

Lecture 1: Intro to organisations, strat, and mgmt ctrl systems

Objectives

Explain the concepts of mgmt accting & ctrl.

Distinguish b/w formal & informal planning and ctrl mechanisms

Source current articles/news pieces relevant to mgmt accting & ctrl

Explain incentives, sustainability, and risk as they effect the contemporary organisation

Describe the key contingent factors influencing the nature of the mgmt accting & ctrl system in an organisation

Illustrate the links b/w vision/core values; strat; key performance drivers; and performance metrics.

Mgmt Accting

Mgmt accting & ctrl is all about **managing** the organisation.

Mgmt accting & ctrl info helps in the mgmt of organisations through:

- Directing behaviour, e.g. through performance measures
- Providing mechanisms for info provision and thus facilitate decision-making (eg providing cost info for pricing decisions) and/or influence decisions (eg strat advice)
- Providing feedback on performance across the organisation
- Facilitating learning

Note: human behaviour may effect unintended consequences

Mgmt Ctrl System Frameworks: Flamholtz

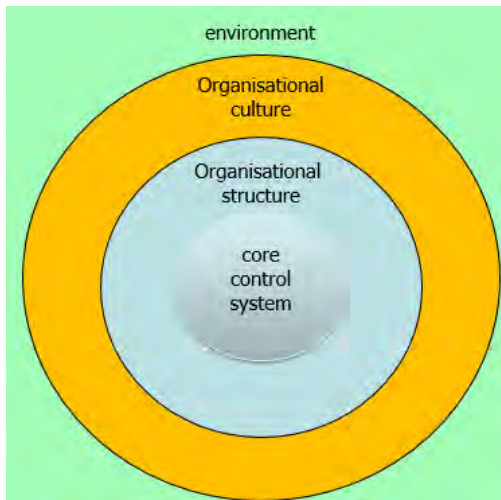
Organisational ctrl system

An organisational ctrl system is a set of mechanisms designed to increase the prob that ppl will behave in ways that lead to the attainment of organisational objectives.

4 Functions

| | |
|--|--|
| Goal emphasis | <i>Motivate decisions & actions consistent w/ organisational objectives.</i> |
| Organisational integration | <i>Integrate the efforts of several different parts of the organization.</i> |
| Autonomy & ctrl | <i>Provide info about the results of ops & ppl's performance.</i> |
| Implementation & strat planning | <i>Facilitate the implementation of strat plans</i> |

Broader organisational ctrl systems



Note: the lines blur

Core ctrl system

| | | | | |
|----------|-----|-------------|----------|---------------|
| CULTURE | | | | |
| Planning | Ops | Measurement | Feedback | Eval & Reward |
| STRUCTRE | | | | |

Ctrl system mechanisms

Formal: regular, scheduled, compulsory

- Formal budgeting & planning processes
- Cost system data for costing, pricing, product and customer profitability analysis,
- Activity-related analysis for improved process mgmt
- Strategic-related data collection to assist w/ decisions such as: outsourcing, capital investment, involvement in strategic alliances and collaborative ventures
- Formal evaluation procedures of units and managers
- Incentive programs and reward system structures.

Informal: irregular, unscheduled, voluntary

- Informal practices such as informal meetings and social work settings,
- Practices such as observation/copying and employee engagement that permeate the organisation
- Recruitment and hiring practices that might result in seeking new employees most likely to suit existing organisational culture
- Informal feedback processes which might include one-on-one consultations b/w senior and subordinate managers and/or informal meetings
- Employee development & organisational learning practices
- Cultural and belief systems

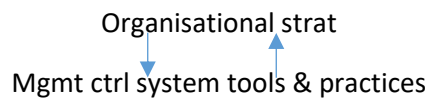
Influences on the *nature* of the mgmt acting and ctrl system

Strat (coy AND division lvl) Size Tech Organizational culture & belief systems
 Organisational structure National culture External environment

Intro to strat & ctrl

Organisational strat should inform nature & use of ctrl system tools, but ctrl system tools may also inform strat.

Thus there is a potential link b/w strat & mgmt ctrl system tools:



While these two seemingly antithetical notions may appear to be diametrically dichotomous, in reality they are actually inextricably linked and dance in tandem.

Summary

Mgmt ctrl systems are part of a wider organisational ctrl system (Flamholtz) but there other frameworks to provide a different lens.

Many of our topics link directly to the 'core ctrl system' that Flamholtz talks about, w/ an overriding objective to direct behaviour

Both FORMAL & INFORMAL ctrls exist as well: other classifications for ctrls exist.

Role of STRAT & other key constructs drive the nature of the ctrl system and there is NO '1 correct' ctrl system

Lecture 2: Responsibility accting, structure, & the organisational sub-unit

Objectives

Explain alternate organisational structures and the advantages & limitations of each

List key factors influencing organisational structure

Explain the characteristics of each type of responsibility centre

Describe why organisational structure matters for ctrl system design

Outline key influences on a manager's span of attention

Organisational Structure

Concept

Reflected in

Formal structure

- Which defines r/ss b/w people, teams, divisions etc.

The organisation of work practices & work flows

- How individuals & subunits communicate & coordinate their work

Achieves 2 main objectives

Facilitates particular work flows (makes it easier to do what needs to be done)

Focuses attention (ensures people are concentrating on the coy's strategy)

Influences on Structural Choices

Strat

Need to be more 'mkt oriented' or more specialised

External environment & industry

Costs, including opportunity costs of 1 structure over another

Co size

Co culture & belief system

Nature of co activities, e.g. related or unrelated divisions/segments

Work Units – 2 basic types

Function Oriented Unit

Cluster of activities focused on work-process to attain econs of scale & scope (efficiency)

Mkt Oriented Unit

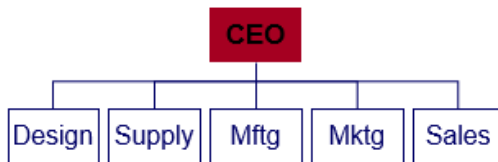
Cluster of activities focused on mkt segment to enhance the co's ability to respond quickly & effectively to opportunities & threats in the mkt (mkt responsiveness)

Common Forms of Organisational Structure

Functional

Concept

Activities grouped by function e.g. mfg, mkting, sales, distribution



Advantages

Encourages specialisation

- Good for developing expertise, depth of knowledge, and econs of scale & scope

Clear acctability & COC (Chain Of COMD)

- CEO has good visibility of all co functions
- All functions coordinated at 1 point – the CEO

Disadvantages

Overload at the top

Regional or product category differences aren't well managed

Work unit managers focus on their work unit efficiencies only (silo effect)

- There are significant interdependencies b/w functions that need to be managed