Rotman Commerce
UNIVERSITY OF TORONTO

# Fall 2023

**RSM422H1F**
**Management Control**
**This course considers the processes and systems, many accounting-based, by which key managers allegedly ensure that resources are acquired and used effectively and efficiently in the accomplishment of an organization's goals.**
*Prerequisite*: **RSM222H1**

→→ SEE COURSE INFORMATION, INCLUDING SUBMISSION OF ASSIGNMENTS, ON QUERCUS
→→ SEE CLASSROOM NUMBER INFORMATION FOR THIS COURSE ON QUERCUS AND ACORN

COURSE DELIVERY: EACH SECTION OFFERED BY ONE OF THE TOW INSTRUCTORS ACCORDING TO THE SCHEDULE BELOW.

| Course | Term | Title | Section | Time | Last Name | First Name |
|--------|------|-------|---------|------|-----------|------------|
| RSM422H1 | F | Management Control | L0101 | M 9-11 | Zuliani | Elisa |
| RSM422H1 | F | Management Control | L0201 | M 4-6 | Zuliani | Elisa |
| RSM422H1 | F | Management Control | L0301 | R 11-1 | Amernic | Joel |

EACH INSTRUCTOR WILL ALSO HOLD ONLINE AND/OR IN-PERSON OFFICE HOURS.

SINCE THIS COURSE REQUIRES STUDENT TEAM PRESENTATIONS, EACH INSTRUCTOR WILL ASSIGN STUDENTS TO A TEAM, AND THE TEAM MEMBERS WILL COMMUNICATE WITH EACH OTHER AS FOLLOWS: YOUR INSTRUCTOR WILL BUILD THE TEAMS IN QUERCUS AND TEAM MEMBERS WILL BE ABLE TO MESSAGE EACH OTHER AND HAVE THEIR OWN DISCUSSION BOARDS WITHIN QUERCUS. OF COURSE, TEAM MEMBERS MAY ALSO HAVE COMMUNICATION WITH EACH OTHER BY ADDITIONAL MEANS SUCH AS MS TEAMS, ZOOM, ETC.

IN ADDITION, TEAMS WILL MEET SEVERAL TIMES VIRTUALLY AND/OR IN-PERSON, AS THE SITUATION PERMITS, WITH THEIR INSTRUCTOR, WHO WILL ADVICE THEM IN THEIR PREPARATION OF THEIR CASE

**PRESENTATION. THESE TEAM-INSTRUCTOR MEETINGS WILL CONTRIBUTE TO STUDENTS' INDIVIDUAL PARTICIPATION MARK.**

**INSTRUCTOR INFORMATION AND CLASS SCHEDULE:**

| Class time; in-person room (pandemic rules permitting) → | Section LEC0101 Monday, 9am -11am, Toronto time; See ACORN or QUERCUS for room location | Section LEC0201 Monday, 4pm -6pm, Toronto time; See ACORN or QUERCUS for room location | Section L0301 Thursday, 11 noon-1pm, Toronto time; See ACORN or QUERCUS for room location |
|---|---|---|---|
| Instructor: | Elisa Zuliani | Elisa Zuliani | Joel Amernic |
| Online office hours: | TBA | TBA | Each Thursday during the course: 8:30 pm-9:30 pm, online |
| Phone: | (416)-978-3986 | (416)- 978-3986 | (416)-978-3796 (email is my preferred contact method) |
| Email: | elisa zuliani@rotman.utoronto.ca | elisa zuliani@rotman.utoronto.ca | joel.amernic@rotman.utoronto.ca |
| Course website: | portal.utoronto.ca | portal.utoronto.ca | portal.utoronto.ca |

| Class number | Section L0101 | Section L0201 | Section L0301 |
|---|---|---|---|
| 1 | September 11 | September 11 | September 7 |
| 2 | September 18 | September 18 | September 14 |
| 3 | September 25 | September 25 | September 21 |
| 4 | October 2 | October 2 | September 28 |
| 5 | October 16 | October 16 | October 5 |
| 6 | October 23 | October 23 | October 12 |
| 7 | October 30 | October 30 | October 19 |
| 8 | November 13 | November13 | October 26 |
| 9 | November 20 | November 20 | November 2 |
| 10 | November 27 | November 27 | November 16 |
| 11 | December 4 | December 4 | November 23 |
| 12 | TBA | TBA | November 30 |

**FALL READING WEEK: Monday November 6 – Friday November 10, 2023; NO CLASSES.**

**GENERAL INFORMATION ABOUT FALL TERM DATES:**

# Fall 2023

| FALL 2023 | |
|---|---|
| **F Term Start Date** | Thursday September 7, 2023 |
| **Last Date to add F Term Courses** | Wednesday September 20, 2023 |
| **Thanksgiving Monday** | Monday October 9, 2023 |
| **Last Date to drop F Term Courses** | Monday November 6, 2023 |
| **Fall Reading Week** | Monday November 6 – Friday November 10, 2023 |
| **F Term End Date** | Wednesday December 6, 2023 |
| **Make-up Day** | Thursday December 7, 2023* |
| **December Final Exam Period** | Saturday December 9 to Wednesday December 20, 2023 |

*This session is for those courses that lose a session due to Thanksgiving Monday.*

# 1. Course Scope and Mission

## 1.1 COURSE OVERVIEW AND INTRODUCTORY COMMENTS:

The COVID-19 pandemic has affected, profoundly, societies worldwide, and thus the strategies and operations of business entities of all sizes, governments at all levels, NGOs, charities, etc. Of course, the pandemic is not the only ongoing challenge facing society generally, and business; the war in Ukraine and conflict elsewhere, climate change, political extremism, the rise of Artificial Intelligence including platforms such as ChatGPT, etc. are among the many challenges faced by people worldwide, so the ethical and principled management and leadership of business is crucial.

RSM 422 studies *management control* (see definitions later in these notes), and we will examine aspects of how the pandemic has affected management control in various organizations, while also maintaining the course's look at ongoing aspects of management control systems and processes. An important consideration is: "Should management control systems have a built-in resilience to enable an organization to cope with an apparent "black swan" global event such as the COVID-19 pandemic?" This question becomes especially pertinent for organizations such as seniors' long-term care residences in Canada, in which an inordinate number of our senior citizens perished due to COVID-19.[1]

Before and after the onset of the pandemic in early 2020, many organizations were the focus of management control issues, including but not limited to, the following:

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[1] See: "82% of Canada's COVID-19 deaths have been in long-term care, new data reveals", Tonda MacCharles, THE TORONTO STAR, May 7, 2020, https://www.thestar.com/politics/federal/2020/05/07/82-of-canadas-covid-19-deaths-have-been-in-long-term-care.html

→What went wrong at the University of Prince Edward Island that caused the president to resign and subsequently the chair of the Board of Governors to also resign?

→What went wrong at Uber before the pandemic, and how could it be fixed? Was the company's culture and management control system at least partly to blame?[2] Was the company's IPO (initial public offering) in May 2019 a success? How has the company fared during the pandemic?

→What caused the ongoing scandals at the huge U.S. financial institution, Wells Fargo? As recently as December 20, 2022, the director of the United States Consumer Financial Protection Bureau wrote: "Wells Fargo is a corporate recidivist that puts one third of American households at risk of harm."[3]

→What lessons—good and bad—about management, corporate governance, and leadership can be learned from Elon Musk and Mark Zuckerberg, if any?[4]

→What prompted Abigail Disney, a member of the Disney family, to testify harshly before the U.S. Congress about compensation at The Walt Disney Company?

→Was the tragedy at Lac Mégantic in the province of Québec in the summer of 2013[5] due in part to deficiencies in the organizational and management control systems in place at Montreal, Maine & Atlantic Railway and its related companies?

→Were there, in part, systemic safety culture reasons at BP (British Petroleum) and other companies that helped cause the 2010 *Deepwater Horizon* oil spill tragedy in the Gulf of Mexico?[6]

→Were there systemic safety culture and thus management control reasons for the 2011 TEPCO-Fukushima nuclear crisis in Japan?

→Was Norfolk Southern Railways' major derailment in East Palestine, Ohio, on February 3, 2023, indicative of safety culture deficiencies in at the company?[7]

→Why did financial giant UBS adopt a radically new compensation model in late 2008?

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[2] See: https://womenintheworld.com/2018/04/13/uber-ceo-dara-khosrowshahi-addresses-absolutely-unacceptable-company-culture/ [UNFORTUNATELY THE ORGANIZATION THAT HOSTED THIS ARTICLE APPEARS TO HAVE CLOSED DOWN AS OF APRIL 30, 2020, DUE AT LEAST PARTLY TO THE COVID-19 PANDEMIC, ACCORDING TO THE "WOMEN IN THE WORLD" FACEBOOK PAGE, VISITED JULY 29, 2020]
Safety first
Uber CEO Dara Khosrowshahi addresses 'absolutely unacceptable' company culture
The new Uber CEO hopes to reform an 'Animal House'-style corporate culture that had consumers rallying to delete the app BY Kate Tedesco 04.13.18
[3] Prepared Remarks of Consumer Financial Protection Bureau (CFPB) Director Rohit Chopra on the Wells Fargo Law Enforcement Action, December 20, 2022, https://www.consumerfinance.gov/
[4] Clare Duffy, (2023), "Elon Musk is the gift that keeps on giving to Mark Zuckerberg", CNN, Juky 8, 2023, https://www.cnn.com/2023/07/08/tech/elon-musk-mark-zuckerberg-twitter-threads/index.html
[5] On July 6, 2013 an unattended 73-car freight train carrying crude oil rolled down a 1.2% grade from Nantes and derailed in downtown Lac Mégantic, resulting in the fire and explosion of multiple tank cars. Forty-seven people were killed.
[6] At 9:45 pm on April 20, 2010, an explosion rocked the British Petroleum [BP] Deepwater Horizon oil drilling platform anchored about 41 miles off the coast of Louisiana in the Gulf of Mexico. Eleven workers were killed and many others were injured. The resultant oilspill from the ruptured wellhead was described by [then] U.S. President Obama as 'the worst environmental disaster America has ever faced'.
[7] See: Russell Craig and Joel Amernic, (2023), "Using 'CEO-speak' to Prioritize a Safety Culture", *STRATEGY & LEADERSHIP*, 51(4), pp. 32-36.

→How did the RCMP (Royal Canadian Mounted Police) go from being a Balanced Scorecard "poster child" to requiring its honour restored in 2007, and the ongoing harassment, bullying, and other scandals up to the present?[8] Is "systemic racism" part of the culture at the RCMP?[9] Even during the pandemic and afterwards, the RCMP faced serious challenges.[10] The head of the RCMP resigned in early 2023.[11]

→How did steelmaker Nucor sustain its success over decades in the volatile steel industry and how did the crisis of 2009 affect the company? How is the company adapting with tariff controversies and in light of the pandemic?

→How should issues related to leadership and heritage claims in sectors such as universities be addressed in light of situations such as the 2023 firing of the president of Memorial University of Newfoundland?[12]

→And what happened at Ornge, the province of Ontario's crucial air medical transport/ambulance service?

→→**These and many other pertinent questions can be usefully examined from the perspective of *management control*.**

Basically, our job as instructors in this course is to use financial accounting, management accounting, strategy, leadership, economics, marketing and other business disciplines—and anything else that is useful and practical—to understand how management control systems and processes can be improved. Our home discipline at the Rotman School is Accounting, so that's an important part of our approach to management control analysis, but we're also very interested in Leadership, Governance, Ethics, and Organizational Communication, so they are important too in helping us and participants in this course understand how, for example, 'tone at the top' affects management control, and vice versa, and to design a "better" MCS, or management control system for an organization. Of course, technology also has profound impacts on management control systems: a current example is the possibilities of Blockchain with respect to impacting the design and implementation of management control systems, and the roles of social media on MCS, and of course the impact of Artificial Intelligence, including platforms such as ChatGPT.

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[8] See: https://www.cbc.ca/news/canada/rcmp-bullying-harassment-claims-lawsuit-1.4720126
CBC Investigates
RCMP faces $1.1B lawsuit over bullying, harassment claims dating back decades
Potential class action could represent thousands of officers, civilian employees, students and volunteers
[9] See: "Senator calls on RCMP commissioner to resign after comments on systemic racism",
'Her recent statements show that she does not fully understand what systemic racism is,' Sen. Dyck says
https://www.cbc.ca/news/politics/senator-rcmp-commissioner-resign-1.5612939
John Paul Tasker · CBC News · Posted: Jun 15, 2020 4:08 PM ET | Last Updated: June 15
[10] See: "Explosive Report Finds RCMP Has Toxic Culture of Racism, Misogyny & Homophobia", Nov 22, 2020, Pam Palmater, http://indigenousnationhood.blogspot.com/2020/11/explosive-report-finds-rcmp-toxic.html
[11] Catharine Tunney, (February 15, 2023), "RCMP Commissioner Brenda Lucki is stepping down". CBC News. Retrieved February 15, 2023. In a statement, Lucki said she had made a "personal decision" to leave the post.
[12] Ariana Kelland, (2023), "Vianne Timmons removed as president of Memorial University", April 6, 2023, Canadian Broadcasting Corporation, https://www.cbc.ca/news/canada/newfoundland-labrador/vianne-timmons-mun-1.6803740

And, of course, the pandemic has radically altered almost everything, ranging from issues related to working from home to the increasingly dynamic nature of markets.

## 1.2 WHAT IS "MANAGEMENT CONTROL"?

ChatGPT was given the following command in July 2023: "write a 1,000-word essay on management control".

The response was as follows:

ChatGPT

Title: Management Control: Driving Organizational Success through Effective Governance

Introduction (approx. 150 words)
Management control plays a pivotal role in steering organizations towards their desired goals and objectives. It encompasses the processes, systems, and structures that enable managers to guide and monitor activities, ensuring they align with strategic plans. Effective management control establishes a framework for decision-making, risk management, and performance evaluation. This essay explores the key concepts, components, and benefits of management control, highlighting its significance in fostering organizational success.

I. Understanding Management Control (approx. 250 words)
Management control refers to the mechanisms and procedures implemented by organizations to regulate and influence the behavior of individuals within the organization. It involves defining objectives, establishing performance standards, allocating resources, and monitoring performance. At its core, management control aims to ensure that activities are conducted in accordance with predetermined plans, policies, and guidelines.

II. Components of Management Control (approx. 300 words)
A. Strategic Planning: Effective management control begins with clear strategic planning, which involves defining organizational goals, formulating strategies, and setting targets. Strategic plans provide the foundation for subsequent control mechanisms.
B. Performance Measurement: Management control relies on accurate performance measurement to evaluate the progress towards goals. Key Performance Indicators (KPIs) and performance metrics help assess performance at various levels, such as individual, team, and organizational.
C. Budgeting and Resource Allocation: Financial control is a critical component of management control. Budgeting and resource allocation ensure the efficient utilization of resources and enable managers to track financial performance.
D. Internal Controls: Robust internal controls help mitigate risks and safeguard assets. These controls include segregation of duties, authorization procedures, and regular audits to ensure compliance with policies and regulations.
E. Information Systems: Management control systems rely on accurate and timely information. Information systems enable managers to collect, process, and analyze data, providing insights for decision-making and performance evaluation.

III. Benefits of Management Control (approx. 300 words)
A. Enhanced Performance: Effective management control enables organizations to align activities with strategic goals, improving overall performance. It helps in identifying and addressing performance gaps, enabling timely corrective actions.
B. Risk Mitigation: Management control aids in identifying and mitigating risks. By implementing internal controls and monitoring processes, organizations can identify potential threats and take preventive measures.
C. Decision-making: Management control provides managers with reliable and timely information for decision-making. It assists in evaluating alternative courses of action, considering their impact on performance and aligning decisions with organizational objectives.

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<mark>D. Accountability and Transparency: Management control promotes accountability by setting clear performance expectations and linking them to rewards and consequences. It fosters transparency by ensuring that processes and outcomes are visible and measurable.</mark>
<mark>E. Continuous Improvement: Through regular monitoring and evaluation, management control facilitates continuous improvement. It enables organizations to identify areas for enhancement and implement changes to optimize performance.</mark>

<mark>Conclusion (approx. 100 words)</mark>
<mark>Management control is a fundamental aspect of effective governance within organizations. By providing a structured framework for decision-making, performance monitoring, and risk management, management control enables organizations to achieve their strategic goals. The components of management control, including strategic planning, performance measurement, budgeting, internal controls, and information systems, work synergistically to enhance organizational performance, foster accountability, and drive continuous improvement. Embracing and implementing robust management control practices is crucial for organizations seeking sustainable success in today's dynamic business environment.</mark>

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**→→Compare ChatGPT's essay on management control with the following "textbook" definitions:**

A definition of *management control* (MC) provided by Robert Anthony and Vijay Govindarajan (*Management Control Systems*, 12th edition, McGraw-Hill/Irwin, 2007, is as follows (<mark>like almost all definitions, this one has both strengths and weaknesses</mark>):

> "Management control is the process by which managers influence other members of the organization to implement the organization's strategies" (p. 6)

[**One strength** of this definition is that it is short. **One weakness** is that it is short and glosses over many issues (for example, what does "influence" really mean? Who gets to set the organization's strategies?)].

Merchant and Van der Stede, in the 2017 edition of their book (*Management Control Systems: Performance Measurement, Evaluation and Incentives*, 4th edition, Pearson Education Limited, 2017) offer the following comments regarding MC:

> *"Management control*" focuses on execution, and it involves the general question: Are our employees likely to behave appropriately? The question can be decomposed into several parts:
> -First, do our employees understand what is expected of them?
> -Second, will they work consistently hard and try to do what is expected of them— that is, will they pursue the organization's goals in line with the strategy?
> -Third, are they capable of doing a good job?
> Finally, if the answer to any of these questions is negative, what can be done to solve the management control problems?" (p. 11)

Bisbea and Sivabalan, in their article entitled "Management control and trust in virtual settings: A case study of a virtual new product development team", Management Accounting Research 37 (2017) 12–29, define MCS as follows (the quote is from p. 12):

"Broadly defined, Management Control Systems (MCS) are constituted by procedures, processes, tools and practices that managers use to guide direction and ensure that their behaviours and decisions as well as those of their employees are consistent with the organization's objectives and strategies…Formal MCS are a subset of MCS whose key characteristics include being consciously designed, officially sanctioned, codified and recurrent (e.g. budgets, metrics-based reports, rules and regulations, mission statements, codes of conduct)…"

William Nixon and John Burns write:

"Management control is fundamentally about supporting the attainment of strategic objectives. Increasingly, however, organizations and managers must pursue dual strategies concurrently; they must compete today while preparing for tomorrow, balancing more operational, financially-oriented objectives with the organizational demands of long-term strategic objectives…" ("Management Control in the 21st Century", *Management Accounting Research* 16 (2005), p. 263)

All management students can benefit from a Management Control [MC] course, since it focuses on fundamental issues in performance management in organizations, including: the importance of (among other things) the crucial roles of accounting, compensation incentives, leadership, language and communication in making the organization succeed (or, at times, fail!). Risk, culture, and information technology are pervasive influences on MC, and *vice versa*. Three broad approaches to understanding integrated performance management and measurement systems have emerged (strategic performance measurement systems such as the Balanced Scorecard; levers of control; and performance management and control frameworks), while the need for re-thinking management control continues unabated, particularly during the pandemic in which many organizations, including governments, were and continue to be under intense pressure, with radical restructuring, and (sadly) failure not that uncommon. Even during "normal", non-pandemic, times, management control is crucial; for example, the global economic crisis of 2008-2009 appeared to be at least partly a crisis in management control, as shown by Nortel, GM, and many other companies. And of course, the now-pervasive, emerging roles of AI further emphasize the crucial necessity of management control systems and processes which are adaptive and ethical.[13]

RSM 422 examines *management control*, which may also be broadly defined as policies, tools and procedures that are employed to increase the likelihood that an organization achieves objectives. Management control under this definition involves the motivation, evaluation and rewarding of individuals constituting the organization so that they behave in ways consistent with organizational goals, which are themselves often contentious. This

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[13] Sarah Bankins and Paul Formosa, (2023), "The Ethical Implications of Artificial Intelligence (AI) For Meaningful ", *Journal of Business Ethics*,185, pp. 725–740. The paper is introduced as follows:
"The increasing workplace use of artificially intelligent (AI) technologies has implications for the experience of meaningful human work. Meaningful work refers to the perception that one's work has worth, significance, or a higher purpose. The development and organisational deployment of AI is accelerating, but the ways in which this will support or diminish opportunities for meaningful work and the ethical implications of these changes remain under-explored."

course will explore the ways management attempts to motivate, evaluate and reward members of the organization. Thus, RSM 422 is a highly integrative course, drawing upon a wide range of management and allied disciplines, with core courses in managerial and financial accounting being of major importance.

The journal *Management Accounting Research* published a special issue on management control in 2005 which was "motivated by the recurring concerns expressed by academics, managers, stakeholders and corporate regulators that the existing framework of management control may, in fact, be irrelevant, that the control needs of the current environment are significantly different from those developed in an earlier period and that improvements are urgently required…" (Nixon and Burns, 2005, p. 260).[14]

In his 1996 article, "Effective Organizational Control: A Framework, Applications, and Implications", European Management Journal, 14(6), pp. 596-611, Eric Flamholtz presents the following schematic representation of an organizational, or management control, system:
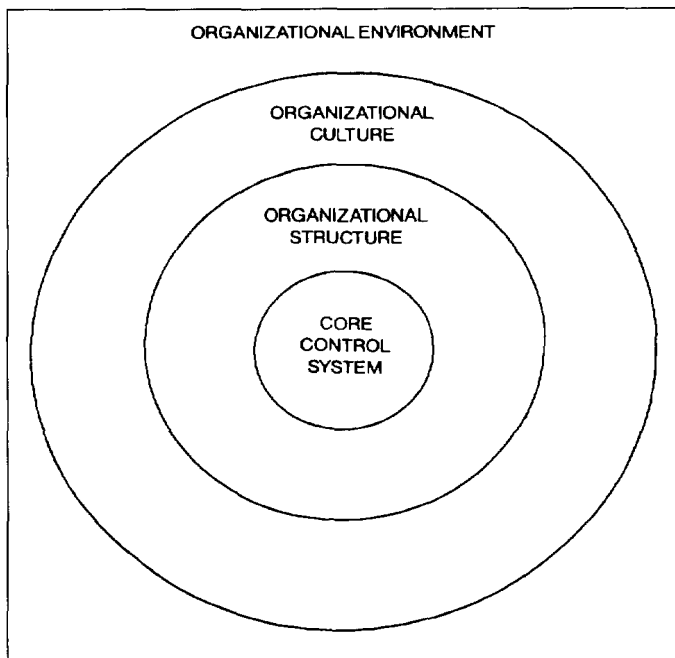


**Figure 1    Schematic Representation of an Organizational Control System**

➔➔**We will use Flamholtz' representation as we start the course. Part of Class 2 and part of Assignment 1 are devoted to examining Flamholtz' model of management control (what he calls "organizational control"). His model is a useful starting point in understanding management control, but as we will see it is just a starting point.**

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[14] William A.J. Nixon and John Burns, (2005), "Introduction: Management Control in the 21st Century", *Management Accounting Research*, Vol. 16, pp. 260-268.

Another way of visualizing management control is provided by Teemu Malmi and David Brown ("Management Control Systems as a Package—Opportunities, Challenges and Research Directions", *Management Accounting Research* 19 (2008), p. 291):

| Cultural Controls | | | | | |
|---|---|---|---|---|---|
| Clans | | Values | | Symbols | |
| **Planning** | | **Cybernetic Controls** | | | **Reward and Compensation** |
| Long range planning | Action planning | Budgets | Financial Measurement Systems | Non Financial Measurement Systems | Hybrid Measurement Systems |
| Administrative Controls | | | | | |
| Governance Structure | | Organisation Structure | | Policies and Procedures | |

Fig. 1. Management control systems package.

## 1.3 TECHNOLOGICAL CHANGE AND MCS

According to the late Neil Postman (a famous American educator, media theorist and cultural critic), significant technological change is all-encompassing: "One significant change generates total change…A new technology does not add or subtract something. It changes everything." (Postman, N. (1992). *Technopoly: The surrender of culture to technology*, New York: Vintage Books. p. 23). Technological change, and the social and cultural changes accompanying it, certainly are having a profound change on MCS. For example, the Executive Summary of a 2019 MIT Sloan Management Review and McKinsey & Company report critiqued traditional performance measurement systems, a key aspect of MCS, as follows (the pandemic and the rise of platforms such as ChatGPT have made this report even more salient):[15]

"**Executive Summary**
The business value of traditional performance management models is collapsing. While these legacy systems still inform decision-making around compensation, promotions, terminations, and other compliance-mandated functions, they've become irrelevant to actually improving performance or its management. They do not measurably add value. Instead of better clarifying expectations and building morale, the traditional annual appraisal aspect of performance management (PM) alienates talented and typical employees alike. Managers dislike it, too. Even as personal and enterprise tools and technologies have radically improved, performance management systems have not. And while the nature of work and the workplace have grown more data-driven and analytical, performance management has not kept pace. Perennial complaints — rigidity, opacity, unfairness, arbitrariness, and an inherent backward-looking bias — persist.
Across industries, serious companies recognize that competing effectively in digital business environments demands a new approach to performance management. Technological innovation, the changing nature of work, and digital transformation all enable and create new demand for novel PM approaches. Getting performance management right is culturally critical to strategic execution in rapidly evolving business

[15] M. Schrage, D. Kiron, B. Hancock, and R. Breschi, "Performance Management's Digital Shift,"
MIT Sloan Management Review and McKinsey & Company, February 2019.(the report can be read online at https://sloanreview.mit.edu/performance2019 )

environments. The technology-based future of performance management is an essential component of leading successful digital transformation.

Our research offers clear evidence that the future of PM is more data-driven, more flexible, more continuous, and more development-oriented. It's focused not just on individual employees, but on skills and teams. (Read below about IBM's move to catalog employee skills, a digital indexing effort that marshals skills, not just roles, to get work done.) It emphasizes technology-enabled, continuous improvement, self-service/DIY skills development, and automated coaching tools. The ways that feedback is given, when, and by whom — and how it is both received and acted upon — are changing.

This global executive research study about the future of performance management is based on more than 30 interviews with leading industry experts. The implications of our findings are far-reaching for leaders intent on maintaining their company's competitiveness in modern business environments.

1. Performance management's purpose is shifting, structurally and dramatically. Technology enables and facilitates this change. With the proliferation of digital tools designed to uplift performance, leading companies are using PM to measurably improve performance, develop skills, and retain valued employees. For these companies, the heart of performance management is performance, not compliance. With blurring lines between performance management and talent development, executives will have to consider how to balance the assessment of past performance with the ongoing need to develop employee skills. Performance management becomes a serious, strategically relevant business activity, not a perfunctory end-of-year duty.

2. Performance management's longtime reliance on manager opinion, subjective observation, and intuition is being replaced by a reliance on data. Data is generated, increasingly, from platforms that enable communication and collaboration (e.g., Slack and Asana) and dedicated apps and tools (e.g., automated coaches and sociometric badges). Feedback will be more continuous and sourced from different places and people. Employee engagement will be both an input to and output from performance management activities. This data emphasis empowers more evidence and fact-based performance management appraisals and conversations, with inputs from a variety of sources.

3. Increasingly, interdependencies between people, processes, and technologies are becoming more important to getting work done in the enterprise. As a result, team performance is overtaking individual performance as the workplace's salient unit of analysis. Team performance, coachability, and skills development require heightened attention and specific investment.

4. One-size-fits-all approaches will give way to bespoke efforts that revitalize human capital. Both managers and workers will get individualized perspectives on what works (well) and what doesn't. Digital performance management platforms will make such customization simpler, cheaper, and more scalable, which, in turn, will make performance management an enterprise-wide capability, not just the elite province of the top performers.

5. Without question, the biggest cultural and organizational impact of next-generation PM systems will be feedback time, tempo, and impact. Instead of annual, quarterly, or impromptu reviews, talent- and accountability-oriented enterprises will encourage and enable near-constant feedback. Fundamental insights about human psychology are helping to influence the character and cadence of this feedback."

## 1.4 'CULTURE' AND MCS

Notice that "culture" is an important aspect of both the Flamholtz and Malmi/Brown ways of looking at management control, and the complete report from which the above "Performance Management's Digital Shift" Executive Summary was extracted mentions the word "culture" 20 times over its 22 pages. This emphasis on "culture" is pervasive in the management literature and the popular press. This seems sensible since problems with organizational culture have been widely reported, including:

→ **"Third-party review finds 'toxic' culture at University of Prince Edward Island",** Hina Alam, The Canadian Press, June 15, 2023, https://globalnews.ca/news/9771094/upei-workplace-misconduct-allegation-review/

→ **"Explosive Report Finds RCMP Has Toxic Culture of Racism, Misogyny & Homophobia",** Nov 22, 2020, Pam Palmater,

http://indigenousnationhood.blogspot.com/2020/11/explosive-report-finds-rcmp-toxic.html (as noted in footnote 7, above)

→ **"Ontario's dentist watchdog plagued by 'toxic culture,' lawsuit alleges"**, (https://www.thestar.com/news/canada/2017/07/05/ontarios-dentist-watchdog-plagued-by-toxic-culture-lawsuit-alleges.html); referring to the Royal College of Dental Surgeons of Ontario, *Toronto Star*, By Robert Cribb, Wednesday, July 5, 2017

→ **"Uber Fires 20 amid Investigation into Workplace Culture"**, *New York Times*, by Mike Isaac, June 6, 2017, https://www.nytimes.com/2017/06/06/technology/uber-fired.html?hp&action=click&pgtype=Homepage&clickSource=story-heading&module=first-column-region&region=top-news&WT.nav=top-news&_r=0

→ **"How Wells Fargo's Cutthroat Corporate Culture Allegedly Drove Bankers to Fraud"**
("Most Americans have assumed their bank accounts are sacrosanct. But with the major scandal unfolding at Wells Fargo, angry former employees illuminate the alarming pressure that allegedly led local bankers to defraud perhaps more than a million customers."), by Bethany McLean, May 31, 2017, https://www.vanityfair.com/news/2017/05/wells-fargo-corporate-culture-fraud

→ **"Whatever Police Culture is, It Needs Changing"**, *Toronto Star*, by Rosie DiManno, Thursday, Feb. 23, 2017, https://www.thestar.com/news/gta/2017/02/23/whatever-police-culture-is-it-needs-changing-dimanno.html

→**"What You Can Learn From The Facebook Culture Crisis?"**, Forbes, by Bretton Putter, Jan. 16, 2019, https://www.forbes.com/sites/brettonputter/2019/01/16/what-you-can-learn-from-the-facebook-culture-crisis/#401089254197

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## A MADE-IN-CANADA EXAMPLE OF THE IMPORTANCE OF 'CULTURE' IN MCS: ALLEGATIONS OF SYSTEMIC RACISM IN THE RCMP

In footnote 9 of this course outline we referred to an article on the RCMP written by John Paul Tasker, and published June 15, 2020. An excerpt from the article follows:

> "Systemic racism refers to entrenched discrimination in certain institutions that puts minorities at a disadvantage. Civil rights advocates maintain that the criminal justice system treats Indigenous and Black people differently, and that these communities are disproportionately affected by police violence.
>
> Advocates have pointed to a number of police shootings in recent weeks — incidents that have left six Indigenous people dead since April — as evidence of systemic or institutional discrimination."

In CLASS 6, the case entitled "THE ROYAL CANADIAN MOUNTED POLICE AND THE BALANCED SCORECARD: A PANACAEA FOR ALL THE RCMP'S CHALLENGES?" will be presented; we will learn more details about this important Canadian institution in that case. For now, we are attending to aspects of culture, including possible recognition of systemic racism and bias, at a more general level.

On June 12, 2020, Brenda Lucki, the RCMP Commissioner,[16] issued the following statement (https://www.rcmp-grc.gc.ca/en/news/2020/statement-commissioner-brenda-lucki):

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**Statement by Commissioner Brenda Lucki**
**June 12, 2020**
**Ottawa, Ontario**

**Statement**

**As the Commissioner of the RCMP and as leader, I have the responsibility to ensure that our organization is free of racism, discrimination and bias, both inside and out.**

**I take this responsibility very seriously, and as professionals, I believe you do too.**

**During some recent interviews, I shared that I struggled with the definition of systemic racism, while trying to highlight the great work done by the overwhelming majority of our employees.**

**I did acknowledge that we, like others, have racism in our organization, but I did not say definitively that systemic racism exists in the RCMP. I should have.**

**As many have said, I do know that systemic racism is part of every institution, the RCMP included. Throughout our history and today, we have not always treated racialized and Indigenous people fairly.**

**Systemic racism isn't about the behaviour of a single individual or the actions of one person. It's in the institutional structures that reflect the inequities that persist in our society. And it shows up in policies, processes or practices that may appear neutral on the surface, but disadvantage racialized people or groups.**

**As an organization, we work hard to address this, to overcome it – we incorporate the lens of diversity and inclusion in our decision-making, in our training, in our recruitment. It has allowed us to better understand some of the unintended barriers that exist, and to work to correct them.**

**We now have the opportunity to lead positive change on this critical issue. It is time to double down on these efforts – there is so much more to do. There is no one answer, no single solution, no one approach. It is the ongoing commitment to work and continue to learn that will help us make real progress and I am motivated and determined to make change.**

**I appreciate the frank discussions that have been taking place and I have encouraged all employees to have the conversations that some may find uncomfortable. But I have been told that struggles and discomfort are one of the hallmarks of addressing racism.**

**I want to assure all of you that we are focused on thoughtful action, based on listening to people and continuing those conversations. I have sought the views of a wide variety of people, including members of both our Indigenous and Diversity Advisory Committees, Indigenous leaders as well as active and retired Indigenous members. I value all the feedback I've received, because it is a critically important part of our learning journey.**

**Canadians value an RCMP where good people are recognized for treating people with dignity and respect and making their communities better than they were when they got there.**

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[16] According section 5 of the *RCMP Act*, the RCMP is headed by the commissioner, who, under the direction of the Canadian Minister of Public Safety and Emergency Preparedness, has the control and management of the force.

**The RCMP will not tolerate those whose actions are not in line with our core values and will be held to account.**

**As an institution that is committed to modernization, the RCMP is committed to listening and respecting the lived experience of others and continuing to learn from these conversations. This is when real change will happen.**

**I am proud to be the Commissioner of what I believe to be the greatest police organization in the world.**

**–30–**

How important is it for Commissioner Lucki, as the "CEO" of the RCMP, to issue this press release? Explain. How does this relate to management control?

Commissioner Lucki has since resigned (see footnote 10, above). In a rather solemn retrospective of Lucki's short tenure as the head of the RCMP, Temitope Oriola, professor of criminology at the University of Alberta, writes:

> "…I hope history is kind to Commissioner Lucki as someone who gave decades of her life to an occupation she loved. I hope history also records that she missed a lifetime opportunity to transform the policing landscape in Canada. That may serve as a lesson to future police chiefs — your position may become untenable if you do not make fundamental changes. This moment calls for concise, forward-thinking policies and practices."[17]

# 2. Statement on Equity, Diversity and Inclusion

The University of Toronto is committed to equity, human rights and respect for diversity. All members of the learning environment in this course should strive to create an atmosphere of mutual respect where all members of our community can express themselves, engage with each other, and respect one another's differences. U of T does not condone discrimination or harassment against any persons or communities.

# 3. Course Materials

- Readings and case material on the course website;
- Other materials on the course website and other websites, including the university's e-journal collection.

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[17] Temitope Oriola, (2023), "RCMP Commissioner Lucki's retirement opens door for reform", Feb 23, 2023,
https://edmontonjournal.com/opinion/columnists/temitope-oriola-rcmp-commissioner-luckis-retirement-opens-door-for-reform

# 4. Grading

| Component | Due Date | Weight [%] |
|---|---|---|
| Class participation | Ongoing | 10 |
| Assignment #1 | October 10, 1 pm via Quercus | 15 |
| Assignment #2 | November 19, 1 pm via Quercus | 20 |
| Team business case research presentation [maximum of six-seven members per team] | To be arranged | 25 |
| Final Exam | INFORMATION TO COME | 30 |

[See grading details below]

# 5. Written Assignments

Please note that spelling and grammar will be considered in the evaluation of the assignments . That is, you may lose points for spelling mistakes and grammatical errors. Students who require additional support and/or tutoring with respect to their writing skills are encouraged to visit the Academic Success Centre (www.asc.utoronto.ca) or one of the College Writing Centres (www.writing.utoronto.ca/writing-centres). These centres are teaching facilities – not editing services, where trained staff can assist students in developing their academic writing skills. There is no charge for the instruction and support. ***All assignments should be submitted electronically on the specified due dates.***

### Ouriginal

Normally, students will be required to submit their course essays to the University's plagiarism detection tool for a review of textual similarity and detection of possible plagiarism. In doing so, students will allow their essays to be included as source documents in the tool's reference database, where they will be used solely for the purpose of detecting plagiarism. The terms that apply to the University's use of this tool are described on the University's Plagiarism Detection Tool FAQ page from Centre for Teaching Support & Innovation.

**(1) First assignment [due, October 10, 1 pm, via Quercus]:**

**RSM422 Fall 2023**
**Assignment #1 Questions**

Read the following article (available on QUERCUS, in the MODULE FOR ASSIGNMENT 1):
-Flamholtz, E. (1996), "Effective Organizational Control: A Framework Applications, and Implications", European Management Journal, Vol. 14, No. 6, pp. 596-611

**QUESTION 1 (Total 32% of the assignment grade):**

Identify and explain any four strengths and any four weaknesses of Flamholtz' conceptual model of management/organizational control from your supported perspective. Be sure to make it clear why it is a strength and why it is a weakness. **[32 total marks]**

**QUESTION 2 (Total 38% of the assignment grade):**

Identify several meanings of the word "culture". What meaning would you give the word "culture" as in "organizational culture" when management control is being considered? **[10 total marks]**

Flamholtz says that "culture is, in fact, the starting point for the design of an organizational control system. (see page 8 of the PDF of his article posted on the course portal). Do you agree with this statement? Support your answer. **[8 total marks]**

Professor Jenny Chatman and Professor Francesca Gino published an article dated August 17, 2020, called *"Don't Let the Pandemic Sink Your Company Culture"*. They claim that the increase in remote work caused by the pandemic threatens to weaken even strong corporate cultures. They state that to make sure this doesn't happen; leaders need to make sure their cultures are adaptable. They offer three best practices that can help to avoid your company culture from sinking.
Critically evaluate their advice and suggestions. Is it as simple as this? **[10 total marks]**

Marc Berman and Tracy Thurkow, partners from Bain and Company published an article dated April 1, 2020, called *"Covid-19 Creates a Moment of Truth for Corporate Culture"*. They claim focusing on your company's purpose and values will help you make the right decisions during this crisis. Do you agree with their statements? Support your answer. **[10 total marks]**

Link back to the Flamholtz article if needed to support your thoughts.

https://hbr.org/2020/08/dont-let-the-pandemic-sink-your-company-culture

or

https://ftpaspen.msl.mt.gov/EventResources/20210505101825_17606.pdf


https://www.bain.com/insights/covid-19-creates-a-moment-of-truth-for-corporate-culture/

 **[38 total marks]**

**QUESTION 3 (Total 30% of the assignment grade):**


Using the Flamholtz model as a framework, describe how ChatGPT should be used in the management control system of Birch Paper Company (see CLASS 1 for a description of the company). Explain the challenges, benefits and risks of incorporating a resource such as ChatGPT in a company's management control system.
To provide background and a perhaps extreme view (or perhaps not), see the testimony of Gary Marcus Professor Emeritus, New York University before a subcommittee of the U.S. Senate Committee on the Judiciary at the committee's May 23, 2023, hearing entitled "Oversight of A.I.: Rules for Artificial Intelligence": https://www.judiciary.senate.gov/imo/media/doc/2023-05-16%20-%20Testimony%20-%20Marcus.pdf [18] **[30 total marks]**

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[18] The hearing's website is: https://www.judiciary.senate.gov/committee-activity/hearings/oversight-of-ai-rules-for-artificial-intelligence

*Page guideline: About 12 – 14 single-spaced pages in total, TNR 12-point font.*

**(2) Second assignment [due November 19, 1 pm, via Quercus]:**

To be made available in the MODULE FOR ASSIGNMENT 2.

*Page guideline: About 15-17 single-spaced pages in total, TNR 12-point font.*

# 6. Class Participation Grade

Everyone is expected to have read the assigned material and to have prepared the assigned case(s) for discussion, prior to class.
As instructors, we want you to have every reasonable opportunity to participate in the course and therefore to earn a very good participation mark, and of course learn through your participation. We will consider the following as elements of your participation:
-Your interaction during team meetings with the instructor via ZOOM;
-Your constructive interaction during class;
-Uploading of four completed "Case Presentation Evaluation Forms" forms. These forms are to be prepared by non-presenters after a team business presentation, and the instructor will include these in the class participation grade (blank forms may be downloaded from the course website; **four case presentation evaluation forms will be accepted**).
**-**End-of-course self-assessment: You should prepare a short (maximum 200 words) self-assessment of your class participation, including a suggested mark, and submit it to the instructor on the day the last class by uploading it to Quercus.

*PLEASE SEE ALSO THE NOTE BELOW IN "CLASS 1"*

# 7. Team Business Case Research Presentation

The teams, and the assignment of cases, will be set by the instructor at the start of the course. Team business presentations should be about 45 minutes in duration, including 5 minutes for Q&A. **A PowerPoint slide file must be provided to the instructor two days before the scheduled presentation.**[19]
　　Teams should meet with the instructor online several times to discuss their preparations for the presentation. These sessions will help the instructor in assessing the quality of the team's preparation and this will affect the grade given to the presentation.

Project-based teamwork may be new to some students; to work well in teams, it helps to follow a set of core expectations to best succeed at your team projects.

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[19] A business presentation that will develop communication and rhetorical skills is strongly encouraged. See also the following article for more information on some cautions when using PowerPoint and similar presentation media: Russell Craig and Joel Amernic, (2006), "PowerPoint Presentation Technology and the Dynamics of Teaching", *Innovative Higher Education*, Vol. 31, No. 3, pp. 147-160.

1. Read the document entitled, "Working in Teams: Guidelines for Rotman Commerce Students" which is available on the RC portal under the Academic Services tab.

2. When working in a team, Rotman Commerce students are expected to:

- Treat other members with courtesy and respect;
- Honour the ground rules established by the team;
- Contribute substantially and proportionally to the final project;
- Ensure enough familiarity with the entire contents of the group project/assignment so as to be able to sign off on it as original work;
- Meet the project timeline as established by the team.

# 9. Rotman Commerce Centre for Professional Skills Teamwork Support

The team business case research presentation requires students to work in teams of usually six or seven.

Learning to work together in teams is a crucial transferrable skill you will use not only in your coursework, but also in your future careers. Support is available if you encounter common teamwork challenges such as:

- Team members feeling left out of the team.
- Team members not responding in a timely manner to communication.
- Division or quality of work among team members being unequal or unfair.

Consult the Centre for Professional Skills Teamwork Resources page for tips, strategies, and best practices. You can also book an appointment with a teamwork mentor through the RC Centre for Professional Skills Writing Centre.  Teamwork mentors can help you resolve or mitigate conflict, strategize on planning, or improve team communication.

If you are a student registered with Accessibility Services, and extensions are one of your academic accommodations, consult with your Accessibility Advisor about the teamwork in this course.

# 9. Final Exam

**INFORMATION TO COME**

# 10. Policies and Procedures

**Missed Tests and Assignments (including mid-term and final-term examinations)**

Students who miss a test or assignment for reasons entirely beyond their control (e.g., illness) may request special consideration **within 2 business days** of the missed midterm/test/assignment due date.

In such cases, students must:

1. Complete the Request for Special Consideration form: https://uoft.me/RSMConsideration
2. Provide documentation to support the request, eg. Absence Declaration from ACORN, medical note etc.

**Please note:** As of September 2023, students may use the Absence Declaration on ACORN **\*one time per term\*** to report an absence and request consideration. **Any subsequent absence will require a Verification of Illness form or other similar relevant documentation.**

Students who do not submit their requests and documentation within 2 days may receive a grade of 0 (zero) on the missed course deliverable.

*The grade weighting for a missed assignment will be allocated equally to the other assignment and the final assessment.*

**Late Assignments**
*All assignments are due on the date and at the time specified in Quercus. Late submissions will normally be penalized by 10% if the assignment is not received on the specified date, at the specified time. A further penalty of 5% will be applied to each subsequent day.*

**Commitment to Accessibility**
The University is committed to inclusivity and accessibility, and strives to provide support for, and facilitate the accommodation of, individuals with disabilities so that all may share the same level of access to opportunities and activities offered at the University.

If you require accommodations for a temporary or ongoing disability or health concern, or have any accessibility concerns about the course, the classroom or course materials, please email Accessibility Services or visit the Accessibility Services website for more information as soon as possible. Obtaining your accommodation letter may take up to several weeks, so get in touch with them as soon as possible. If you have general questions or concerns about the accessibility of this course, you are encouraged to reach out to your instructor, course coordinator, or Accessibility Services.

**Academic Integrity**
**Academic Integrity is a fundamental value essential to the pursuit of learning and scholarship at the University of Toronto. Participating honestly, respectively, responsibly and fairly in this academic community ensures that the U of T degree that you earn will continue to be valued and respected as a true signifier of a student's**

individual work and academic achievement. As a result, the University treats cases of academic misconduct very seriously.

*The University of Toronto's Code of Behaviour on Academic Matters* outlines the behaviours that constitute academic misconduct, the process for addressing academic offences and the penalties that may be imposed. You are expected to be familiar with the contents of this document. Potential offences include, but are not limited to:

In papers and assignments:
- Using someone else's ideas or words without appropriate acknowledgement.
- Submitting your own work in more than one course without the permission of the instructor.
- Making up sources or facts.
- Obtaining or providing unauthorized assistance on any assignment (this includes collaborating with others on assignments that are supposed to be completed individually).

On test and exams:
- Using or possessing any unauthorized aid, including a cell phone.
- Looking at someone else's answers
- Misrepresenting your identity.
- Submitting an altered test for re-grading.

Misrepresentation:
- Falsifying institutional documents or grades.
- Falsifying or altering any documentation required by the University, including (but not limited to) medical notes.

All suspected cases of academic dishonesty will be investigated by the following procedures outlined in the *Code of Behaviour on Academic Matters*. If you have any question about what is or is not permitted in the course, please do not hesitate to contact the course instructor. If you have any questions about appropriate research and citation methods, you are expected to seek out additional information from the instructor or other U of T resources such as College Writing Centres or the Academic Success Centre.

## Generative AI/ChatGPT

Generative Artificial Intelligence (AI), and specifically foundational models that can create writing, computer code, and /or images using minimal human prompting, are proliferating and becoming ubiquitous. This includes not only GPT-4 (and its siblings ChatGPT and Bing), but many writing assistants that are built on this or similar AI technologies. There are now hundreds of these systems that are readily available.

• Students may use artificial intelligence tools, including generative AI, in this course as learning aids or to help produce assignments. However, **students are ultimately accountable for the work they submit.**

• Students must submit, as an appendix with their assignments, any content produced by an artificial intelligence tool, and the prompt used to generate the content.

• Any content produced by an artificial intelligence tool must be cited appropriately. Many organizations that publish standard citation formats are now providing information on citing generative AI (e.g., MLA: https://style.mla.org/citing-generative-ai/ ).

• Students may choose to use generative artificial intelligence tools as they work through the assignments in this course; this use must be documented in an appendix for each assignment. The documentation should include what tool(s) were used, how they were used, and how the results from the AI were incorporated into the submitted work.


**Email**
**At times, the course instructor may decide to communicate important course information by email. As such, all U of T students are required to have a valid UTmail+ email address. You are responsible for ensuring that your UTmail+ email address is set up and properly entered on ACORN. For more information visit [help.ic.utoronto.ca/category/3/utmail.html](help.ic.utoronto.ca/category/3/utmail.html).**

**Forwarding your utoronto.ca email to a Gmail or other type of email account is not advisable. In some cases, messages from utoronto.ca addresses sent to Gmail accounts are filtered as junk mail, which means that important messages from your course instructor may end up in your spam or junk mail folder.**

**Quercus and the Course Page**
**The online course page for this course is accessed through Quercus. To access the course page, go to [q.utoronto.ca](q.utoronto.ca) and log in using your UTORid and password. Once you have logged in, you will be at the Quercus Dashboard. On this page you will see all of the courses you are presently enrolled in. If you don't see the course listed here but you are properly registered for the course in ACORN, wait 48 hours.**


**Recording Lectures**
**Lectures and course materials prepared by the instructor are considered by the University to be an instructor's intellectual property covered by the Canadian Copyright Act. Students wishing to record a lecture or other course material in any way are required to ask the instructor's explicit permission, and may not do so unless permission is granted. Students who have been previously granted permission to record lectures as an accommodation for a disability are excepted. This includes tape recording, filming, photographing PowerPoint slides, Quercus materials, etc.**

**If permission for recording is granted by the instructor (or via Accessibility Services), it is intended for the individual student's own study purposes and does not include permission to "publish" them in any way. It is forbidden for a student to publish an**

**instructor's notes to a website or sell them in any other form without formal permission.**

# <u>DETAILED COURSE OUTLINE</u>

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**CLASS 1 - INTRODUCTION TO THE COURSE; AN OVERVIEW LOOK AT MANAGEMENT CONTROL; USING CASES IN LEARNING ABOUT MANAGEMENT CONTROL**

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**[Teams will be established for the Team Business Case Research Presentation]**

**AGENDA FOR CLASS 1:**
- Review Course outline.
- Management Accounting and Management Control: A sample discussion using the "Birch Paper Company" case in class.
- See the file entitled "A STANDARD FORMAT FOR CASE ANALYSIS IN RSM 422 REVISED JULY 2020", in the CLASS 1 MODULE.
- KEEP IN MIND: Management Control relies to a significant extent upon well-designed performance measures, and therefore …→→**Performance measures must be carefully designed. List some examples of performance measures. Suggest some design criteria for performance measures.**

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**COMMENTS ON CASES IN RSM 422**:

Since various organizations face different environments and have different strategies, different management control systems (MCS) are needed to effectively implement these different strategies. An effectively-functioning MCS "converts strategy into reality". Experience with case studies is an accepted way of developing an understanding of MCS, and the often complex interplay among environment, strategy, and the structure and process of an MCS in a given setting. Of course, the words "environment", "strategy", "structure", and "process" are just convenient ways of talking about the activities and outcomes of human beings in social interaction—these words sometimes mask as much as they reveal.

**Current research on MCS emphasizes that management control practices have a "visible" dimension and a "hidden" dimension. The visible dimension consists of "the instruments, procedures and techniques of management control" (such as budgets, the budgeting process, compensation plans, etc.)**

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**and the hidden dimension "relating to the remote control of behaviours and therefore comprising human and managerial aspects", such as corporate culture and the tone at the top.[20]**

Objectives of using cases in studying MC are:
(a) To introduce and discuss key issues regarding MC systems in use in organizations;
(b) To focus on the need for a new kind of "matching", i.e., the "match" - or "fit" between the strategy chosen by an organization and the MCS;
(c) To emphasize the need for overall consistency and compatibility within the MCS;
(d) To critically evaluate the ethical implications of the MCS.

THIS COURSE IS BUILT AROUND "THE CASE METHOD". BUT SINCE THERE IS NO UNIVERSALLY-ACCEPTED DEFINITION OF THE TERM "THE CASE METHOD", LET'S BE A BIT MORE SPECIFIC ABOUT HOW WE ARE GOING TO INTERPRET THIS TERM AND OUR EXPECTATIONS REGARDING CASE USE IN THIS COURSE:
The most important requirements for this course are a thorough preparation and analysis of the assigned case(s) and readings, and active, above-board participation in class. LEARNING IN THIS TYPE OF COURSE CENTRES ON THE THOUGHT PROCESS IN ANALYZING MANAGEMENT CONTROL SITUATIONS AND ON THE INTERCHANGE DURING CLASS BETWEEN PARTICIPANTS, AND NOT JUST ON THE (ALLEGED) "SOLUTIONS." AS APPROPRIATE, YOU SHOULD TRY TO MENTALLY, PSYCHOLOGICALLY, AND EMOTIONALLY BECOME A ROLEPLAYER WITHIN THE PARTICULAR CASE SETTING. QUALITY IMAGINING AND ROLEPLAYING ARE VERY IMPORTANT ATTRIBUTES OF A MASTERFUL MANAGER.
KEEP IN MIND:
(a) USUALLY THERE ARE NO PERFECTLY GOOD MCS NOR PERFECTLY BAD MCS.
(b) STUDYING GOOD SYSTEMS IS USEFUL SINCE WE CAN LEARN WHAT MAKES THEM GOOD.
(c) STUDYING POOR MC SYSTEMS IS ALSO (PERHAPS EVEN MORE) USEFUL, SINCE WE CAN LEARN A LOT FROM FAILURES.
(d) WEAKNESSES EXIST IN EVEN A GOOD MCS.
(e) WEAKNESSES SHOULD BE EVALUATED RELATIVE TO RESOURCES (MONEY; TALENT; ETC.)
(f) RECOMMENDATIONS FOR CHANGE SHOULD BE ACCOMPANIED BY IMPLEMENTATION RECOMMENDATIONS. COSTS (BOTH EASY-TO-MEASURE AND HARD-TO-MEASURE) AS WELL AS BENEFITS (AGAIN BOTH EASY AND HARD TO MEASURE) SHOULD ACCOMPANY EACH SUGGESTION FOR CHANGE.

**EFFECTIVE CLASS PARTICIPATION:**
Some characteristics are:
-Are the points that are made relevant to the discussion with respect to increasing understanding, or do they merely restate case facts, but not in support of good, interesting ideas?
-Do the comments take into consideration ideas offered by others earlier in the class, or are they points in isolation? GOOD COMMENTS OFTEN (BUT OF COURSE NOT ALWAYS) TEND TO REFLECT NOT ONLY GOOD PREPARATION, BUT ALSO GOOD LISTENING, INTERPRETATION, AND INTEGRATION SKILLS. In other words, do the comments move the conversation forward?
-Do the comments distinguish among different kinds of data: facts; opinions; assumptions; inferences?
-Do the comments reflect a thorough knowledge of the case and its details?

## Some definitions and characteristics of "Management Control Systems":

(a) The definition of *management control* provided by Robert Anthony and Vijay Govindarajan (*Management Control Systems*, 12th edition, McGraw-Hill/Irwin, 2007):

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[20] S. Chatelain-Ponroy, (2010), "A New Metaphor for Understanding Management Control Practices", accessible at: http//:halshs.archives-ouvertes.fr/docs/00/50/24/13/PDF/Chatelain-Ponry_ifsam_2010.pdf (accessed July 15, 2011).

"Management control is the process by which managers influence other members of the organization to implement the organization's strategies" (p. 6)

(b) In their book *Management Control Systems: Performance Measurement, Evaluation and Incentives*, Prentice-Hall, Third Edition, 2012, Kenneth A. Merchant and Wim A. Van der Stede write that "MCSs are defined broadly to include everything managers do to help ensure that their organization's strategies and plans are carried out or, if conditions warrant, that they are modified." (p. xii).

They go on to describe their view of MCSs in more detail on pages 5-6:
"It is widely accepted that good MCSs are important. Comparing the books and articles written on management control is difficult, however, because much of the MCS language is imprecise. The term "control" as it applies to a management function does not have a universally accepted definition. An old, narrow view of a MCS is that of a simple cybernetic or regulating system involving a single feedback loop analogous to a thermostat that measures the temperature, compares the measurement with the desired standard, and, if necessary, takes a corrective action (turn on, or off, a furnace or air conditioner). In a MCS feedback loop, managers measure performance, compare that measurement with a pre-set performance standard, and, if necessary, take corrective actions.
In this book, however, we take a broader view. Many management controls in common use, such as direct supervision, employee selection and retention, and codes of conduct, do not focus on measured performance. They focus instead on encouraging, enabling or, sometimes, forcing employees to act in the organization's best interest. Moreover, some management controls are proactive rather than reactive. Proactive means that the controls are designed to prevent problems before the organization suffers any adverse effects on performance. Examples of proactive controls include planning processes, required expenditure approvals, segregation of duties, and restricted access. Management control, then, includes all the devices or systems managers use to ensure that the behaviors and decisions of their employees are consistent with the organization's objectives and strategies. The systems themselves are commonly referred to as the management control systems (MCSs).
Designed properly, MCSs influence employees' behaviors in desirable ways and, consequently, increase the probability that the organization will achieve its goals. Thus, the primary function of management control is to influence behaviors in desirable ways. The benefit of management control is the increased probability that the organization's objectives will be achieved."

(c) Norman Macintosh (*Management Accounting and Control Systems: An Organizational and Behavioral Approach*, John Wiley and Sons, 1994), writes that

> "...management accounting and control systems...[s]ometimes [are]...referred to as *planning and control systems*; sometimes *management control systems*, and sometimes simply *control systems*... My premise is that management accounting systems are only part, albeit usually a very important part, of the entire spectrum of control mechanisms used to motivate, monitor, measure, and sanction the actions of managers and employees... So, to fully understand the workings of management accounting systems, it is necessary to see them in relation to the entire array of control mechanisms used by organizations... " (p. 2)

(d) Eric Flamholtz, in his article "Effective Organizational Control: A Framework, Applications, and Implications" (*European Management Journal*, Vol. 14, No. 6, 1996, pp. 596-611), offers the following definition of what he terms "organizational control" (p. 597):

> "The term 'control' is typically used in a variety of ways…In this article, our concern is with organizational control, which is the process of controlling or influencing the behavior of people as members of a formal organization to increase the probability that they will achieve organizational goals."

(e) Otley and Merchant (*Accounting for Management Control*, 2nd ed, Chapman and Hall: London, 1990, p. 1), who use the term *accounting control systems*, caution that:

"Accounting control systems cannot be developed in isolation, but must be designed in conjunction with expectations of how people in organizations will use and react to them"

**Traditional financial responsibility centres:**

THERE ARE FIVE TRADITIONAL TYPES OF FINANCIAL RESPONSIBILITY CENTERS AS OFTEN DESCRIBED IN THE MCS (MANAGEMENT CONTROL SYSTEM) LITERATURE:
- COST CENTRES
- EXPENSE CENTRE ("DISCRETIONARY COST CENTRE")
- REVENUE CENTRE
- PROFIT CENTRE
- INVESTMENT CENTRE

Any given organization may have any or all of the above types of responsibility centres. And the way in which "costs", "expenses", "revenues", "profits", and "investments" are defined and measured must be custom-tailored to the organization's needs, given its economic environment, goals, strategies, and key success factors.

But these traditional ways of conceptualizing and implementing management control have been challenged. For example, Robert S. Kaplan, well-known for his important contributions to the Balanced Scorecard literature, writes that:

"The development of strategy maps and Balanced Scorecards has transformed the foundations of management control systems. The leading paradigm of organizational structure and control of just a generation ago, based upon cost, profit, investment, revenue and discretionary expense centers, has been replaced by a robust, powerful framework in which *every* organizational unit—whether line or staff, whether centralized or decentralized—can be considered a strategic business unit. The management control system is no longer based on the budget—whether for profits, ROI, costs, revenues, or discretionary expenses. Companies now use the more general and powerful strategy management system, built upon the framework of strategy maps and Balanced scorecards, to motivate, align, and evaluate the performance of diverse organizational units." (Robert S. Kaplan, (2006), "The Demise of Cost and Profit Centers", unpublished working paper).

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REMEMBER:
(a) USUALLY THERE ARE NO PERFECTLY GOOD MCS NOR PERFECTLY BAD MCS.
(b) STUDYING GOOD SYSTEMS IS USEFUL SINCE WE CAN LEARN WHAT MAKES THEM GOOD.
(c) STUDYING POOR MC SYSTEMS IS ALSO (PERHAPS EVEN MORE) USEFUL, SINCE WE CAN LEARN A LOT FROM FAILURES.
(d) WEAKNESSES EXIST IN EVEN A GOOD MCS.
(e) WEAKNESSES SHOULD BE EVALUATED RELATIVE TO RESOURCES (MONEY; TALENT; ETC.)
(f) RECOMMENDATIONS FOR CHANGE SHOULD BE ACCOMPANIED BY IMPLEMENTATION RECOMMENDATIONS. COSTS (BOTH EASY-TO-MEASURE AND HARD-TO-MEASURE) AS WELL AS BENEFITS (AGAIN BOTH EASY AND HARD TO MEASURE) SHOULD ACCOMPANY EACH SUGGESTION FOR CHANGE.

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## BIRCH PAPER COMPANY

BPC CASE

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FROM PAGES 164-165:

APPENDIX. "BIRCH PAPER COMPANY"

Birch Paper Company is an integrated paper company which produces paperboard in its Southern division, corrugated boxes in its Thompson division and specialized paper products in its Northern division. Each division manager is normally free to buy from whatever supplier he or she wishes. Even on sales within the company, divisions are expected to meet the going market price if they want the business. Each division is judged independently on the basis of its profit and return on investment.

Northern division has designed special display boxes for its products in conjunction with the Thompson division, which spent months perfecting design and production methods and equipping itself for the work. The Thompson division was reimbursed for the cost of its design and development work by the Northern division.

Northern division has solicited bids on the box from the Thompson division and from two outside companies. The Thompson division submits a bid of $480 per thousand boxes. The Thompson division would buy linerboard and corrugating mediums from the Southern division for a quoted market price of $280 a thousand (of which about 60% represents out-of-pocket costs) and would process the paperboard into boxes at an additional cost of $120 a thousand. Southern division has been operating below capacity and has excess inventory, but it quoted the market price which had not noticeably weakened as a result of the oversupply.

Northern division also receives bids of $430 a thousand from West Paper Company and of $432 a thousand from Erie Papers, Ltd. Erie Papers would buy the linerboard from Southern division for $90 a thousand boxes (of which about 60% is out-of-pocket) and Thompson division would provide the printing for $30 a thousand (of which about $25 a thousand is out-of-pocket).

A controversy develops over the bid submitted by Thompson division. This division has been unable to operate at capacity in the past few months, but it added a full 20% overhead and profit charge to its out-of-pocket costs. The manager of the Thompson division states that pricing these boxes any lower than $480 a thousand would be countermanding an order of last month for division salesmen to stop shaving their bids and to bid full cost quotations.

The manager of the Northern division discusses the wide discrepancy of bids with Birch's commercial vice-president and tells him that the Northern division sells in a very competitive market, where higher costs cannot be passed on. How can he be expected to show a decent profit and return on investment if he has to buy supplies at more than 10% over the going market?

The vice-president knows that in the absence of specific orders from top management, Northern division will accept the lowest bid. Top management can order acceptance of another bid if the situation warrants such action. The volume represented by the transactions in question is less than 5% of the volume of any of the divisions involved; however, other transactions could conceivably raise similar problems later.

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**REQUIRED:**

What should be done? Assume that top management believes that a policy of decentralization over the past few years had been very successful, and that the company's profits and competitive position had improved. Assume also that on a few occasions in the past few months the Thompson division was not able to operate at capacity. A company cost accountant has provided the following cost analysis of the situation:

## BIRCH PAPER

## INCREMENTAL COST ESTIMATION

| | |
|---|---|
| West bid | $430 |
| Incremental cost to BPC | $430 |
| | |
| Eire bid | $432 |
| Deduct: | |
| Profit to Southern $90 x 40%= | (36) |
| Profit to Thompson $30-$25= | (5) |
| Incremental cost to BPC | $391 |
| | |
| Thompson Division of BPC bid | $480 |
| Deduct: | |
| Profit to Southern $280 x 40%= | (112) |
| Profit to Thompson $480-$400= | (80) |
| Incremental cost to BPC | $288 |

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**SOME QUESTIONS FOR YOUR CONSIDERATION AFTER CLASS 1:**

- What, in plain, non-technical language, is a *management control system* (MCS)?
- Why does it makes sense to use both financial and nonfinancial measures in the design of an MCS;
- In your opinion, are financial statements (income statements, balance sheets, etc) a part of a company's MCS?;
- Many countries, including Canada, have converted to IFRS. In your supported opinion, does this have implications for Management Control? Explain.
- Does a *profit centre manager* have "status"?

▪ Assume that you are about 20 years into your professional career. Which one of Cost, Expense, Revenue, Profit, or Investment centre would you prefer to lead? Explain.

▪ "Organizational segment managers are often evaluated based on their segment's profitability. The trouble is that profitability does not mean the same thing to all people. Is it net income? Income before taxes? Net income percentage based on revenue? Is it an absolute amount? A percentage?...Too often, managers stress net income or income percentages without tying the measure into the investment associated with generating the income...A better test of profitability is the rate of return on investment **(**ROI)—income or profit divided by the investment required to obtain that income or profit." Would it make sense to hold you accountable for ROI targets in your position? Why or why not?

# CLASS 2 - AN INTRODUCTION TO MANAGEMENT CONTROL: (A) THE FLAMHOLTZ MODEL; (B) THE CRUCIAL ROLE OF THE CEO IN MANAGEMENT CONTROL

**PART 1 OF CLASS 2: THE FLAMHOLTZ MODEL: ABOUT 20 MINUTES**

**Read:**
▪ **REQUIRED READING:** Eric Flamholtz, (1996), "Effective Organizational Control: A Framework, Applications, and Implications", *European Management Journal*, Vol. 14, No. 6, pp. 596-611 (see Quercus, Class 2 module)

**Class Discussion:**
(1) Recall the following graphic from Flamholtz' article:
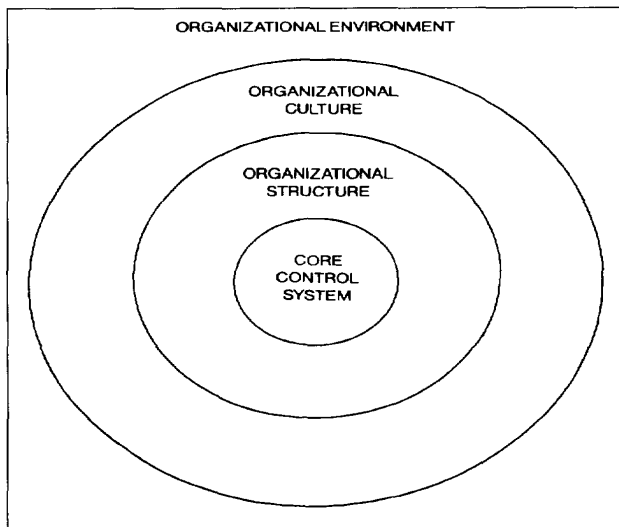


**Figure 1    Schematic Representation of an Organizational Control System**

Distinguish the following from each other: "core control system"; "Organizational structure"; "organizational culture"; "organizational environment".
(2) Comments on the Flamholtz article: the article provides a good first conceptualization of MCS, but MC and MCS are so much richer. Explain.
 (3) Any questions about Assignment #1?


**→→PART 2 OF CLASS 2: THE CRUCIAL ROLE OF THE CEO AND MANAGEMENT CONTROL: ABOUT 20 MINUTES**
**Read:**
  ▪ **REQUIRED READING:** Read the following short excerpt from "What Is Leadership? The CEO's Role in Large, Complex Organizations", Michael E. Porter and Nitin Nohria (excerpt from chapter 16 of HANDBOOK OF LEADERSHIP THEORY AND PRACTICE An HBS Centennial Colloquium on Advancing Leadership EDITED BY Nitin Nohria and Rakesh Khurana, Harvard Business Press, BOSTON, MASSACHUSETTS, 2010):

Cataloging all the functions and decisions involved in modern management practice is beyond the scope of this paper. However, these activities can be divided into a number of broad categories that will prove relevant when considering the CEO's role:

1. *Direction:* Setting the *strategy* for the organization, both at the business unit and corporate levels. Closely related to strategy is determining the *specific financial and operating goals* that the organization will seek to achieve. Establishing appropriate *organizational values* and *ethical standards* consistent with the strategy can also be treated as part of setting overall direction.

2. *Organization:* Determining the organization's *structure*, which defines the roles of individuals in the organization, assigns them into units, establishes reporting relationships, and delineates how units will coordinate with each other. An organization's structure should reflect its strategy.

3. *Selection:* Recruiting and developing senior managers and other individuals to perform the various roles in the organization and support the desired direction.

4. *Motivation:* Establishing financial and other *incentives* to encourage ongoing individual and group effort, commitment, and alignment to the organization's objectives.

5. *Systems and processes for implementation:* Establishing *systems* such as planning, budgeting, management development, and performance reviews, and *processes* such as product development and customer service, to ensure the timely and effective implementation of the organization's goals and strategy.

Performing all these functions necessarily involves the collective effort of many people in an organization. The question is: What is the CEO's role?

In each of these broad areas, the CEO's challenge is not only ensuring that the organization collectively makes the right choices and decisions, but also ensuring alignment across them and adaptation over time. *Alignment* means that choices in each area must be consistent with and reinforce others. *Adaptation* implies that these choices need to be reviewed and modified as internal and external conditions change.

- **REQUIRED READING:** Craig, R. and Amernic, J. (2020), "The language of leadership in a deadly pandemic", *Strategy & Leadership*, Vol. 48 No. 5, pp. 41-47. https://doi.org/10.1108/SL-05-2020-0068
- **REQUIRED READING:** Tourish, D. (2020), "Introduction to the special issue: Why the coronavirus crisis is also a crisis of leadership" *Leadership*, pp. 261-272.
- **OPTIONAL READING:** Duffy, C. (2023), "Elon Musk is the gift that keeps on giving to Mark Zuckerberg", CNN, July 8, 2023, https://www.cnn.com/2023/07/08/tech/elon-musk-mark-zuckerberg-twitter-threads/index.html

## →→PART 3 OF CLASS 2: SOME IMPLICATIONS OF DENNIS TOURISH'S PRESENTATION: ABOUT 30 MINUTES

Keeping the Flamholtz model (Question 1, above) in mind, view the following presentation by Dennis Tourish:

Prof Dennis Tourish: Dysfunctional leadership in corporations
https://www.youtube.com/watch?v=I9O5r-_2V0s

Published on Mar 27, 2015
Dennis Tourish, Professor of Leadership and Organisation Studies at Royal Holloway, University of London discusses 'Dysfunctional leadership in corporations'. Recorded at the Daedalus Trust-RSM conference 'Leadership; stress and hubris' in London, November 2014.

What are the implications of Professor Tourish' presentation for the design of management control systems? Do you agree with his remarks?

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# CLASS 3 – MANAGEMENT CONTROL AND DISRUPTION: (A) THE RISE OF "BIG BANG DISRUPTORS", (B) THE RISE OF THE PANDEMIC DISRUPTION AND WORKING FROM HOME AS AN EXAMPLE, (C) THE "AI" DISRUPTION

## (A) THE RISE OF "BIG BANG DISRUPTORS"

**Read:**
- Robert S. Kaplan, (2006), "The Demise of Cost and Profit Centers", unpublished working paper [in the CLASS 3 module on Quercus]
- John M. Jordan, (2017), "Challenges to large-scale digital organization: the case of Uber", Journal of Organization Design (2017) 6:11

**Class Discussion:**
1. Finish any discussion remaining from CLASS 2
2. General discussion: Assignment #1
3. Do you agree with the main ideas in Robert S. Kaplan, (2006), "The Demise of Cost and Profit Centers"?
4. Questions for CLASS 3 based upon John M. Jordan, (2017), "Challenges to large-scale digital organization: the case of Uber", *Journal of Organization Design*, (2017) 6:11:
(a) Do you agree with Jordan's three "key principles underlying traditional organizations"? Explain.
(b) Do you agree with the five "technology and demographic trends of the moment" upon which Uber is capitalizing (p. 3 of 12)?
(c) Can Flamholtz' "organizational control" model work at Uber? Explain.
(d) Is the role of "CEO-speak" central to Ubers success? Moderately important? Or of peripheral importance? Explain.
(e) Describe, in your own words, "organizational culture". Why is it important in MCS?

## (B) THE RISE OF THE PANDEMIC DISRUPTION AND WORKING FROM HOME AS AN EXAMPLE

**Class Discussion:**
Material available in the CLASS 3 module: "MANAGEMENT CONTROL AND WORKING FROM HOME".

The following email was sent on July 20, 2021, to all University of Toronto faculty members by the University of Toronto Faculty Association:

UT**f**A
UNIVERSITY OF TORONTO
*faculty* ASSOCIATION

W.   utfa.org
f   fb.com/utfaculty
🐦   @utfaculty

**July 20, 2021**

Dear UTFA Colleagues,

Many of you have written to UTFA to express a range of concerns about recent announcements from the provincial government and the UofT Administration about fall in-person teaching. This email provides a health and safety update. It also outlines UTFA's ongoing work to ensure that any large-scale return to campus is conducted in a manner that aligns with what leading public health scientists tell us we need in order to be safe.

Yesterday the Ministry of Colleges and Universities released its preliminary plan to open all postsecondary campuses to large-scale in-person teaching and learning this fall. While masks and face coverings will be required indoors, the provincial directive states that "all in-person instruction and on-campus activities […] would be permitted to resume without capacity limits or physical distancing requirements." It is worth noting that the Ministry plan allows institutions "the flexibility to deliver academic instruction in the mode that best suits the needs of students and institutions."

Throughout the COVID-19 pandemic, UTFA has been working closely with public health professors at the Dalla Lana School of Public Health. These experts recently developed a Health & Safety Checklist for University Re-opening that provides specific, measurable, and accountable steps that the University Administration must take, at a minimum, to reduce the risks associated with the re-opening of university campuses.

**These minimum standards for a safe return to campus have not yet been met.**

The Checklist represents a compilation of measures for which UTFA has advocated throughout the past year. Last week we sent the Checklist to the Administration, with a request to "confirm in writing as soon as possible that the University of Toronto Administration's plans for in-person activities will be implemented to comply with the requirements set out in this checklist." We have yet to hear the Administration's reply to this request.

**UTFA joins with the University Administration in strongly encouraging and supporting everyone in the University community to get vaccinated. However, vaccines alone are insufficient to protect us from COVID-19.**

To align with prevailing public health science, the University Administration must design, prepare, and implement re-opening plans that are inclusive of all occupied spaces. Such plans must address the reality of airborne transmission of COVID-19 through respiratory particles ("aerosols") that can travel significant distances (i.e., farther than two metres) and remain suspended in the air for long periods of time.

Further, the Administration must share information with Joint Health and Safety Committees, campus unions, UTFA, other employee representatives, and students so that the sufficiency and efficacy of the safety precautions that are in place can be assessed.

UTFA has participated in the establishment of a coalition representing faculty, librarians, counsellors, and staff across four Toronto-area universities: U of T, OCADU, Ryerson/X University, and York University. Today this coalition released a statement to the media calling on our Administrations to provide greater detail and transparency to allow for a confident and safe return to in-class learning.

Prior to any return to campus, we will require that assessments be conducted on a building-by-building and space-by-space basis. This is the only way that our members can be assured that a return to campus will be safe enough.

**No one should be compelled or pressured to teach, learn, or work in person if it is not demonstrably safe for them to do so.**

UTFA will continue to press the Administration at the bargaining table and through the Central Health and Safety Committee "to exceed … legislated requirements by adopting the best practices available to protect the University [and the broader] community" (U of T Health and Safety Policy). We will keep you updated on our progress in that regard.

If any UTFA member has concerns about the safety of in-person teaching, we encourage them to make a direct request to their unit head to teach online. Please contact advice@utfa.org if you face any challenges in making these arrangements.

Sincerely,

Terezia Zorić
UTFA President


University of Toronto Faculty Association
720 Spadina Avenue, Suite 419
Toronto ON  M5S 2T9
faculty@utfa.org

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**➔➔How might issues raised in this email be related to MC?**

## (C) THE "AI" DISRUPTION

**➔➔Skim the following as the basis for our class discussion:**

-Robert W. McGee, (2023), "Will ChatGPT Destroy the Accounting Profession? ChatGPT Replies", Preprint · April 2023
DOI: 10.13140/RG.2.2.12811.36644
https://www.researchgate.net/publication/370324970

-Prof. Dr. Bernd Hacker, (2023), "Will ChatGPT revolutionize accounting? The Benefits of Artificial Intelligence (AI) in Accounting", Rosenheim Papers in Applied Economics and Business Sciences, No. 6/2023
https://opus4.kobv.de/opus4-rosenheim/frontdoor/index/index/docId/2134

- Baruch Labunski, FOUNDER, RANK SECURE, (2023), "Harnessing the Power of GPT and AI: Transforming the Future of Business", newsweek.com, https://www.newsweek.com/harnessing-power-gpt-ai-transforming-future-business-1805363

"The long-term future of this technology and how it will affect business is hard to imagine because of its infinite possibilities, both good and bad."

# CLASS 4  (A) MANAGEMENT CONTROL AND CULTURE; (B) MANAGEMENT CONTROL AND COMPENSATION- AN INTRODUCTION

## (A) MANAGEMENT CONTROL AND CULTURE

**Read:**
- **REQUIRED READING:** CORPORATE CULTURE AND THE ROLE OF BOARDS, FINANCIAL REPORTING COUNCIL, UK, JULY 2016 (https://www.frc.org.uk/getattachment/3851b9c5-92d3-4695-aeb2-87c9052dc8c1/Corporate-Culture-and-the-Role-of-Boards-Report-of-Observations.pdf )
- **REQUIRED READING:** Teaching note posted to the CLASS 4 module entitled "WHAT DOES CULTURE MEAN IN ORGANIZATIONS?"

**Class Discussion:**
1. Is the concept of "culture" in the document entitled CORPORATE CULTURE AND THE ROLE OF BOARDS, FINANCIAL REPORTING COUNCIL naïve? Explain.
2. What are the respective roles of the Board and the CEO with respect to culture?
3. Select one case study in the Appendix to the document entitled CORPORATE CULTURE AND THE ROLE OF BOARDS, FINANCIAL REPORTING COUNCIL and answer the following:
- Is the case study useful? Why and to whom OR why not?
- Is the message in the case study generalizable to other organizations? Explain.
- Does the case study enrich Flamholtz' rather meagre attention to culture? Explain.

## (B) MANAGEMENT CONTROL AND COMPENSATION- AN INTRODUCTION

**ABIGAIL DISNEY TESTIFIES BEFORE THE AMERICAN CONGRESS MAY 15 2019**
On May 15, 2019, Abigail Disney gave testimony before the Financial Services Committee's Subcommittee on Investor Protection, Entrepreneurship and Capital Markets, U.S. House of Representatives, on the subject of "Promoting Economic Growth: A Review of Proposals to Strengthen the Rights and Protections for Workers".
Her written testimony (which she had submitted to the committee earlier) began as follows:
I am here to help shed light on the problem of excessive executive compensation and the injustice of the contrast between that compensation and the low wages and poor conditions of those that work at the bottom

of the pay scale. These problems have been growing over the decades and will continue to worsen, and have deeply negative consequences for our great nation.

My mission is to use the voice I have to speak for those whose voices would otherwise not be heard. I hope to enlighten and engage those in powerful positions and inspire them to make change—starting with this committee as well as representatives of various other companies and organizations.

I do not speak for my family but only for myself.

I have no role at the company, nor do I want one.

I hold no personal animus toward Bob Iger nor to anyone else at the Walt Disney Company.

I have repeatedly insisted, in fact, that he and the rest of management at Disney are brilliant and that performance-based compensation for them is totally appropriate.

The questions I am raising are simply "is there such a thing as too much?" "Does what a CEO gets paid have any relationship to how much his janitors and wait staff and hotel workers are paid?" And, "Do the people who spend a lifetime at the lowest end of the wage spectrum deserve what they get, or does every person who works full-time deserve a living wage?"

The link to her complete written testimony before the Subcommittee on Investor Protection, Entrepreneurship and Capital Markets is as follows:

https://financialservices.house.gov/uploadedfiles/hhrg-116-ba16-wstate-disneyphda-20190515.pdf

Abigail Disney is the granddaughter of Roy O. Disney, co-founder of The Walt Disney Company with her granduncle Walt Disney. The Walt Disney Company is a diversified multinational mass media and entertainment conglomerate headquartered at the Walt Disney Studios in Burbank, California. The company history goes back to at least its establishment on October 16, 1923 by brothers Walt and Roy O. Disney as the Disney Brothers Cartoon Studio. As of 2018, the company's revenues were almost US $60 billion. The company's logo is:



FROM PAGE 39 OF WALT DISNEY CO.'S 2019 PROXY STATEMENT AS FILED WITH THE SEC:

**Fiscal 2018 Summary Compensation Table**

The following table provides information concerning the total compensation earned in fiscal 2016, fiscal 2017 (except for Ms. Mucha, who was not a named executive officer in those years) and fiscal 2018 by the chief executive officer, the chief financial officer, three other persons serving as executive officers at the end of fiscal 2018 who were the most highly compensated executive officers of the Company in fiscal 2018, and Mr. Mayer, who served as an executive officer during part of the fiscal year. These six officers are referred to as the named executive officers or NEOs in this proxy statement. Information regarding the amounts in each column follows the table.

| Name and Principal Position | Fiscal Year | Salary | Stock Awards [1] | Option Awards | Non-Equity Incentive Plan Compensation | Change in Pension Value and Nonqualified Deferred Compensation Earnings [1] | All Other Compensation | Total |
|---|---|---|---|---|---|---|---|---|
| Robert A. Iger | 2018 | $2,875,000 | $36,352,327 | $9,270,976 | $18,000,000 | — | $1,146,911 | $65,645,214 |
| Chairman and Chief Executive | 2017 | 2,500,000 | 8,984,191 | 8,298,322 | 15,200,000 | — | 1,301,167 | 36,283,680 |
| Officer | 2016 | 2,500,000 | 8,828,117 | 8,454,674 | 20,000,000 | $2,893,778 | 1,205,827 | 43,882,396 |
| Alan N. Braverman | 2018 | 1,600,213 | 2,400,080 | 1,600,004 | 4,750,000 | — | 69,233 | 10,419,530 |
| Senior Executive Vice President, | 2017 | 1,565,000 | 1,878,142 | 1,252,020 | 3,600,000 | 56,359 | 95,938 | 8,447,459 |
| General Counsel and Secretary | 2016 | 1,549,000 | 1,878,037 | 1,252,040 | 5,440,000 | 931,443 | 68,431 | 11,118,951 |
| Christine M. McCarthy | 2018 | 1,533,750 | 2,700,063 | 1,800,001 | 5,300,000 | 434,539 | 71,397 | 11,839,750 |
| Senior Executive Vice President | 2017 | 1,323,077 | 1,950,118 | 1,300,000 | 3,450,000 | 852,787 | 70,600 | 8,946,582 |
| and Chief Financial Officer | 2016 | 1,287,692 | 1,950,106 | 1,300,058 | 4,520,000 | 1,104,131 | 36,523 | 10,198,510 |
| M. Jayne Parker | 2018 | 996,938 | 1,950,105 | 1,300,022 | 2,100,000 | 380,524 | 80,456 | 6,808,045 |
| Senior Executive Vice President and | 2017 | 851,154 | 1,320,171 | 680,020 | 1,570,000 | 392,107 | 77,112 | 5,090,564 |
| Chief Human Resources Officer | 2016 | 826,365 | 1,320,122 | 680,052 | 1,815,000 | 711,775 | 51,080 | 5,604,394 |
| Zenia B. Mucha | 2018 | 961,150 | 1,269,161 | 846,016 | 2,000,000 | — | 24,452 | 5,100,779 |
| Senior Executive Vice President and Chief Communications Officer | | | | | | | | |
| Kevin A. Mayer | 2018 | 1,674,000 | 2,700,063 | 1,800,001 | 5,300,000 | 62,466 | 83,846 | 11,620,376 |
| Chairman, Direct to Consumer | 2017 | 1,323,077 | 1,950,118 | 1,300,000 | 3,450,000 | 333,928 | 77,495 | 8,434,618 |
| and International ~] | 2016 | 1,287,692 | 1,950,106 | 1,300,058 | 4,520,000 | 1,031,418 | 36,075 | 10,125,349 |

**REQUIRED:**

1. Using concepts from Flamholtz' model, explain how CEO compensation is important in management control.

2. Is Abigail Disney justified in her criticism?

4. Explain how, if at all, "ethics" is involved.

5. OPTIONAL: Examine Walt Disney Co.'s 2019 Proxy Statement as filed with the SEC, and critically evaluate the performance measures used to assess top management.

# CLASS 5–MANAGEMENT CONTROL, ETHICS, AND THE IMPORTANCE OF "FAIRNESS" IN PRIMARY/SECONDARY AND HIGHER EDUCATION ORGANIZATIONS: A VERY LIMITED SAMPLE

**FIRST HOUR:**

Read the following article posted to the CLASS 5 MODULE: Ann E. Tenbrunsel and David M. Messick, "Ethical Fading: The Role of Self-Deception in Unethical Behavior", Social Justice Research, Vol. 17, No. 2, June 2004.

**Class Discussion:**

**Case: We will examine some MCS ethical issues in the case "Management Control and the For-Profit School Business" (see the CLASS 5 module on Quercus and download or read online)**

Questions for discussion:

1. Based upon the information provided, was Edison doing well financially? Explain.

2. Identify the important drivers of success for Edison Schools Inc. Support your answer.

3. Explain the importance of transfer pricing and decentralized management control at Edison Schools.

4. Identify the important management control issues in Edison Schools Inc. Support your answer. Outline arguments for and against individual schools being classified as profit centres. How should "profit" be defined at the individual school level? Identify important performance measurement issues. Could groups of schools—for example, schools in a particular geographic area—be profit centres?

5. Recommend, with reasons, an effective compensation system for (a) teachers, (b) school principals, and (c) Edison senior management.

6. What, in your supported opinion, are some important design criteria for an ethical MCS at Edison?

**SECOND HOUR:**

Read the following article posted to the CLASS 5 MODULE: Richard J. Arend, (2018), "The Unethical Monetization of Business Schools (and What We Can Do About It)", *Journal of Management Inquiry*, 2018, 27(1), pp. 96–100.

An article on the POETS & QUANTS website entitled "Fired Missouri-KC Prof Claims Retaliation" by Marc Ethier, June 16, 2017, began as follows:

> "Richard Arend, a tenured professor of strategy and entrepreneurship at the University of Missouri-Kansas City Henry W. Bloch School of Management, was fired in December 2016. Was it a case of "substantial lack of fitness," as the school claims, or was it retaliation for being a rankings whistleblower, as Arend says in a newly filed lawsuit against the university?" (the complete article is at: https://poetsandquants.com/2017/06/16/fired-missouri-kc-prof-claims-retaliation/?pq-category=business-school-news)

**Questions for discussion:**

1. Do you have any observations on any of the 32 "Examples of unethical monetization practices (classified by role)" on pages 96-97 of Professor Arend's article?

2. Can the fraud triangle model described by Arend help explain what he claims are unethical behaviours in business schools? Explain.

3. How are academic freedom and self-governance involved?

4. How might MC systems and processes help reduce the alleged unethical behaviours? Explain.

# CLASS 6 - MANAGEMENT CONTROL: DESIGNING AND IMPLEMENTING A BALANCED SCORECARD—

# BEYOND PERFORMANCE MEASUREMENT TO MANAGEMENT REVOLUTION?

**Read:**

- Re-read from CLASS 3: Robert S. Kaplan, (2006), "The Demise of Cost and Profit Centers", unpublished working paper [in the CLASS 3 folder on Quercus]]
- **REQUIRED READING:** R.S. Kaplan and D.P Norton, (2001), "Transforming the Balanced Scorecard from Performance Measurement to Strategic Management: Part I", *Accounting Horizons*, "15(1), pp. 87-104
- **REQUIRED READING:** R.S. Kaplan and D.P Norton, (2001), "Transforming the Balanced Scorecard from Performance Measurement to Strategic Management: Part II", *Accounting Horizons*", 15(2), pp. 147-160

**FIRST HOUR:**

**→→PRESENTATION BY CASE RESEARCH TEAM A: CASE AVAILABLE FROM COURSE WEBSITE, "THE ROYAL CANADIAN MOUNTED POLICE AND THE BALANCED SCORECARD: A PANACAEA FOR ALL THE RCMP'S CHALLENGES?"**

**SECOND HOUR:**
**→→Short lecture on the Balanced Scorecard concept as a management practice.**
**FOR YOUR PROFESSIONAL LIBRARY AFTER THE COURSE: DEEPER BACKGROUND READINGS ON THE BALANCED SCORECARD:**

David J. Cooper, Mahmoud Ezzamel, and Sandy Q. Qu, (2017), "Popularizing a Management Accounting Idea: The Case of the Balanced Scorecard", *Contemporary Accounting Research*, Vol. 34 No. 2 (Summer 2017) pp. 991–1025

Arthur M. Schneiderman, (last modified April 13, 2006), "Analog Devices: 1986-1992 The First Balanced Scorecard©", http://www.schneiderman.com/Concepts/The_First_Balanced_Scorecard/BSC_INTRO_AND_CONTENTS.htm

# CLASS 7 - ALIGNING PERFORMANCE GOALS AND INCENTIVES- MANAGEMENT CONTROL AND COMPENSATION (I):
# WAS "EVA" THE ANSWER? IS FINANCIAL ACCOUNTING THE PROBLEM?

**Read:**

- See descriptions of EVA at http://www.investopedia.com/university/EVA/ and at http://en.wikipedia.org/wiki/Economic_Value_Added
- "Eli Lilly is Making Shareholders Rich. How? By Linking Pay to EVA", *FORTUNE*, September 9, 1996, pp. 173-174.
- Young, S.D., (1997), "Economic Value Added: A Primer for European Managers", *European Management Journal*, 15(4), pp. 335-343
- Young, S.D., (1999), "Some Reflections on Accounting Adjustments and Economic Value Added", *Journal of Financial Statement Analysis*, 4(2), Winter 1999, pp. 7-20
- Amernic, J.H., D. Losell, and R.J. Craig, (2000), "'Economic Value Added' as Ideology Through a Critical Lens: Towards a Pedagogy for Management Fashion", *Accounting Education: An International Journal*, 9(4), pp. 343-367

**FIRST HOUR**

→→**PRESENTATION BY CASE RESEARCH TEAM B: CASE AVAILABLE FROM COURSE WEBSITE, "ELI LILLY AND COMPANY EVA® BONUS PLAN: A CRITICAL EVALUATION OVER TIME"**

**SECOND HOUR**

Critical discussion of articles assigned for today:

- How should the success of a business be assessed? What are the best performance measures? Explain. Back in 1956, V.F. Ridgway published an article entitled "Dysfunctional Consequences of Performance Measurements", in Vol. 1 Issue 2, of the journal Administrative Science Quarterly (pp. 240-247); on page 240 he wrote:

"There is today a strong tendency to state numerically as many as possible of the variables with which management must deal…foster[s] the idea that if progress toward goals can be measured, efforts and resources can be more rationally managed. This has led to the development of quantitative performance measurements for all levels within organizations, up to and including measurements of the performance of a division manager with profit responsibility in a decentralized company. Measurements at lower levels in the organization may be in terms of amount of work, quality of work, time required, and so on. Quantitative measures of performance are tools, and are undoubtedly useful. But research indicates that indiscriminate use and undue confidence and reliance in them result from insufficient knowledge of the full effects and consequences. Judicious use of a tool requires awareness of possible side effects and reactions. Otherwise, indiscriminate use may result in side effects and reactions outweighing the benefits…"

→→What implications, if any, does Ridgway's caution have for designing an MCS and the selection of performance meaasures such as EVA? Explain.

- How can the article by Amernic, Losell and Craig assist managers?
- How does EVA differ from "more traditional" accounting and other performance measures? What are the advantages of EVA relative to "more traditional" accounting-based performance measures?
- What are the common adjustments made in order to calculate EVA and why are these adjustments made? How "arbitrary" are they? How "fair" are they?

▪ What are the issues that may have affected the effective use of EVA as a performance measure? Could EVA be useful in all types of companies?

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**CLASS 8 - FIRST HOUR: ALIGNING PERFORMANCE GOALS AND INCENTIVES- MANAGEMENT CONTROL AND COMPENSATION (II):**
**ASSESSING THE EVOLVING ROLE OF PERFORMANCE MEASURES IN COMPENSATION;**
**SECOND HOUR: A BROADER VIEW OF COMPENSATION IN A SMALL ORGANIZATION: CROWN POINT CABINTERY**

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**FIRST HOUR: ALIGNING PERFORMANCE GOALS AND INCENTIVES- MANAGEMENT CONTROL AND COMPENSATION (II): ASSESSING THE EVOLVING ROLE OF PERFORMANCE MEASURES IN COMPENSATION**

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**→→PRESENTATION BY CASE RESEARCH TEAM C: CASE AVAILABLE FROM COURSE WEBSITE, "EMERGENT BIOSOLUTIONS: MANAGEMENT CONTROL AND COVID-19 VACCINE PRODUCTION"**

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**SECOND HOUR:**
**A BROADER VIEW OF COMPENSATION IN A SMALL ORGANIZATION: CROWN POINT CABINTERY**
Aligning performance goals and incentives at Crown Point Cabinetry

On its website, Crown Point cabinetry posted the following sales information:

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http://www.crown-point.com/Direct.contact.html
"Crown Point Cabinetry is the only major custom cabinetmaker that allows you to work and purchase directly from us. Whether you are an architect, a designer, the home builder or home owner, the Crown Point Design and Sales team works directly with you, helping you achieve your dream cabinetry, from design to delivery! This program saves you money, as there is no middleman adding their cost of doing business to the price of your cabinetry.
(Every now and then we get asked: "So where is my nearest dealer?" Crown Point does not have any dealers or a dealer network. Zero. Zip. Nada. We design here, we handcraft the cabinetry here, and we deliver from here. "Here" being Claremont, NH, of course!)
So the Direct Program is, in other words, the only way to get Crown Point cabinetry for your home or client."

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**→→IMPORTANT REQUIRED READING:**
A brief history of the company is provided at:
https://www.usbuildersreview.com/case-studies/crown-point-cabinetry-reinventing-how-custom-cabinetry-built-and-sold/ , and an analyst's notes on the company are as follows:

Instructor's comments on Crown Point Cabinetry:
**Crown Point Carpentry...a framework for our discussion**

**The Setting**
-the industry?
-where does CP fit in?
-CP competes in the high-end custom cabinet segment→few barriers to entry→shrinking/growing market?-
->local/regional/national...?
-CP strategy focuses on product quality (means what in this case?) and service (means what?)
-Product quality includes both RM and production
-Both product quality and customer service influenced by CP's MCS

**Pre-93 Situation**
-Describe

**Basic Changes**
-Do you agree that the most basic change (which facilitated later changes over time) was a "profound" alteration of the employee-employer relationship?
-Employees now "empowered"???
-Bottom-up influence replaced previous top-down MCS
-Control by "penalty" replaced largely by MCS that attempted (and more or less did) align employees and management goals
-THE CHANGES WORKED TOGETHER TO PRODUCE WHAT SEEMS TO BE A MOTIVATED WORK FORCE→IT TOOK TIME→WERE GRADUAL

**Specific Actions Taken by New Leaders Over Time**
-change in attitude (drama used)
-Brian's speech really changed nothing...but management's subsequent actions building on the speech did
-poor in-process quality→fire the "evil doers"→strong message also

**Team-based Management**
-an old concept
-how to introduce it in a small manufacturing company that used entrenched top-down control?
-working in teams→message from management is what?→peer pressure (recall Nucor)→was transition to TBM easy? →how was structure provided to TBM?
-co-worker reviews→pros? cons? See sample review sheet...are more "objective" measures needed?
-Hire and fire authority→pros? cons?
-Gainsharing→a key to CP's "success"?→a performance-based bonus? →does TBM help make gainsharing a success at CP? →how is product quality maintained in TBM?
-Wage increases...what is a better incentive, a good wage with a 60% potential bonus or a great wage with a 20% potential bonus?
-Safety issues...safety teams...reduced worker comp premiums...share responsibility for safety...
Productivity-------------------Product quality-----------------Service------------------Safety---------------------
Productivity----------etc

-**Community Citizenship and Small Towns**
-**Sharing of Confidential Information**
-**Were There Other ways to Get CP's Results?**
-**Is the CP Experience Transferable to Other Businesses? →small company; privately held; small town/big employer; MCS must align with company strategy**

REQUIRED:

Based upon the information provided, outline the main features of an MCS for the company.

# CLASS 9 - MANAGEMENT CONTROL AND THE STRENGTH OF 'CULTURE': THE CASE OF NUCOR

➔➔**PRESENTATION BY CASE RESEARCH TEAM D: CASE AVAILABLE FROM COURSE WEBSITE, "NUCOR 2016"**

Nucor Corporation is the largest steel produced in the United States. Its reported financial results have, given its industry, been rematkably stable over many decades.

An article by Brian Taylor on the "RECCYCLING TODAY" website, dated January 26, 2023, proclaimed that "Nucor calls 2022 most profitable year ever", and began as follows:

"Charlotte, North Carolina-based electric arc furnace (EAF) steel producer Nucor Corp. has announced consolidated net earnings of $1.26 billion for the fourth quarter of 2022 and full-year net earnings of $7.61 billion.
The company says the annual earnings figure surpasses its previous record of consolidated net earnings of $6.83 billion in 2021. "I am proud to report that 2022 was both the safest and most profitable year in Nucor history," Nucor President and CEO Leon Topalian says.

https://www.recyclingtoday.com/news/nucor-2022-earnings-steel-recycling-record-profits/

▪ **REQUIRED READING:** Article available on the Quercus website in the CLASS 9 module: Pankaj Ghemawat, (1995), "Competitive Advantage and Internal Organization: Nucor Revisited", Journal of Economics & Management Strategy, 3(4), pp. 685-717.

**Some questions after the team's case presentation:**
(1) What was the market condition and competitive environment facing the steel industry at the time of the 1995 Nucor article?
(2) What was Nucor's strategy in the given market environment at that time? Was Nucor's strategy sensible?
(3) How did Nucor implement its strategy? What made Nucor so successful in an industry with intensive international competition?
(4) Why couldn't competitors copy Nucor's strategy?
(5) How would you describe Nucor's MCS in the 1995 article? (see Exhibit 1 below)
(6) Refer to the historical information from Nucor, from 1966 to 2018 (see Exhibit below). Any comments? What picture does the data suggest about Nucor recently?
(7) How has the pandemic affected Nucor? What actions has it taken?

**NUCOR**
HISTORICAL DATA
1966 THROUGH 2018
*(in thousands, except per share data)*

| YEAR | NET SALES | NET EARNINGS ATTRIBUTABLE TO NUCOR STOCKHOLDERS | DILUTED NET EARNINGS PER SHARE | TOTAL ASSETS | STOCKHOLDERS' EQUITY AMOUNT | PER SHARE | SHARES OUTSTANDING | COMMON STOCK VALUE PER SHARE | AMOUNT |
|---|---|---|---|---|---|---|---|---|---|
| 1966 | 21,006 | 1,334 | 0.01 | 8,109 | 2,240 | 0.01 | 237,240 | 0.06 | 13,641 |
| 1967 | 23,600 | 1,703 | 0.01 | 11,546 | 6,582 | 0.02 | 267,345 | 0.16 | 42,775 |
| 1968 | 35,545 | 2,239 | 0.02 | 16,502 | 9,289 | 0.03 | 272,315 | 0.20 | 53,101 |
| 1969 | 46,322 | 2,335 | 0.01 | 24,656 | 11,938 | 0.04 | 275,743 | 0.11 | 31,021 |
| 1970 | 50,751 | 1,141 | 0.01 | 28,800 | 13,101 | 0.05 | 276,007 | 0.07 | 18,630 |
| 1971 | 64,762 | 2,741 | 0.01 | 33,168 | 15,892 | 0.06 | 276,981 | 0.10 | 28,391 |
| 1972 | 83,576 | 4,668 | 0.02 | 47,537 | 20,930 | 0.07 | 281,414 | 0.14 | 37,991 |
| 1973 | 113,194 | 6,009 | 0.02 | 67,550 | 26,620 | 0.09 | 281,210 | 0.10 | 28,824 |
| 1974 | 160,417 | 9,680 | 0.04 | 82,039 | 37,104 | 0.13 | 294,850 | 0.08 | 22,114 |
| 1975 | 121,467 | 7,582 | 0.03 | 92,639 | 44,550 | 0.15 | 300,040 | 0.10 | 30,754 |
| 1976 | 175,768 | 8,697 | 0.03 | 119,096 | 54,085 | 0.17 | 311,163 | 0.19 | 57,565 |
| 1977 | 212,953 | 12,453 | 0.04 | 128,011 | 66,295 | 0.21 | 315,231 | 0.26 | 80,384 |
| 1978 | 306,940 | 25,849 | 0.08 | 193,455 | 92,129 | 0.29 | 321,044 | 0.44 | 139,654 |
| 1979 | 428,682 | 42,265 | 0.13 | 243,112 | 133,258 | 0.41 | 324,186 | 0.83 | 269,074 |
| 1980 | 482,420 | 45,060 | 0.14 | 291,222 | 177,604 | 0.54 | 328,800 | 1.46 | 478,404 |
| 1981 | 544,821 | 34,729 | 0.11 | 384,782 | 212,376 | 0.64 | 334,248 | 1.25 | 416,139 |
| 1982 | 486,018 | 22,192 | 0.07 | 371,633 | 232,281 | 0.69 | 335,805 | 1.30 | 437,386 |
| 1983 | 542,531 | 27,864 | 0.09 | 425,567 | 258,130 | 0.76 | 338,164 | 1.78 | 602,778 |
| 1984 | 660,260 | 44,548 | 0.13 | 482,188 | 299,603 | 0.88 | 339,866 | 1.35 | 457,120 |
| 1985 | 758,495 | 58,478 | 0.17 | 560,311 | 357,502 | 1.04 | 343,560 | 2.25 | 771,292 |
| 1986 | 755,229 | 46,439 | 0.14 | 571,608 | 383,699 | 1.13 | 338,101 | 1.93 | 652,534 |
| 1987 | 851,022 | 50,534 | 0.30 | 654,090 | 428,009 | 1.26 | 339,137 | 2.48 | 840,213 |
| 1988 | 1,061,364 | 109,440 | 0.44 | 949,662 | 532,281 | 1.56 | 340,603 | 2.99 | 1,016,700 |
| 1989 | 1,269,007 | 57,836 | 0.17 | 1,033,832 | 584,445 | 1.71 | 342,394 | 3.77 | 1,289,113 |
| 1990 | 1,481,630 | 75,065 | 0.22 | 1,035,886 | 652,757 | 1.90 | 343,803 | 3.88 | 1,332,236 |
| 1991 | 1,465,457 | 64,716 | 0.19 | 1,181,577 | 711,609 | 2.06 | 345,671 | 5.59 | 1,930,574 |
| 1992 | 1,619,235 | 79,226 | 0.23 | 1,507,382 | 784,231 | 2.26 | 346,947 | 9.80 | 3,399,211 |
| 1993 | 2,253,738 | 123,510 | 0.36 | 1,829,268 | 902,167 | 2.59 | 348,294 | 13.25 | 4,614,894 |
| 1994 | 2,975,596 | 226,633 | 0.65 | 2,001,920 | 1,122,610 | 3.21 | 349,333 | 13.88 | 4,846,999 |
| 1995 | 3,462,046 | 274,535 | 0.79 | 2,296,141 | 1,382,112 | 3.94 | 350,394 | 14.28 | 5,004,503 |
| 1996 | 3,647,030 | 248,169 | 0.71 | 2,619,533 | 1,609,290 | 4.58 | 351,184 | 12.75 | 4,477,593 |
| 1997 | 4,339,952 | 294,482 | 0.84 | 2,984,383 | 1,876,426 | 5.33 | 351,986 | 12.08 | 4,251,115 |
| 1998 | 4,305,450 | 263,709 | 0.75 | 3,215,626 | 2,072,552 | 5.93 | 349,412 | 10.81 | 3,778,013 |
| 1999 | 4,158,293 | 244,589 | 0.70 | 3,718,928 | 2,262,248 | 6.49 | 348,535 | 13.70 | 4,775,800 |
| 2000 | 4,756,521 | 310,908 | 0.95 | 3,710,868 | 2,130,952 | 6.87 | 310,332 | 9.92 | 3,079,267 |
| 2001 | 4,333,707 | 112,961 | 0.37 | 3,759,348 | 2,201,461 | 7.07 | 311,258 | 13.24 | 4,121,057 |
| 2002 | 4,801,777 | 160,086 | 0.51 | 4,394,944 | 2,349,770 | 7.51 | 312,720 | 10.33 | 3,228,838 |
| 2003 | 6,265,823 | 64,797 | 0.21 | 4,511,577 | 2,370,873 | 7.54 | 314,361 | 14.00 | 4,401,050 |
| 2004 | 11,376,828 | 1,117,985 | 3.50 | 6,140,391 | 3,481,281 | 10.91 | 319,024 | 26.17 | 8,348,858 |
| 2005 | 12,700,999 | 1,317,249 | 4.15 | 7,148,845 | 4,312,049 | 13.90 | 310,220 | 33.36 | 10,348,939 |
| 2006 | 14,751,270 | 1,756,782 | 5.68 | 7,893,018 | 4,857,351 | 16.14 | 300,949 | 54.66 | 16,449,872 |
| 2007 | 16,592,976 | 1,471,947 | 4.94 | 9,826,122 | 5,112,917 | 17.75 | 287,993 | 59.22 | 17,054,945 |
| 2008 | 23,663,324 | 1,830,990 | 5.98 | 13,874,443 | 7,929,204 | 25.25 | 313,977 | 46.20 | 14,505,737 |
| 2009 | 11,190,296 | (293,613) | (0.94) | 12,571,904 | 7,390,526 | 23.47 | 314,856 | 46.65 | 14,688,032 |
| 2010 | 15,844,627 | 134,092 | 0.42 | 13,921,910 | 7,120,070 | 22.55 | 315,791 | 43.82 | 13,837,962 |
| 2011 | 20,023,564 | 778,188 | 2.45 | 14,570,350 | 7,474,885 | 23.60 | 316,749 | 39.57 | 12,533,758 |
| 2012 | 19,429,273 | 409,485 | 1.28 | 14,524,972 | 8,002,692 | 25.19 | 317,663 | 43.16 | 13,710,335 |
| 2013 | 19,052,046 | 499,385 | 1.56 | 15,578,128 | 8,018,250 | 25.19 | 318,328 | 53.38 | 16,992,349 |
| 2014 | 21,105,141 | 679,337 | 2.11 | 15,956,467 | 8,110,342 | 25.42 | 319,033 | 49.05 | 15,648,569 |
| 2015 | 16,439,276 | 80,724 | 0.25 | 14,326,969 | 7,477,816 | 23.52 | 317,962 | 40.30 | 12,813,869 |
| 2016 | 16,208,122 | 796,271 | 2.48 | 15,223,518 | 7,879,865 | 24.72 | 318,737 | 59.52 | 18,971,226 |
| 2017 | 20,252,393 | 1,318,688 | 4.10 | 15,841,258 | 8,739,036 | 27.48 | 317,969 | 63.58 | 20,216,469 |
| 2018 | 25,067,279 | 2,360,767 | 7.42 | 17,920,588 | 9,792,078 | 32.04 | 305,592 | 51.81 | 15,832,722 |

NOTE - In 2016, Nucor changed its method of accounting for valuing certain inventories from the last-in, first-out (LIFO) method to the first-in, first-out (FIFO) method. The information in this table for 2012 through the most recent year reflects this change in accounting principle.

# CLASS 10- "MANAGEMENT CONTROL AND SERVICE ORGANIZATIONS DURING THE PANDEMIC AND BEYOND: SENIOR LONG-TERM CARE IN ONTARIO, COVID-19, AND THE CASE OF SIENNA SENIOR LIVING"

**Read:**

➔➔ **PRESENTATION BY CASE RESEARCH TEAM E: CASE AVAILABLE FROM COURSE WEBSITE, "SENIOR LONG-TERM CARE IN ONTARIO, COVID-19, AND THE CASE OF SIENNA SENIOR LIVING"**

## CLASS 11- MANAGEMENT CONTROL AND WHISTLEBLOWING: THE CLASH OF CULTURE, ETHICS AND REPUTATION

**Read the following article in the CLASS 11 MODULE:**
Hilary Monk, David Knights, Margaret Page. 28 May 2015, "Whistleblowing Paradoxes", from: The Routledge Companion to Ethics, Politics and Organizations Routledge [available as an e-book via the University of Toronto library website]

➔➔**PRESENTATION BY CASE RESEARCH TEAM F: CASE AVAILABLE FROM COURSE WEBSITE, "THE TRAGIC CASE OF DR. BRIGHT AND THE AMERICAN COVID-19 CONFUSION"**

## CLASS 12- CEOs AND MANAGEMENT CONTROL: THE INTERACTION BETWEEN MANAGEMENT CONTROL AND THE 'TONE AT THE TOP'; COURSE REVIEW

**FIRST HOUR**

➔➔**PRESENTATION BY CASE RESEARCH TEAM G: CASE MATERIAL AVAILABLE FROM COURSE WEBSITE, "THE UNIVERSITY OF PRINCE EDWARD ISLAND 2023: A REPORT, RESIGNATIONS, AND REFORM?"**

**SECOND HOUR**
Course Review Comments