
20161– PERFORMANCE MEASUREMENT

Accounting Department

BOCCONI UNIVERSITY

Credit Points: 6

Course Director: Prof. Ariela Caglio

| Class Number | Class Instructor | Teaching Assistant | Class Days and Timetable | Room |
|--------------|---------------------|---------------------|--------------------------|------|
| 7 | Prof. Ariela Caglio | Valeria Volpentesta | See Table | N38 |

Students are required to check for any timetable and room change on the Bocconi website:
<http://www.unibocconi.it>

COURSE DESCRIPTION

The success of any firm depends on its capabilities to generate winning strategic ideas, to motivate its managers and employees to implement strategies, to redirect ineffective decisions and actions, and to create stakeholders' consensus. In these respects, **performance measurement systems play a crucial role**. On the one hand, through strategic planning, programming and budgeting, performance targets are set, coherently with strategic and organizational choices, and used to evaluate managers' accountability. On the other hand, reporting systems serve to communicate to both managers and stakeholders actual performance in a way that fosters learning from experience, enables redirecting ineffective behaviors and supports the generation of stakeholders' trust.

Starting from such premises, **in this course, we explore the role of performance measurement and control systems (PM&CS) in implementing strategy and supporting governance processes**. Specifically, adopting the perspective of managers (both functional/business units and corporate ones), you will learn how to design and use some specific PM&CS and tools, such as the profit plan, the strategic profitability analysis, asset allocation systems, transfer pricing systems, the balanced-scorecard and the value-based reporting. We will also explore a broad view of performance measurement and control by presenting situations where accounting controls *per se* are not effective. This will allow discussion about topics such as the use of non-financial performance indicators and the importance of corporate values and value systems.

LEARNING OBJECTIVES

Upon successful completion of the course, it is expected that you gain some **knowledge and technical skills** related to:

- The design of performance measurement and control systems consistently with strategies and organizational choices
- The preparation of profit plans and their use to control and evaluate a firm's performance
- The use of strategic profitability analysis to interpret and drive organizational units' as well as managers' performance

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- The application of asset allocation techniques that aid making decisions on investments
 - The use of transfer prices in managing business units of multinational companies
 - The definition and use of non-financial performance indicators and the design of integrated reporting systems
 - The calculation and application of value-based measures
 - The identification of the behavioural and organisational consequences of using performance measurement and performance management techniques for motivating managers and employees

As we use **case studies**, describing “real-life” situations and showing that there are several possible solutions to multifaceted problems, **you will deal with the identification and analysis of complex, open-ended issues**. This is expected to enhance your ability to sift through information. To identify the salient issues is a vital skill in business today as managers in practice face the problem of dealing with large volumes of written material. The cases required for this course should thus be seen as important preparation for your career. Besides, to actively participate to case discussion **you will need to use your communication and interpersonal skills** to present your views and to defend your evaluations and recommendations. Finally, for group case discussions and assignment preparation, you will work as a **member of a team** in analysing problems, searching for relevant information and preparing and presenting reports.

COURSE MATERIAL

The main course material is represented by:

- Robert Simons, “*Performance Measurement and Control Systems for Implementing Strategy*”, Pearson New International Edition, First Edition (2013).

In addition to **Simons’ textbook**, slides and some other materials (articles, videos, useful links, etc.) will be provided during the course. You will need to refer to each specific session on the course web site (see “**e-learning**”). The content and availability of these additional materials will be announced in class or on the course web site

To feel comfortable in this class you should be familiar with **financial accounting** and **financial statement analysis** (basic), **cost accounting** and **managerial accounting** (basic).

LEARNING METHODS

1) In-class activities

In-class activities comprise:

- ✓ **Theory sessions**
Theory sessions are meant to set out the foundations for performance measurement and control. The aim of these sessions is to present concepts and approaches, i.e. a coherent body of practical
- ✓ **Case discussions and simulations (either plenary or in groups)**
This course emphasizes the case method. You are encouraged to engage in proficient, in-depth discussions with peers and the professor, using cases as applications of theory sessions material.

2) Extra-class activities

Extra-class activities include:

- ✓ **Individual preparation to case discussion.** You should read the cases before class. If you do not prepare the case for the day, you will not be able to follow much of the class

discussion and will not be able to recoup the lost participation opportunity. This also encourages a smoothing of your workload. To guide the preparation for discussion, questions are given on the course web site.

- ✓ The preparation of a **group assignment**, as announced in class and on the course web site.

STUDENTS' RESPONSIBILITIES

Class participation does not mean attendance, which is assumed. Class participation means qualitative contribution to class discussion (i.e. the ability to answer the teacher's questions, to add new dimensions to the discussion, to critically examine cases and theory topics, to provide real-life examples). In any case, it is a requirement of this course that you read and prepare the assigned cases prior to attending class according to the questions reported on the course website.

EXAM AND GRADING METHOD

Grades for the course will be determined on the basis of the following:

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|----------------------|------------------|-----|
| Final exam (written) | Individual grade | 65% |
| Group assignment | Group grade | 35% |

The final exam is written and will consist of questions relating to both class theory sessions and cases.

Regarding the group assignment, both the formal and the substantial quality of the work provided will be evaluated.

Detailed instructions will be provided in due course.

OFFICE HOURS

Office hours are available on the Bocconi website.

Office hours may change: please check the website.

HONOR CODE

Università Bocconi conceives of education as an ongoing process that stretches across a person's entire professional life. The University hopes that the entire Bocconi community will respect the values of fairness and correctness associated with it, values which inspire and guide the conduct of all members as they pursue common objectives and a shared mission. The Università Bocconi Honor code is published at <http://www.unibocconi.eu/honorcode>. We encourage all students to read it.

ACCOMMODATIONS FOR STUDENTS WITH SPECIAL NEEDS

Università Bocconi enables students to follow their course of study and to test their learning through examination arrangements that take under consideration the different kinds of disability. Services for students with special needs are available at www.unibocconi.it (**Home > Services > ISU Bocconi > Other Services > Services for Students with Special Needs**). Please feel free to contact the instructors to receive assistance.

OTHER USEFUL INFORMATION

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COURSE CONTENTS AND SCHEDULE¹

Updated dates and rooms are indicated on the website <http://www.unibocconi.it>

| Session | Date and room | Agenda and type of session | References | To do |
|---------|--|--|---|---|
| 1 | Wednesday 10/09/2014 14:30-16:00 Room N31 | Introduction to the course The link between Performance Measurement Systems and Strategy (THEORY SESSION) | Simons, Chapter 1 and 2 e-Learning | |
| 2 | Friday 12/09/2014 08:45-10:15 Room N38 | ATH Technologies (PLENARY CASE DISCUSSION) | Simons, Part IV: pg. 343-356 | Prepare individually to case discussion See Questions in the e-Learning |
| 3 | Tuesday 16/09/2014 14:30-16:00 Room N38 | The link between Performance Measurement Systems and Organization Design North Country Auto, Inc. (THEORY SESSION+ PLENARY CASE DISCUSSION) | Simons, Chapter 3 e-Learning | Download the case from the e-Learning (see session 3). Prepare individually to case discussion See Questions in the e-Learning |
| 4-5 | Friday 19/09/2014 8:45-10:15 Room N38 Tuesday 23/09/2014 14:30-16:00 Room N38 | Uses of Information and the Nature of Controls Roy Rogers Restaurants (THEORY SESSION+ PLENARY CASE DISCUSSION) | Simons, Chapter 4 e-Learning Simons, Part IV: pg. 420-437 | Prepare individually to case discussion See Questions in the e-Learning |
| 6 | Friday 26/09/2014 8:45-10:15 Room N38 | Basics of Business Planning (THEORY SESSION) | Simons, Chapter 5 e-Learning | |

¹ The schedule may be subject to revision. If and when required, appropriate adjustments will be made and will be announced in class and on the Bocconi website as well as on the course website. Should you miss class for any reason, make sure you keep track of any announcement regarding course materials, assignments and clarifications.

| Session | Date and room | Agenda and type of session | References | To do |
|--------------------------------------|---|---|---|---|
| 7-8 ² Groups 51 and 52 | Group 51 Tuesday 30/09/2014 8:45-12:00 Room INFOU01 Group 52 Thursday 02/10/2014 8:45-12:00 Room INFOU01 | Ofelia (IT SIMULATION – IN CLASS GROUP DISCUSSION) | e-Learning | Download the case from the e-Learning (see session 7) |
| 9 | Tuesday 07/10/2014 14:30-16:00 Room N38 | Cafè MonteBianco (PLENARY CASE DISCUSSION) | e-Learning | Download the case from the e-Learning (see session 9) |
| 10-11 | Thursday 09/10/2014 8:45-10:15 Room N35 | Evaluating Strategic Profit Performance through Variance Analysis Compagnie du Froid (THEORY SESSION+ PLENARY CASE DISCUSSION) | Simons, Chapter 6 Simons, Part IV: pg. 470-479 | Carefully read the case study |
| 12 | Wednesday 15/10/2014 18:00-19:30 Room N01 | Guest Speaker (TBA) | | |
| 13 | Tuesday 28/10/2014 14:30-16:00 Room N38 | Designing Asset Allocation Systems (THEORY SESSION + CASE DISCUSSION) | Simons, Chapter 7 e-Learning | Instructions will be given in class |
| 14 | Friday 31/10/2014 8:45-10:15 Room N38 | Measuring Divisional Performance (THEORY SESSION) | Simons, Chapter 8 (pg. 188-203) e-Learning | |

² In sessions 7 and 8, the class will be divided into two groups, group 51 and group 52. The subdivision will be communicated in due course

| Session | Date and room | Agenda and type of session | References | To do |
|--|---|---|---|--|
| 15-16 | Tuesday 04/11/2014 14:30-16:00 Room N38 Thursday 06/11/2014 8:45-10:15 Room N26 | Vyaderm Pharmaceuticals (PLENARY CASE DISCUSSION) | | Download the case from the e-Learning (see session 15) Prepare individually to case discussion See Questions in the e-Learning |
| 17 | Friday 07/11/2014 8:45-10:15 Room N38 | Building a Balanced Scorecard to Evaluate Performance (THEORY SESSION) | Simons, Chapter 9 e-Learning | |
| 18-19 group 51 and 52 ₃ | Group 51 Tuesday 11/11/2014 8:45-12:00 Room INFOAS04 Group 52 Thursday 13/11/2014 8:45-12:00 Room INFOAS04 | Balancing the Corporate Scorecard (IT SIMULATION – IN CLASS GROUP DISCUSSION) | | Follow the instructions posted on the e-Learning |
| 20 | Tuesday 18/11/2014 14:30-16:00 Room N38 | Transfer Prices: Managing Markets Inside the Firm Birch Paper (THEORY SESSION+ PLENARY CASE DISCUSSION) | Simons, Chapter 8 (177-188) e-Learning Simons, Part IV: pg. 511-512 | Prepare individually to case discussion See Questions in the e-Learning |
| 21 | Friday 21/11/2014 8:45-10:15 Room N38 | Aligning Performance Goals and Incentives Citibank (THEORY SESSION+ PLENARY CASE DISCUSSION) | Simons, Chapter 11 e-Learning Simons, Part IV: pg. 564-572 | Prepare individually to case discussion See Questions in the e-Learning |
| 22-23 | Tuesday 25/11/2014 14:30-16:00 Room N38 | Identifying and Managing Strategic Risk Using Diagnostic and Interactive Control Systems Levers of Control for Implementing Strategy: Some Conclusions | Simons, Chapter 10-14 e-Learning Simons, Part IV: pg. | Prepare individually to case discussion See Questions in the e-Learning |

| Session | Date and room | Agenda and type of session | References | To do |
|---------|--|--|------------|-------|
| | Friday 28/11/2014 8:45-10:15 Room N38 | Guidant Corporation (THEORY SESSION+ PLENARY CASE DISCUSSION) | 660-675 | |
| 24 | Tuesday 02/12/2014 14:30-16:00 Room N38 | PRESENTATION OF THE GROUP ASSIGNMENTS | | |