

# Table of contents

<b>The Authors</b> .....	III	1. What is organisational performance? .....	29
<b>Acknowledgements</b> .....	V	1.1. <i>Definitions of performance</i> .....	29
<b>Foreword</b> .....	XI	1.2. <i>The performance model of an organisation</i> .....	31
<b>General introduction</b> .....	XIII	2. Organisational performance and stakeholder expectations .....	32
 		2.1. <i>Managing the balance between stakeholders</i> .....	33
<b>Chapter 1</b>		2.2. <i>Managing multi-dimensional organisational performance</i> .....	35
<b>Management control: an overview</b> .....	1	Conclusion .....	37
Introduction .....	1	Bibliography .....	38
1. The basic elements of the approach .....	1	Key concepts .....	39
1.1. <i>The control process</i> .....	1	<i>Definitions and concepts</i> .....	39
1.2. <i>Performance measurement systems</i> .....	7	<i>Key messages</i> .....	39
1.3. <i>The role of controllers in the performance management system</i> .....	13	Exercises .....	40
2. Management control in large corporations .....	14	Quiz .....	40
2.1. <i>Two levels of performance management</i> .....	15	<i>Exercise 2.1</i> .....	40
2.2. <i>Responsibility centres and results control</i> .....	19	<i>Exercise 2.2</i> .....	40
Conclusion .....	23	 	
Key concepts .....	24	<b>Chapter 3</b>	
<i>Definitions and concepts</i> .....	24	<b>Measuring an organisation's performance: financial indicators</b> .....	43
<i>Key messages</i> .....	25	Introduction .....	43
Exercises .....	26	1. The main financial indicators .....	43
Quiz .....	26	1.1. <i>Profitability indicators</i> .....	44
<i>Exercise 1.1</i> .....	26	1.2. <i>Return on investment indicators</i> .....	46
 		1.3. <i>Value creation indicators</i> .....	50
<b>PART 1</b>		2. Advantages and limitations of financial indicators .....	58
<b>MEASURING PERFORMANCE</b>		2.1. <i>Advantages of financial indicators</i> .....	59
 		2.2. <i>Limitations of financial indicators</i> .....	59
<b>Chapter 2</b>		Conclusion .....	62
<b>Defining the performance of an organisation</b> .....	29	Bibliography .....	62
Introduction .....	29		

Key concepts .....	63
<i>Definitions and concepts</i> .....	63
<i>Key messages</i> .....	64
Exercises .....	65
Quiz .....	65
<i>Exercise 3.1</i> .....	65
<i>Exercise 3.2</i> .....	67
<b>Chapter 4</b>	
<b>Measuring the performance of an organisation's entities: financial approaches</b> .....	69
Introduction .....	69
1. The different functions of entity performance measurement .....	70
1.1. <i>External information/internal performance management</i> .....	71
1.2. <i>Corporate-level/local-level performance management</i> .....	72
1.3. <i>Managing activities/Motivating managers</i> .....	73
2. Financial approaches to local performance measurement .....	75
2.1. <i>The performance measurement of entities for the purpose of providing information to external users</i> .....	75
2.2. <i>Systems for measuring the performance of business activities for management reporting</i> .....	79
2.3. <i>Measurement systems aimed at motivating entity managers</i> .....	89
2.4. <i>Measurement systems for local performance management</i> .....	101
Conclusion .....	101
<i>Bibliography</i> .....	102
Key concepts .....	103
<i>Definitions and concepts</i> .....	103
<i>Key messages</i> .....	104
Exercises .....	105
Quiz .....	105
<i>Exercise 4.1</i> .....	105
<i>Exercise 4.2: "Southwest Dealership" case study</i> .....	106

<b>Chapter 5</b>	
<b>Dashboards</b> .....	109
Introduction .....	109
1. Objectives and general principles of dashboards .....	110
1.1. <i>Objectives and principles generally assigned to dashboards</i> .....	110
1.2. <i>Analysis of these objectives and principles</i> .....	115
1.3. <i>Two types of dashboard: performance management dashboards and panoramic dashboards</i> .....	118
1.4. <i>From principles to methods</i> .....	123
2. Building performance management dashboards .....	124
2.1. <i>Applying the BSC method to the construction of performance management dashboards</i> .....	124
2.2. <i>Applying the OVAR method to the construction of performance management dashboards</i> .....	130
2.3. <i>Comparison of the BSC and OVAR methods</i> .....	137
3. Building "panoramic" dashboards .....	137
3.1. <i>Determining ongoing objectives (OO)</i> ..	138
3.2. <i>Determining action areas</i> .....	138
3.3. <i>Determining indicators</i> .....	139
3.4. <i>Setting targets</i> .....	139
4. Further issues .....	142
4.1. <i>The relationship between dashboards and strategy</i> .....	142
4.2. <i>Lack of precision in the methods</i> .....	146
Conclusion .....	148
Bibliography .....	148
Key concepts .....	149
<i>Definitions and concepts</i> .....	149
<i>Key messages</i> .....	149
Exercises .....	151
Quiz .....	151
<i>Exercise 5.1: Construction of a dashboard for the Nowheresville City Art Gallery</i> .....	151
<i>Exercise 5.2: Critical analysis of dashboards</i> ..	152

<b>Chapter 6</b>	
<b>Coordinating a system of dashboards</b> ...	159
Introduction .....	159
1. Dashboard architecture .....	160
1.2. Coordination between the dashboards of levels $n$ and $n + 1$ .....	161
1.3. Coordination of dashboards at the same hierarchical level .....	164
2. Methods .....	165
2.1. Performance management dashboards .....	165
2.2. Panoramic dashboards .....	171
2.3. Summary .....	172
3. Further issues .....	173
3.1. Balance between financial and non-financial indicators .....	173
3.2. Economic and business context indicators .....	174
3.3. The link with incentive schemes .....	174
3.4. The subjectivity of representing performance with indicators .....	175
Conclusion .....	175
Bibliography .....	177
Key concepts .....	178
Key messages .....	178
Exercises .....	179
Quiz .....	179
Exercise 6.1: Critical analysis of a local dashboard .....	179
Exercise 6.2: "Yes, we can" .....	181
<b>PART II</b>	
<b>THE MANAGEMENT CONTROL PROCESS</b>	
<b>Chapter 7</b>	
<b>Business planning</b> .....	185
1. The principles .....	185
1.1. The main purpose of business planning	186
1.2. Basic functions .....	189
1.3. Functions linked to company organisation .....	196
1.4. Theoretical difficulty: incompatibility between functions .....	204
2. Operational implementation .....	205
2.1. Business planning over time .....	205
2.2. The budgeting process .....	209
2.3. Practical difficulties .....	221
Conclusion .....	224
Bibliography .....	225
Key concepts .....	226
Definitions and concepts .....	226
Key messages .....	226
Exercises .....	228
Quiz .....	228
Exercise 7.1: "Ironclad" case study .....	228
Exercise 7.2: "Nectar" case study .....	229
Exercise 7.3: "Textile Union" case study .....	231
<b>Chapter 8</b>	
<b>Analysing results</b> .....	235
Introduction .....	235
1. Principles and tools .....	235
1.1. Objectives and principles of results analysis .....	235
1.2. Results monitoring using a cost accounting approach .....	237
1.3. Monitoring results with dashboards ...	250
1.4. Other methods .....	253
1.5. Summary .....	256
2. Coordination of results monitoring between different levels .....	257
2.1. Coordination between reporting/ autonomous local control .....	257
2.2. Coordination of management processes	260
2.3. The link with evaluating managers ...	260
Conclusion .....	262
Bibliography .....	263
Key concepts .....	264
Key messages .....	264
Exercises .....	265
Quiz .....	265
Exercise 8.1 .....	265

**PART III**  
**INTEGRATING THE PROCESS**

**Chapter 9**

**Key roles in management control** ..... 269

Introduction ..... 269

- 1. Stakeholders in the management control process ..... 269
  - 1.1. *The top of the hierarchy: define the general orientations to follow*..... 270
  - 1.2. *Managers: responsible for local performance management*..... 271
  - 1.3. *Controllers: enabling managers to manage* ..... 273
- 2. Controllers and the performance management dynamic ..... 273
  - 2.1. *Controllers' work* ..... 274
  - 2.2. *A multiplicity of possible work relationships* ..... 275
  - 2.3. *Processing figures and decision support: conflicting roles* ..... 277

Conclusion ..... 280

Bibliography ..... 280

Key concepts ..... 281  
*Key messages* ..... 281

**Chapter 10**

**CostKill Case Study** ..... 283

Introduction ..... 283

- 1. CostKill company ..... 283
  - 1.1. *General presentation* ..... 283
  - 1.2. *The organisation* ..... 284
  - 1.3. *General policy* ..... 286
- 2. The performance management system.... 287
  - 2.1. *The organisation of the management control department* ..... 287
  - 2.2. *The system of indicators* ..... 289
  - 2.3. *The planning process* ..... 292
  - 2.4. *The incentive system* ..... 294

- 3. Strategic initiatives ..... 294
    - 3.1. *Remarks made by Mr Thomas Skeptikos*..... 296
    - 3.2. *The response from Ms Ayma B. Lever*... 297
    - 3.3. *Remarks made by Mr Kent Tekitenimor* 298
    - 3.4. *Memo from Mr Honcho*..... 299
  - 4. Discussion ..... 300
    - 4.1. *Diagnosis of the performance management system at CostKill* ..... 300
    - 4.2. *Obstacles related to strategic initiatives: the case of the FEM division* ..... 305
- Conclusion ..... 309

**Chapter 11**

**The Environmental Services Case Study** . 311

- Appendix 1: Lines of business at Environmental Services Co. .... 314
- Collection* ..... 314
  - Sorting* ..... 315
  - Materials recovery/recycling* ..... 315
  - Landfill* ..... 315
  - Incineration* ..... 316

- Appendix 2: The legal structure of the group and links with business activities ..... 316
- The regional subsidiaries* ..... 316
  - The national subsidiaries* ..... 316

- Appendix 3: Cost accounting system..... 316
- Analysis by subsidiary* ..... 317
  - Analysis by line of business* ..... 317

- Appendix 4: Results by line of business ..... 317

- Appendix 5: Management Control System ..... 321
- The planning system* ..... 321
  - Results monitoring* ..... 321

- Appendix 6: Manager performance appraisal systems ..... 321

- Appendix 7: New controversies in waste management ..... 322

**Index**