Instructor's Guide for the Use of Mini-cases

Description

Instructors may use these mini-cases to build up students' understanding of a Management Control System (MCS) and their data analytics skills in investigating MCS related issues. A Management Control System is about helping managers enable and motivate employees to act in the organization's best interest.

In terms of topics, these mini-cases focus on control tools including:

· Holding people accountable for results – "Results control"
· Identifying, selecting, hiring, and promoting the right employees – "Personnel control"
· Promoting the right type of cultures and norms – "Cultural control"

In terms of data analytics skills, these mini-cases focus on:

· Operationalizing a big control issue and disaggregating it to a set of specific data questions
· Properly asking managers or employees to answer these specific questions
· Designing a data structure to collect archival records to answer these specific questions
· Critically evaluating the meaning of the data pattern
· Clearly communicating your results to decision makers in the organization

Highlight

The highlight of these mini-cases is the integration of data analytics in every step of the case discussion. Students are expected to work on hands-on examples for incorporating data analytics into managerial decision-making. For example, how to choose performance measures to motivate employees is an important topic in managerial decision-making. Traditionally we taught students general theories related to this topic, and we use business cases to guide students to come up with some arguments and qualitative solutions. However, less is known about whether such arguments hold when we subject the real organizational data to rigorous empirical tests. One would only get to know whether the change of the performance measures affects employees' behavior in an organization with some real data from the pre-adoption period and the post-adoption period. Our accounting students are not equipped with skills necessary to complete such a task, in part because of the lack of exposure to data analytics cases that integrate the data skills and the accounting perspective.

More importantly, the case designer takes a "divide-and-conquer" approach, cuts the lengthy text into small vignettes that students feel comfortable digesting, breaks down the data analytics to the very basics, and narrows down complex control system design decisions to simple dichotomous choices.

How to Use

These mini-cases could facilitate classroom discussions or serve as homework assignments and small group projects. These mini-cases work well for the managerial accounting classes at the upper-undergraduate level or graduate level. Each mini-case takes 15-30 minutes of class time to link a data analytics skill with the management accounting topic of the day.

To create a 15-minute mini-case session, I distill the information onto three slides. The first slide shows a puzzling phenomenon or a decision dilemma; the second outlines the key discussion questions for students; and the third summarizes the highlights of the research findings. This is an effective way to link key research findings with the management accounting topic of the day. For example,

- I use Luft's (1994) study to discuss the difference between the reward-based contract and the penalty-based contract. I ask students to choose between two economically equivalent contract designs: (1) You receive $80 base pay and a $20 bonus if you meet your target. (2) You receive $100 base pay and a $20 penalty if you do not meet your target. Which do you prefer? Which one is more motivating? This makes students remember the core concept of prospect theory: it is easier to make people unhappy than happy, and penalty-based contracting may induce more effort than reward-based contracts.

- I use Jensen and Meckling's (1992) work to discuss whether a CEO chooses to reserve all decisions for herself or to delegate some decision rights. I ask my students to imagine themselves inheriting a family hotel business from their parents who were founders and have worked in this business for more than three decades. I then ask them to envision whether they will make decisions in a more centralized way or a more decentralized way after they take over the family business as a rookie CEO with zero experience. When they put themselves in the scenario, they soon realize the dilemma. On one hand, they do not have the specific knowledge about the hotel to make wise decisions, so they want to delegate more. On the other hand, they realize the lack of respect from more experienced subordinates may lead them to engage in opportunistic behavior that is hard to recognize, so they may want to reserve important decisions for themselves. Jensen and Meckling (1992) provide an elegant and thoughtful framework of the trade-offs of decentralization in organizational design, but it can be hard for master's students to digest in its original format. The mini-case discussion serves as a starting point to engage in some critical thinking and can then lead them to the original work.

[1]Joan Luft. "Bonus and penalty incentives contract choice by employees." *Journal of Accounting and Economics* 18, no. 2 (1994): 181-206.

[2]Michael Jensen and William Meckling. "Knowledge, control and organizational structure: Parts I and II." *Contract Economics* (1992): 251-74.

- I use the OpenTable case to discuss how IT infrastructure may affect the design of the internal control system. I ask my students to assume the role of the owner of a large restaurant chain and reflect on all the features enabled by the OpenTable online reservation system. For example, how does the timely push of reservation information affect the way you make staffing arrangements for a busy Friday night? How would the real-time and automatic aggregation of the revenue from different restaurants affect the way you talk to your divisional managers? How does the Searchable Guestbook feature affect your way of incentivizing the waiters in your restaurant?

Author Information

Fei Du, PhD
Assistant Professor of Accountancy
Gies College of Business
R.C. Evans Data Analytics Fellow
University of Illinois at Urbana-Champaign

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