ACCT30002
ENTERPRISE PERFORMANCE MANAGEMENT

LECTURE 1

Introducing organisations, strategy and management control systems

<table>
<tr>
<td>Explain the concepts of management accounting and control</td>
<td>

Management accounting:

- *process of gathering, summarising and reporting financial and non-financial information used internally by managers to make decisions*

Management control:

- *process of controlling/influencing the behaviour of people as members of a formal org to increase the probability that they will achieve organisational goals*

Include external information relating to markets, customers, competitors, non-financial information relating to processes, predictive information, as well as informal personal and social controls and may serve multiple roles and decision contexts
TO:
Direct resources; consider investment opportunities; manage and evaluate risk; evaluate performance of managers and sub-units; evaluate and improve production and/or service delivery performance; improve quality; meet customer/client expectations; evaluate customers and suppliers, develop suitable incentives

Ultimately, management accounting and control information helps in the management of organisations through:

- directing behaviour
  - (eg through the use of performance measures, incentives, bonuses and rewards)
- providing a mechanism for information provision and therefore facilitate decision-making
  - (eg providing cost information for pricing decisions) and/or influence decision making (eg advising on strategy)
- providing feedback on performance across the organisation
  - (eg formally in performance appraisals)
- facilitating learning
  - (eg getting better at what we do)

</td>
</tr>
<tr>
<td>Distinguish between formal and informal planning and control mechanisms</td>
<td>

</td>
</tr>
<tr>
<td>Flamholtz's Definition of an</td>
<td>

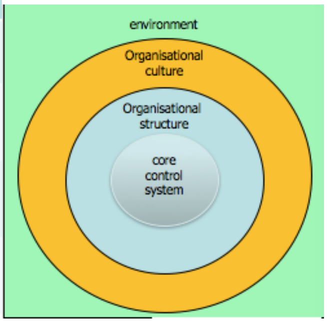
Organisational control system:

</td>
</tr>
</table>

organisational control system

- *set of mechanisms designed to increase the probability that people will behave in ways that lead to the attainment of organisational objectives*

Flamholtz's four functions of an organisational control system	
Goal emphasis	Motivate decisions and actions consistent with organisational objectives.
Organisational integration	Integrate the efforts of several different parts of the organization.
Autonomy and control	Provide information about the results of operations and people's performance.
Implementation and strategic planning	Facilitate the implementation of strategic plans.



Core control system:

1. **Planning**
2. **Operations**
3. **Measurement**
4. **Feedback**
5. **Evaluation & Reward**

Explain the concepts of incentives, sustainability and risk as the effect the contemporary organization

Strategic Risk

- impediment in achievement of high level goals that are aligned with and support the mission
- unexpected turn of events (also called shocks) that significantly reduces the ability of managers to implement their intended business strategy

Commonly associated with:

- Market-related activity and competitive dynamics including threats from competitors and changes in technology such as technological innovations.
- Strategic risks might include measures of 'brand risk' or 'reputation risk'. For example, brand erosion or activities that might damage a company's reputation

Example:

1. Taxis and Uber
2. Technology impacts in the book and publishing industry
3. Wristwatches and smartphones

Mitigation:

- ❑ Market research - continuous monitoring of market trends;
- ❑ Market variance analysis;
- ❑ SWOT analysis
- ❑ Strategic investment processes;
- ❑ Profit planning processes – comprehensive examination of alternative options

Operations risk

- anything that might damage the ability of an organisation to provide product or service offerings to customers

Influenced by:

- the extent of formalised (and constantly maintained) procedures and protocols;
- the ability of employees and service providers to understand and follow prescribed organisational procedures;
- evidence of systems that provide timely, complete and accurate transaction recording and reporting;
- the ability of an organisation to safeguard its assets (including information); and