of your enterprise, one that is free from the influence of financial reporting standards. The accounting profession is so focused on the external financial reporting model in its education that the individual professional has almost no perception that it is not the single, ultimate and infallible financial model of business.

Today’s manufacturing and operational enterprise solutions collect enormous amounts of data, and that data provides most of the information necessary to model and measure resource capacity, the intermediate and final outputs, and management objectives. Current best-of-breed systems can, in a cost-effective fashion, plug the costing hole in the information that helps manufacturing managers make decisions. Some ERP systems also have that capability, but the configuration changes, and their ripple effects that will be required are almost never embraced by the finance organization.

Generating the necessary financial information on resource costs is the final step, and fortunately, access to information is becoming easier. So the question will be when and how to engage the finance department. Of course, that will depend on individuals and organizational culture. Whenever that engagement occurs, maintain a solid list of financial information deficiencies that are making decisions difficult for operating managers – distorted costs, cost to resource mismatches, areas of information opacity, noncausal depreciation schedules and other gaps.

A frequent response from accounting will be that you don’t need a new costing approach; you only need to look at the “relevant costs” or the “true costs” of the resources, processes or outputs. This must mean that the financial statement costs they so diligently calculate in the financial accounting system are “irrelevant” and “not true.” In any case, you should point out that such “relevant cost” can only be had from costs compiled strictly based on cause and effect. The logical failures Gantt pointed out a century ago remain valid today, and as he successfully argued, there is a better way. Let’s rediscover and promote it again today.

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