

ME2028 & ME2605

Behavioural Management Control 6 ECTS

Year 2010, period 2

Aim

This course provides an in-depth understanding of how management control can be used to influence the behaviour of the employees in an industrial organization. The aim is to provide you with the ability to design a system for management control that fits the strategic requirements of the organization, and that influence the behaviour of the employees in the desired way. This means that after the course you should be able to:

1. Understand and describe the objects of control: results, action, people and culture, and also to categorize different types of control systems in to these objects.
2. Understand the meaning of control tightness, and also be able to design different combinations of control systems with regard to the tightness of the system.
3. Critically evaluate, compare, and choose between different systems for control when it comes to their usefulness, effectiveness and costs.
4. Apply the theoretical concepts of behavioural management control to companies in various industries, as well as to case study companies.
5. Understand and critically evaluate different forms of reward systems, audits, corporate governance, performance targets, accounting measures, and responsibility accounting systems when it comes to behavioural as well as ethical aspects.
6. Understand how myopia, situational factors and uncontrollable factors can influence the behaviour in a company, and how systems could be constructed to deal with these factors.
7. Critically evaluate and compare management control systems used by companies in different types of industries from a behavioural perspective.

Course content

The course consists of lectures built up by case analysis that are intertwined with a discussion of theoretical concepts and practical examples in the following fields:

1. Results control, action control, personnel control, and cultural control are explored.
2. Discussions on how to design and evaluate a system: Control tightness, control system costs, and audits.
3. Models for influencing behaviour, including budgetary control, responsibility accounting, performance targets, costing, reward systems, and accounting measures, are discussed.
4. Remedies for myopia, the effect of uncontrollable factors, ethical issues and situational influences are dealt with.

The cases that we use are presented in the schedule. For each class, the teacher presents the case. Students that aim for a high grade of the course are invited to hand in an individual discussion of the case at bilda before the class. During the class, you have the opportunity to discuss and comment the case. The more you do this, the more you learn. There will also be drawn theoretical conclusions during the case discussions. Your participation will be evaluated together with the homework assignment and the seminar work.

Seminar

During the course there will be a seminar that builds on a study of a company of your own choice that the group is to perform. This year, the primary focus of the study should be ERP (Enterprise Resource Planning) and how these systems are used for control purposes. You are expected to participate in an active way at the seminar. You and your group have to attend it and present your study for it.

You form the group of one to five students in whatever way you wish (but remember, the work is planned for five students irrespective of how many students there are in the group), and the group should hand in the presentation at bilda (as a case, together with case questions and indications for answers, in a word file) no later than one day & night before the seminar of group A starts, according to the schedule.

After the seminar, the group have more time to write the final version of the case and should hand it in at bilda with the same deadline as for the homework assignment. The report is evaluated together with the homework assignment for each student.

Homework assignment

At the end of the course, there will be a homework assignment, performed by each student individually. This homework covers all the literature for the course, whether it has been discussed during the lectures or not. The homework assignment will consist of one question from each of the lectures during the course, presented at the end of each lecture, to be answered by the student.

You can use as many words and pages that you wish for the report. A guideline could be that it is often difficult to explain the topics with less than 5 pages, and that it often becomes boring reading with more than 12 pages. Think about the importance of readability (key words in italics, a good structure, easy to see the different parts), especially for a lengthy report (you do not want the teacher to fall asleep while reading...).

You will have one week for constructing the first version of the homework assignment after the last lecture of the course. Dates for the homework assignment can be found in the schedule.

After you have handed in the first version of the homework assignment, there will be an individual feedback on your knowledge from the course with the departure from your homework assignment, your hand-ins during the course, and the seminar case. You will also receive an indication of the grade as well as information on how to improve the homework assignment. The date for handing in the final version of the homework assignment can be found in the schedule. After this, the grade is set.

Examination

You will get the following grade:

- If you have captured the content of the course in a satisfying way, you will receive the grade E. To prove this, you need to write a well prepared report that answers the questions (in relation to the literature of the course) well. You need to prove that you can answer the questions with the help of the methods and models that were treated during the course, and that you understand the cases used during the course and the implications from them.
- If you do not only understand the content of the course in a satisfying way, but also have the ability to use this understanding by applying the tools on different situations, you will receive the grade C. To prove this, you need to connect your answers to the literature and course content by making references to relevant pages (also to the cases used during the course) where appropriate, and also to develop your answers so that they go beyond what is said in the text book directly connected to the question – e.g. by making connections to other parts of the literature, by providing examples on how companies use the concepts, and/or by relating the discussion to your own experiences.
- If you really master the course content, and also have proven the ability to critically reflect upon this knowledge, you will receive the grade A. To prove this you need to provide outstanding references to the literature and to the cases used during the course, but also discussions focused on (at least) one relevant academic article from year 2008 or later, an article that you can discuss thoroughly during our discussion – and to use other ways to prove an outstanding knowledge in the area. By outstanding knowledge is meant not only the ability to show it and apply it, but also to "turn it inside out", to twist it by e.g. relating it to recent landmarks in the area. Also, you have to have sent in case discussions before at least six of the classes where they have been discussed, and participated in the discussions of the cases.
- The grades B and D are middle-forms, that is, the grade B is awarded when your assignment is close to an A but has some problems, and the grade D is awarded when your contribution fulfils the requirements for an E in a distinguished way, but do not motivate the grade C.

The grade is first preliminary set on the first version of the homework assignment. Improvements in the final version are considered, but in that phase it is more difficult to reach a much higher grade.

The requirements to pass the course are:

- Pass on the case study for the seminar,
- Active participation at the seminar,
- Handed in a preliminary version of the homework assignment in due time,
- Pass (grade E or above) on the final homework assignment.

Complaints regarding assessments will only be considered in written form.

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Literature

- *Management Control Systems*. Merchant K.A., and Van der Stede W.A. Prentice Hall. ISBN 0273708015. Text in 265 pages (rest is cases). 2nd edition.
- *Handouts*. Articles distributed during the course.

ME2028 & ME2605 Autumn 2010 L = Lecture, S = Seminar

Week, day and time	Content, teacher and book chapters	Place
43 October 26 Tuesday 9-12	L Introduction Chapter 1. <i>Leo's Four-Plex Theatre</i>	HK V1
October 28 Thursday 9-12	L Object of Control Chapter 2, 3. <i>Armco – Midwestern Steel</i>	HK V1
44 November 2 Tuesday 9-12	L Tightness & Costs Chapter 4, 5 <i>Controls at the Bellagio Casino Resort</i>	KT V1
November 4 Thursday 9-12	L Responsibility Accounting Chapter 7,8 <i>Zumwald AG</i>	HK V1
45 November 9 Tuesday 9-12	L Design and Evaluation Chapter 6 <i>AirTex Aviation</i>	KT V1
November 11 Thursday 8-10	S Seminar group A <i>Management control study</i>	HK V12
November 11 Thursday 10-12	S Seminar group B <i>Management control study</i>	HK V12
November 11 Thursday 13-15	S Seminar group C <i>Management control study</i>	HK V12
November 11 Thursday 15-17	S Seminar group D <i>Management control study</i>	HK V12
47 November 16 Tuesday 9-12	L Incentive Compensation Chapter 9 <i>Tsinghua Tongfang Co</i>	HK V1
November 18 Thursday 9-12	L Financial Measures & Myopia Chapter 10, 11 <i>Berkshire Industries</i>	HK V1
48 November 23 Tuesday 9-12	L Uncontrollable Factors, Audit & Governance Chapter 12, 13, 14 <i>Beifang Chuang Ye Vehicle Group</i>	HK V1
November 25 Thursday 9-12	L Ethics + Situation Chapter 15, 16 & 17 <i>Lernout & Hauspie Speech Products</i>	HK V1
November 25 Thursday 18	Homework assignment is handed out	
49 December 2 Thursday 18	Homework assignment first version to be handed in at the latest	
50 December 19 Thursday 18	Feedback and indication of grade to be provided to you at the latest	HK
01 January 7 Friday 8	Homework assignment (final version) to be handed in at the latest	