

Strategic Management Accounting (22 E 10000) – 6 cr.

Syllabus

Instructor Information

Juhani Vaivio is Professor of Management Accounting at the Aalto University School of Business. After graduating from the Helsinki School of Economics, he was visiting scholar at the London School of Economics and Political Science, and received his doctorate from the HSE in 2001. His research focuses on performance measurement, strategic control, management accounting change, the organizational implications of control systems – and on the interface of accounting measurement and professional identity. His work has been published in international journals, including *Accounting, Organizations and Society*, *Management Accounting Research* and the *European Accounting Review*. Since 1997, Juhani Vaivio has been teaching management accounting topics at different academic levels and forums, in Finland and abroad, including the school's international MBA program and other executive education events. He has also served as Dean of the School's Triple Crown -accredited MBA portfolio.

The Learning Objectives of the Course

The objective of this course is to bring us back to the real world of business - in terms of *strategy* and *management accounting* techniques. This course problematizes traditional textbook notions and popular preconceptions. With an interdisciplinary approach, it brings us closer to the pressing organizational realities and urgencies facing business school graduates. By exploring the interlinkages between strategy and management accounting, the course underlines that within the complexity and hectic pace of today's business, strategy becomes understood and realized in multiple, often conflicting ways. It escapes narrow definitions. Also, management accounting suggests something more than passive technical tools for crafting or implementing strategy. Being linked to

notions of strategic “decision making”, organizational culture, professional identities, power relations, learning and change, management accounting becomes an active creator of organizational reality. And management accounting’s numbers produce both intended and unintended consequences.

The course runs beyond technical accounting skills. Nor is it suggesting compact, “One Size Fits All” -solutions, which are insensitive to context. Instead, the course opens a variety of *perspectives* on how management accounting and strategic considerations are related. These perspectives assist us in making sense of complex organizational phenomena on the interface of strategy and management accounting. The purpose is to develop a theoretically informed but pragmatic *way of thinking* – a mindset that assists students later, when they act in the “real world of real organizations”. Because the realities of contemporary business are intricate and dynamic, successful strategic management begs for this broader intellectual framework.

Required Pre-Understanding

Course participants are supposed to have a solid understanding of how management accounting techniques, like cost accounting, capital budgeting and CVP-analysis, are applied in decision-making situations. Students should also be familiar with the roles of management control systems. A command of the fundamentals of strategic management is also required.

Students must be sufficiently advanced in their studies to be able to tackle the argumentation in the readings of this course. Most of these articles and papers come from scientific journals. A sufficient conceptual base is needed for being able to elaborate on this material. The articles from scientific journals can be characterized, however, as being relatively digestible, “down to earth” texts – reporting often a case / field study.

Students should, of course, have a good command of English, both written and spoken. They should have argumentative skills, and the right attitude, for making presentations and for engaging in classroom discussion.

- **Learning Methods**

The entire course comprises about 20 class hours, and will be delivered in four sessions, each lasting four hours (Sessions 1 - 4) - after the first introductory session (Session 0). All students will be grouped into small *study teams* in introductory Session 0. In these study teams, students will read and analyze articles and papers (This material will be indicated and introduced by the

instructor and can be found in *My Courses*). Each study team will produce in total 4 essays on indicated articles / papers (6-7 pages per essay, 1.5 line spacing, standard margins, 12 p. font), handling them in before the start of each session by e-mail to juhani.vaivio@aalto.fi (except for the first introductory session, of course). The study team's task in each essay is to 1) *summarize* the message of a specific article or paper indicated by the instructor, and to 2) provide an informed *criticism* of this text.

Each individual student is, however, required to attend the classes - reading and studying ALL the articles / papers allocated to every session. This is necessary for good classroom discussion. Be prepared to ask questions and provide comments on every paper and every presentation!

For each four-hour classroom session, some study teams indicated by the instructor also prepare a 10 minute stand-up *Power Point -presentation* (2-3 slides) in front of the class, highlighting the main points of their essay (summary + critique of a specific article), inviting *discussion* around key issues or unresolved dilemmas. This presentation is a key learning opportunity: How to build and deliver an interesting argument - capturing the audience's attention? And how to convince somebody with your argument?

Disagreement and debate will be sought. No argument should be taken at face value. No authority should become uncritically applauded. And within the study teams, members do not necessarily need to agree in their analysis, justifying then their individual positions during these interactive sessions. Each team will be allocated a slot of about 40 minutes (Presentation about 10 minutes + classroom discussion about 30 minutes)¹. The instructor will moderate the classroom debate, suggesting at times his own interpretations and insights.

- **Materials**

The articles / cases will be accessible via *the course home-page* in *MyCourses*, in printable PDF-format.

- **Class Attendance**

Compulsory. This is *not* a course in passive distance learning. Failure to show up in the classroom will result in an exclusion from the final exam (→ no grade). Students are expected to be on time in the classroom; arriving late seriously disturbs dynamics and hampers student concentration. A student who joins late can become expelled from the course.

¹ The length of presentations and study team size are subject to change – depending on total class size.

- **Grading**

Students will be graded as follows:

1. A final exam (short essays) on the articles / papers which have been elaborated during the course. This makes up to 60% of your final grade and yields 60 points (60p. / 100p. max. total). No printed material is allowed into the exam premises. To receive an accepted grade and pass, you need to pass the final exam with a minimum of 24 p. (For example, 23 p. from final exam + full 30p. from essays + full 10 p. from classroom participation will, unfortunately, not be sufficient for you to pass the course...)
2. The essays and presentations you prepare as a member of your study team also contribute to your grade. Each study team will be evaluated collectively - and you will be *a part of this team evaluation*. This will amount up to 30% of your final grade (30p.). So make sure your team does a good job!
3. Your individual classroom participation and conduct: As mentioned, this course is very much about interaction and debate. Sitting silent or providing only shallow commentary, may cost you – because it makes up 10% of your final grade (10p.). So, ideally you get an additional 10% (or 10 p.) here towards the final grade - or 0% (nothing in-between).

- **Course Calendar**

Session 0: Introduction

A) What you will learn, why and how? B) A few words about strategy, management accounting and their interconnections: Different Strategy “Schools”. C) Our agenda.

Forming the *study teams* !

Session 1. The Context of Strategic Management Accounting

Themes: What is the strategic environment of contemporary organizations: What did the *Financial Times* suggest lately? What are “institutionalized” pressures around a business organization, and how are they influencing what firms do - and what they say they do? Could we conceive fashionable management accounting innovations as diffusion of “viruses”? What do Big Data and AI suggest for strategy, and for accounting professionals?

Team presentations & discussion.

Introduction of the next set of articles/papers and assignment of team presentations for Session 2.

Papers for Session 1:

Rachman, G. (2022). The enemies of globalisation are circling. *Financial Times*.

Wolf, M. (2022). The big mistakes of anti-globalisers. *Financial Times*.

Wolf, M. (2022). Twelve propositions on the state of the world. *Financial Times*.

Fukuyama, F. (2022). Putin’s war on the liberal order. *Financial Times*.

Meyer, J.W. & Rowan, B. (1977). Institutionalized Organizations: Formal Structure as Myth and Ceremony. *American Journal of Sociology*, 83 (2), pp. 340-363.

Foss, N. J. & Klein, P. G. (2022) Why companies go woke? *SSRN working papers*.

Johanson, D. & Madsen, D.O. (2019). Diffusion of management accounting innovations: a virus perspective. *Journal of Accounting & Organizational Change* 15 (4), pp. 513-534.

Bhimani, A. & Willcocks, L. (2014). Digitisation, “Big Data” and the transformation of accounting information. *Accounting and Business Research*, 44 (4), pp. 469-490.

Session 2. A Second Look at Strategic Decision Making – and a Second Look at Management Accounting...

Themes: Are strategic decisions only about making an informed choice between alternatives? Decisions by computation, compromise, judgement and inspiration: How do management accounting calculations serve as answer machines, learning machines and rationalizations machines? How can we understand strategic management accounting and instances of cross-functional planning as “sense-making”? Decision making and intuition: Is intuition more effective than analysis?

Team presentations & discussion.

Introduction of the next set of articles / papers and assignment of team presentations for Session 3.

Papers for Session 2:

Brunsson, N. (1990). Deciding for responsibility and legitimation: alternative interpretations of organizational decision-making. *Accounting, Organizations and Society*, 15 (1/2), pp. 47-59.

Burchell, S., Clubb, C., Hopwood, A. and Hughes, J. (1980). The roles of accounting in organizations and society. *Accounting, Organizations and Society*, 5 (1), pp. 5-27.

Tillmann, K. & Goddard, A. (2008). Strategic management accounting and sense-making in a multinational company. *Management Accounting Research*, 19, pp. 80-102.

Goretzki, L & Messner, M. (2016). Coordination under uncertainty: A sensemaking perspective on cross-functional planning meetings. *Qualitative Research in Accounting & Management*, 13 (1), pp. 92-126.

Julmi, C. (2019). When rational decision-making becomes irrational: a critical assessment and re-conceptualization of intuition effectiveness. *Business Research*, 12, pp. 291-314.

Session 3. Strategic Change: How is Management Accounting Coupled with Culture, Identity and Ideological Control?

Themes: How is management accounting measurement producing a strategic cultural reorientation – by changing the values, beliefs and perceptions of organizational members? How are formal as well as “cultural” controls intertwined in the strategic control of professional organizations – and what is the interplay of these controls? How is identity regulation functioning as organizational control – and how are accounting measurements mobilized for this purpose? What is the interplay of ideological control and financially oriented management control systems?

Team presentations & discussion.

Introduction of the next set of articles / papers and assignment of team presentations for Session 4.

Papers for Session 3:

Dent, J. (1991). Accounting and organizational cultures: A field study of the emergence of a new organizational reality. *Accounting, Organizations and Society*, 16 (8), pp. 705-732.

Kärreman, D., Svenigsson, S., and Alvesson, M. (2002). The Return of the Machine Bureaucracy? Management Control in the Work Settings of Professionals. *International Studies of Management & Organization*, 32 (2), pp. 70-92.

Alvesson, M. & Willmott, H. (2002). Identity regulation as organizational control: producing the appropriate individual. *Journal of Management Studies*, 39 (5), pp. 619-644.

Vaivio, J., Järvenpää, M. and Rautiainen, A. (2021). Accounting in Identity Regulation: Producing the Appropriate Worker. *European Accounting Review*, forthcoming.

Kraus, K., Kennergren, C. and von Unge, A. (2017). The interplay between ideological control and formal management control systems – A case study of a non-governmental organisation. *Accounting, Organizations and Society*, 63, pp. 42-59.

Session 4. Management Accounting, Strategic Learning and Enabling vs. Coercive Control Systems.

Themes: Why is organizational learning a strategic asset - and can organizations really learn from their failures? How can we extract strategically relevant knowledge from management accounting measurements – and especially from “provocative” non-financial measurements? In what ways are enabling and coercive types of bureaucracy different? How do we develop enabling performance measurement systems and how do incomplete performance measures serve enabling control?

Team presentations & discussion.

Wrap-up, feedback - and tips for the exam...

Papers for Session 4:

Baumard, P. & Starbuck, W.H. (2005). Learning from Failures: Why It May Not Happen. *Long Range Planning*, 38, pp. 281-298.

Vaivio, J. (2004). Mobilizing Local Knowledge with ‘Provocative’ Non-Financial Measures. *European Accounting Review*, 13 (1), pp. 39-71.

Adler, P.S. & Borys, B. (1996). Two types of Bureaucracy: Enabling and Coercive. *Administrative Science Quarterly*, 41 (1), pp. 61-89.

Englund, H. & Gerdin, J. (2015). Developing Enabling Performance Measurement Systems: On the Interplay Between Numbers and Operational Knowledge. *European Accounting Review*, 24 (2), pp. 277-303.

Jordan, S. & Messner, M. (2012). Enabling control and the problem of incomplete performance indicators. *Accounting, Organizations and Society*, 37, pp. 544-564.

- **Code of Good Academic Conduct**

In the study teams and during classes students are supposed to act “in good spirit, in good intellectual tradition” as a dynamic collective – collaborating openly, sharing ideas and showing personal integrity as well as commitment. No free-riding or shirking should occur in preparing team essays or presentations. During the interactive class sessions, discussion, criticism and even sharply formulated views and opinions are invited, with one condition: Offensive comments or remarks relating to race, age, sex, religion, ethnic or social background, or some otherwise *discriminating basis*, will not be tolerated. Classroom interaction must be based on mutual respect, equality and inclusiveness.

During the exam, no collaboration of any sort between participants is allowed. Each student prepares individually his/her exam. A violation of this implies an automatic exam failure, and disciplinary consequences at school level would follow.

Welcome to the exciting journey of Strategic Management Accounting!