UNIVERSITÀ
DEGLI STUDI DI MILANO-BICOCCA

COURSE SYLLABUS

Business Policy and Strategy Execution

2122-3-E3301M230

Learning objectives

The course aims to transfer the main tools to plan and to control. In addition, it tries to develop the students' critical thinking oriented to formulate the targets successfully and to design techniques that allow to get the targets while they try to reduce the risks caused by the decision makers' behaviors. The course aims to develop knowledge which can help employees at different organizational levels and in different firm's functions. Actually, the employees can be involved in the planning and control processes for many reasons. They could be the recipients of the goals. They could be the ones which have to define the targets for all the company or for the lower levels of the organization and, later on, to verify the targets achievement. If they are hired by the Accounting Unit or the Finance Unit, one of their tasks is to support the managers in designing and using the planning and control systems. Whatever the organizational role, the understanding of the planning and control processes is, in fact, important to be successfully involved in some of the most important mechanisms which push forward the company's activity.

Contents

Planning and control are the subjects of this course. First, goals formulation is discussed by showing the tools helping to successfully design the strategic actions for the firm growth. Later, we study the conversation of strategic targets into financial targets which capture the performances of all the company. This conversation aims to verify whether or not the strategic actions can get financial performances sufficient to allow the company's survival. The financial targets are exploded into smaller targets which are assigned to the managers of each responsibility center. Those targets assignment contributes to the achievement of the general targets which capture the performances of the entire company. Afterwards the course discusses the variance analysis which aims to control if

a company has gotten its targets and the reasons why the variances from the plans happened. The analysis helps to understand which mistakes were made and figure out how to avoid them in the future. The variances analysis focuses on the main measure of the company performance, the profit, and explain the revenue variances and the cost variances. Traditionally, the planning and the control are based on financial measures. Those measures have some limits which are highlighted in the classes. Afterwards more advanced tools are presented. They are applied along with the traditional tools to improve their effectiveness. The advanced tools push the company toward performances which can satisfy all the stakeholders and better balance the short-run performances and the long-run performances. Then, they create more solid conditions for the company growth. Another issue is the strategic risk. Actually, the company's strategy and the financial performances might be compromised by the decision makers' behaviors. The course discusses how to avoid the strategic risk or reduce its effects. Finally, the class works on: (i) the different ways to apply the control tools, and (ii) the levers of control. The Interactive Control Systems are presented. They use the information to develop new strategies rather than just to align the managers' behaviors with the company's strategy (Diagnostic Control Systems). Afterwards the course discusses the Beliefs Systems and the Boundary Systems which, with the Diagnostic Control Systems and the Interactive Control Systems, are levers available to defend the survival of the company and feed its growth. The course analyses the role of those levers in different business contexts.

Detailed program

Following the text books used in this course, those issues will be analyzed:

- defining the strategic actions (Simons, pages 26-48)

- converting the strategic targets into general financial goals (Simons, pages 91 – 124)

- designing responsibility centers to direct the units of the company: cost centers, expense centers, revenue centers, profit centers and investment centers (Anthony et al., pages 227-233)

- the analysis of variance between the results and the targets: fix costs, variable costs and sale revenues (Anthony et al., pages 384-392)

- reasons why a control system and its role are useful: the traditional schema (Anthony et al., pages 3-16)

- the Balanced Scorecard (Simons, pages 206-224)

- identifying and reducing the strategic risks (Simons, pages 249-297)

- the different ways to apply the control systems and the levers of control (Simons, pages 299-315; Simons, pages 225-248).

Prerequisites

Business Economics and Basic Accounting

It would be useful to have a fresh knowledge on: (i) the company structures (divisional, functional, and matrix) and the different leadership styles, (ii) the main measures and indexes adopted for the business administration (revenue, cost, profit, ROI, ROE, EVA, and margins to evaluate the cash management), and (iii) on the analytical accounting (fixed costs, variable costs, common costs, product cost configurations, standard costs, methods to allocate the common costs to objects, such as the products or responsibility centers).

Teaching methods

Lectures

Assessment methods

Written exam about the themes presented over the classes. The written exam consists of three essays. Students can ask for oral exam if they pass the written exam (with a score higher than 17). Also the teacher can ask for oral exam.

The exam will test:

1) The knowledge on the planning and strategy execution field

2) The critical thinking ability to design the systems formulating and executing the strategy

3) The ability of providing examples from the real world and read them on the base of the theoretical lenses.

The following criteria will be applied to judge the exam:

1) A good discussion is rigorous

2) A good discussion is complete

3) A good discussion connects the tools with one another and connects the tools with the principles.

Textbooks and Reading Materials

Textbooks (for the exam):

Robert Simons, Performance Measurement and Control Systems for Implementing Strategy, First Edition, Pearson, 2014, ISBN13: 9781292020938 ISBN10: 1292020938 (pages 26-48, 91 – 124, 206-224, 225-248, 249-315)

Robert N Anthony, Vijay Govindarajan, Frank G.H. Hartmann, Kalle Kraus and Göran Nilsson, Management Control Systems, First European Edition, McGraw-Hill Education, 2014, ISBN: 9780077133269, (pages 3-16, 227-233, 384-392)

Other useful books:

Robert Kaplan, Anthony Atkinson, Advanced Management Accounting, Prentice Hall, 1998

Semester

First term

Teaching language

English