



APPLIES TO ACADEMIC YEAR 2008/2009

BØK 2215 Strategic Management Control

Program

Bachelor of Science in Business (3. year).

Responsible for the course

Tor Tangenes

Department

Department of Accounting - Auditing and Law

Term

According to study plan

ECTS Credits

6

Language of instruction

Norwegian

The course starts with a presentation of the concept of Strategic Management Accounting, and proceeds with an introduction to strategic cost analysis. Then, we go through methods of decision support, applicable in situations of process change, including a thorough presentation of multi-dimensional process analysis. The purpose of the process-oriented methods is to provide relevant information for decision support in order to maintain or increase the firm's competitive position by attacking problems of low productivity, ineffectiveness, process instability and undesired product functionality.

Part 2 of the course presents and critically discusses contemporary concepts of management control, such as The Balanced Scorecard, Beyond Budgeting, and Levers of Control. The choice of control systems in a firm specific context is highlighted.

The final part of the course scrutinizes traditional financial measures of effectiveness in a world where intellectual capital is a necessary condition for competitive advantage, and where firm strategies are driven by a continuous process of learning. By means of a nuanced concept of effectiveness and resourced-based financial reports, it is shown how financial accounting numbers can be adjusted in order to achieve improved measures of effectiveness, both in the short- and long-run.

Objective

Learning objectives are:

- Understand major developments in the field of strategic management accounting.
- Understand the structure and elements of strategic cost analysis and how this analysis is performed in practice.
- Be familiar with various process-oriented management accounting methods aimed at improving the firm's competitive position.
- Be able to calculate single- and multi-periodic target cost.
- Be able to assess customer profitability by means of activity-based costing.
- Be familiar with the implied assumptions of traditional budgeting with respect to the linkage between strategy and management control.
- Be familiar with the assumptions of organizational functioning and value creation according to the philosophy of beyond budgeting.
- Be familiar with the main principles of management control, applied in beyond budgeting, and the management accounting methods which are prescribed as substitutes for traditional budgets.
- Understand that questions about organizational functioning and value creation not necessarily have universal answers and thus understand that there is no common solution as to management control.
- Be able to position competing methods of management control – traditional budgeting, the balanced scorecard, and beyond budgeting – in relation to each other with respect to assumptions of organizational functioning and value creation.
- Understand the assumptions and drivers of competitive advantage, strategy development, and strategy implementation on which the rhetoric of The Balanced Scorecard is based, and be able to discuss the validity of these assumptions.
- Be able to discuss the implications for The Balanced Scorecard of situations where the assumptions of competitive advantage, strategy development, and strategy implementation are invalid.
- Be able to measure effectiveness on a short- and long-term basis by means of traditional metrics.
- Understand the attributes and weaknesses of traditional metrics of effectiveness.
- Understand how residual income relates to corresponding cash flows a multi-periodic setting.
- Understand how numbers from the financial statement can be adjusted in order to improve effectiveness measurements.

- Understand the concept of intellectual capital and how intellectual capital relates to value creation and competitive advantage according to the resource-based view of the firm.
- Be able to make a resource-based income statement and balance sheet, and on this basis, measure the firm's short- and long-run effectiveness.
- Be able to assess the business unit's effectiveness and expected changes in effectiveness, based on benchmarking.

Prerequisites

Managerial and Financial Accounting I and II (BØK 2601 and BØK 2602) and Managerial Accounting (BØK 2302) or equivalents.

Compulsory literature

Books:

Sending, Aage, Tor Tangenes og Svein H. Gjønnnes. 2007. Driftsregnskap og budsjettering: økonomi- og virksomhetsstyring. 2. utg. Bergen: Fagbokforlaget. Kap. 5, 6, 7, 16 og 17
 Sending, Aage, Tor Tangenes og Svein H. Gjønnnes. 2008. Arbeidshefte til Driftsregnskap og budsjettering: økonomi- og virksomhetsstyring. 5. utg. Bergen: Fagbokforlaget

Articles:

Barney, Jay. 1991. Firm Resources and Sustained Competitive Advantage. *Journal of Management*. 17 (1) 99-120. Tilgjengelig på Blackboard
 Dekker, Henri C.. 2003. Value Chain Analysis in Interfirm Relationships: A Field Study. *Management Accounting Research*. 14, 1-23. Tilgjengelig på Blackboard
 Kaplan, R. S og D. P. Norton. 1992. The Balanced Scorecard - Measures that Drive Performance. *Harvard Business Review*, January-February, 71-79. Tilgjengelig på Blackboard
 Kaplan, R. S. og D. P. Norton. 1996. Using the Balanced Scorecard as a Strategic Management System. *Harvard Business Review*, Januar-Februar, 75-85. Tilgjengelig på Blackboard
 Kaplan, R. S. og D. P. Norton. 2000. Having Trouble with Your Strategy? Then Map It. *Harvard Business Review*, September-October, 167-176. Tilgjengelig på Blackboard
 Mintzberg. 1987. Crafting Strategy. *Harvard Business Review*. July-August. 66-75. Tilgjengelig på Blackboard
 Quinn, J. B. 1977. Strategic Goals: Process and Politics. *Sloan Management Review*. Fall. 21-37. Tilgjengelig på Blackboard
 Shank, J. K. 1992. Strategic Cost Analysis of Technological Investments. *Sloan Management Review*. Fall. 39-51. Tilgjengelig på Blackboard
 Simmonds, Kenneth. 1986. The Accounting Assessment of Competitive Position. *The European Journal of Marketing*. 20 (1). 16-31. Tilgjengelig på Blackboard
 Wilson, Richard M. S.. 1997. Strategic cost management. Aldershot: Ashgate. Introduksjonskapittel. Tilgjengelig på Blackboard

Recommended literature

Books:

Porter, Michael E. 1998. Competitive advantage : creating and sustaining superior performance : with a new introduction. New York : Free Press

Course outline

Strategic Cost Analysis

Introduction to Strategic Management Accounting
 Strategic Cost Analysis
 Process Oriented Methods for Decision Support
 Multi-dimensional process analysis

Alternative Control Systems

Beyond Budgeting - philosophy
 Beyond Budgeting - case
 Levers of Control
 A critical view on The Balanced Scorecard

Performance Measurement

Resource-based View of the Firm, Intellectual Capital, and Competitive Advantage
 Financial Metrics in relation to the Resource-based View of the Firm and Emergent Strategy

Computer-based tools

No particular computer-based tools.

Course structure

36 hours of lectures and case studies

Evaluation

Three hours written exam

Evaluation code(s)

BØK 22151 - Written exam, accounts for 100% of the final grade in the course BØK 2215 Strategic Management Accounting, 6 ECTS credits

Aids at the examination

All aids are allowed. Exam aids at written examinations are explained under exam information in our web-based Student handbook. Please note use of calculator and dictionary.
<http://www.bi.edu/studenthandbook/examaids>

Makeup exam

At the next ordinary exam.