structure and strategy is essential if we have to analyze how the management accounting is organized, because the collection and processing the data as well as the results measurement must take into account the entity's structure so that the information presented meet the managers' information needs in order to achieve the organization strategic objectives.

The information provided by management accounting address to those who "manage" the enterprise and it must support them in decisions regarding planning and control, by identifying problems, solving them and assess the performance. In addition, Romtelecom, designated by the regulation authority as operator with significant power on relevant retail markets, should provide to the authority some information regarding its costs. In this respect, the entity has to respond to some additional obligations regarding the organization of its cost accounting system, in order to ensure the cost-based tariffs setting.

To design the managerial accounting system, the activities carried out to achieve a homogeneous group of services are grouped within business units and subunits. Romtelecom defined in this respect, while meeting the regulator requirements, four business units - transport network, access network, retail and other activities.

We must underline that these units are not totally separated, there are interactions between them, which lead to a mechanism of internal transactions.

The diversity of the Romtelecom services requires the design and the implementation of a complex cost accounting system that enables, first of all, to obtain useful information for decisions making, but at the same time, to satisfy reporting requirements settled by the regulator for the regulated services. Since the infrastructure costs are common costs, the designed cost accounting system must aim *the identification and analysis of the costs associated with all types of services*. To achieve this goal, Romtelecom turn to a fully allocated cost system.

Collecting the information about the costs of the services provided by Romtelecom involves two steps: (1) allocation of costs, revenues and capital employed for each business unit and subunit and (2) computing the cost of services performed by each business unit.

Cost allocation consists in identifying suitable cost drivers for each category and using relevant operational (non-financial) information to identify cost allocation bases. Allocation process requires the distinction between the operating costs and the cost of capital.

Operating costs include all operating expenses separated in two categories: direct costs and indirect costs. The costs involved in Romtelecom's activity can be classified and defined as follows:

- *direct costs* - costs that can be attributed directly and with certainty to a particular product or service;
- *indirectly attributable costs* - costs that can be attributed to a product or service in connection with the direct costs; these costs are allocated based on the appropriate cost driver;
- *unallocated costs* – the cost category for which is impossible to identify an direct or indirect allocation method.

Detailed information regarding each operating expense is obtained right from the expenditure accounts codification in financial accounting. Thus, the majority of operating expenses are directly allocated to the related departments, to the network equipment to which relate with, to the activities that generate the expense, to the product or service for which they were made. The salary costs are identified for every department and activities, such as operating and maintenance of specific network equipment, support activities, specific activities of the business units (e.g., specific retail costs, billing the interconnection, etc.) or general activities.

The *allocation methodology of operational costs* is developed by Romtelecom depending on cost accounting system, in accordance with the accounting consistency principle. In order to allocate them, the operating costs are grouped

into homogeneous categories (costs that are generated by the same cost driver), which are then allocated on network elements, services and business units, in accordance with the respecting the principle of causality.

Most of the costs are directly assigned to the departments, network equipment, activities or services, because the information derived from financial accounts allow this, through the codification of operating costs accounts. The financial accounting of Romtelecom is designed and built so as to provide detailed information on any operating expenses. Each account code includes the following information via "segment" code: *the department which the expense belongs to, the network equipments, to which the expense relates, the activity that generates that expense, the products or services, or even the clients for which the expense are made.*

The cost of capital is determined by multiplying the average capital employed for each network component, business unit or subunit with the weighted average cost of capital. This average cost is established by the regulation authority and communicated to the entity, and it is used in setting the interconnection prices based on costs. For the period 2004-2007 the weighted average cost of capital rate was set at 15.24%.

The proper cost calculation has as starting point the cost allocation process. Then, using technical information it can be determined the costs of provided services. From calculation will be excluded the non-recurring costs and restructuring costs, which are presented separately in the documentation regarding the cost accounting system.

Business unit costs include both unit's *own costs*, determined by cost allocation and the *costs arising from the internal transactions* between business units.

These internal transactions between business units are in fact, *internal transfers* of provided services, especially from the transport network and access network to the "retail" unit, but also to "other activities" unit. We noticed that in the case of the transport network the transfer price is determined based on *actual full cost*, while for the access network the transfer price used is the *market price*. The internal transfers based on actual cost have a major shortcoming, namely, transfers the supplier (service provider) efficiency or inefficiency to the recipient, which affect the result and the performance of the buying center. Using market price as transfer price can motivate the manager and, at the same time, it may be an advantage for that center, giving the opportunity to act under market conditions.

Romtelecom must clearly identify its activities, particularly those related to the services for which the company is designated as an entity with significant market power, and develop an appropriate methodology for allocation of revenues, costs

and capital employed to the business units and sub-units. In this approach it is particularly important the way in which transactions are recorded in the financial accounting, since that information is the starting point in preparing separate financial statements.

In making the decision regarding the prices setting, the telecommunications industry use the **long-run incremental cost**, because provides a prospective view and supports the strategic decision making process. The cost allocation methodology is also important for the long-run incremental costs method, staying at the base of subsequent interconnection price setting by the regulation authority.

The concept of incremental cost is similar, but not identical to the marginal cost (ERG, 2005). While an increment represents a significant and finite quantity of output (products, services), marginal cost refers to the last (infinitely small) unit. In the economic theory, the prices based on marginal cost maximize the economic benefit. Cost analysis of a given increment ensures an adequate recovery of common costs, given the high level of them.

Long-run incremental cost system, by its prospective orientation, is a strategic tool which forces organizations to adopt a more dynamic vision of its activities. The long-term represents the period during which operators can expand or restrict their investment. This makes all the costs, including those relating to invested capital, to become variable on long-term. The prospective view also requires the use of current cost in assessing the assets involved in the processes undertaken for providing telecom services, using the replacement cost of modern equivalent assets.

Increasing investments required by advanced technologies, alongside with short services life-cycle, force organizations to manage costs throughout the entire life-cycle. Knowing this cost may be a solid base for analysis in adopting a differentiation strategy and obtaining a competitive advantage.

4. DISCUSSIONS

The services and customers diversity increases the complexity of the operations that Romtelecom to be carry out. Therefore the company considered necessary to rethink the entire process and to renounce to its traditional approach, characterized by a vertical structure, moving at the same time to a transversal approach along through value chain.

The reengineering process, which recently started at Romtelecom aims, as we have seen, the redesign of all processes and forces the managers to think in terms of process, as in activity-based management which requires a cross-functional vision

of the entity's activities and aims identifying and eliminating activities that do not add value to the product / service and also the costs of these activities.

Redesigning the organizational structure has as consequence staff reductions, hardly accepted by the employees, despite the existence of a restructuring plan, which includes compensation for the employees. Moreover, the initiation of the restructuring process coincided with the implementation of SAS software in 2005, software that supports the activity based management adopted by Romtelecom. We must point out that this phenomenon is not unique, because these problems have been encountered in other traditional European operators. Trying to implement activity-based costing system in Portuguese telecom operator has encountered resistance from production employees and managers (Major & Hopper, 2005).

The cost allocation methodology and the cost system follow a similar judgment as activity-based costing. European practice regarding the cost system for telecom services recognizes the activity-based costing as the most suitable cost system not only for determining the costs, but also for managing the undertaken activities and processes.

Framework for organizing cost accounting system at Romtelecom is designed and developed starting from a process approach, useful in achieving the performance objectives. But the problem of adapting the entity's organizational structure to these requirements remains. Romtelecom has difficulties in this respect, especially because of its organizational culture that stops any action.

Effective implementation of activity-based costing often depends on behavioral factors, rather than technical factors, because the involvement in this process of all staff is essential. While the organization operate in monopoly conditions, the market aspects were less relevant, but the competition forced Romtelecom to recognize that the existing management accounting system at that time was no longer suitable for setting the prices, cost control and investments evaluation.

In our opinion, the ABC system is a very useful cost management tool for telecom operators, allowing them to permanently evaluate and improve the activities in order to be performed as efficiently as possible and at the same time to achieve the organization objectives. Activity-based costing has the advantage of avoiding distortions created by the traditional cost systems. Also, it is important to note its usefulness as a tool for performance measurement and for managing cost-value couple, because allows its optimization controlling both costs and value attributes, thus contributing to creating value for customers.

Regarding the value creation for shareholders, we used the EVA analysis, based on data published by the organization.

Table 1. The analysis of the economic value added

	2007	2006	2005	2004
Net operating profit after tax	231.347	- 1.025.473	734.836	847.883
Capital employed	7.457.016	8.123.331	9.175.313	9.535.091
Weighted average cost of capital	15,24%	15,24%	15,24%	15,24%
Economic value added	- 921.144	- 2.263.469	- 663.482	- 605.265

(Source: Romtelecom's separated financial statements, www.romtelecom.ro)

It is believed that the value is created only if the net operating profit exceeds the cost of capital, i.e. EVA is positive. We noticed that for the analyzed period, the economic value added is negative, which means that the shareholders value is not created, but destroyed, meaning that does not generate enough profit to cover the cost of invested capital.

We observed that, in time, there was a decrease in the invested capital, probably as a result of the reduction in number of subscribers for fixed telephony segment. Only in 2006, Romtelecom has lost about 500,000 subscribers (according to the annual report), suffering from the shock wave caused by the mobile telephony expansion, which registered in 2005 a growth rate of 30%. All these aspects, in conjunction with the investment required for the introduction of digital television services and strengthen the Internet services led to the deterioration of the operating profit, and the following period can be considered as a recovery period.

Although, the value of assets decreased over time, we think that their level is still too high, without creating value at the current level of activity. In fact, Romtelecom S.A. "inherited" an over-dimensioned structure, while the activity volume (network traffic) is constantly decreasing, which means that the company has a high degree of unused capacity.

The evolution of negative EVA coincides with a decrease of the rate of economic return, this rate being lower than the weighted average cost of capital in all the years analyzed. The fact that a negative economic value added persists over time is an alarm signal for the organization and corrective measures are needed. The sale of unused assets or their involvement in projects and activities that generate higher performance can represent measures that will lead to EVA improvement.

CONCLUSIONS

The information provided by management accounting must be useful in decision making, both in short and long term, in order to provide the increase of customers' value, while reducing services' costs. In our opinion determining the costs is not enough, but it must be a part of a much broader approach aimed at planning and controlling costs, linking this approach with the overall strategy of the organization, talking about a real cost management.

From the literature review results the idea that the most appropriate tool to support the value creation and which is used in most situations is the activity based costing/management, because it allows a better understanding of the costs causes. This allows a correlation between the amount they charge the customer with the costs of activities they engage in a business, in order to provide the attributes of value, and enable managers to assess the many possibilities for allocating resources in order to increase profits and strengthen company's market position.

Theoretical issues presented in this work as well as the extension of our research to the Romanian main telecom operator has allowed us to address in a uniform and coherent manner the aspects regarding management accounting in the entities from the telecom industry. Management accounting tools and techniques have proved their relevance in different contexts, but depends on the managers how much they know and are able to exploit the information that these tools generate, to create value for both customers and for shareholders.

Given the contributions that our research brings and the problems identified during this study, we consider that it can have implications for the future research, aiming:

- extending the research to the management control by implementing the specific tools, for better control of activities;
- conducting surveys that debate the behavioral implications on managers and to show the extent to which they are aware of the importance and usefulness of the management accounting information;
- analyzing the possibility of adapting the managerial accounting model in other highly regulated industries.

In conclusion, we believe that activity-based management permits, on the one hand, a better cost control and, on the other hand, an improved behavioral by facilitating internal communication within the organization. Moreover, to be useful in order to support decision-making process, activity-based management must be "accompanied" by an organizational culture oriented to the client, communication and dialogue.

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