Chapter 4

Management Concepts

Outline

- Expected outcomes

- Importance in AIS

- Enterprise Risk Management framework

- Business process management

- Expectancy theory

Expected outcomes

- Summarize and explain the importance of COSO's Enterprise Risk Management Integrated Framework.

- Define business process management, including a generalized model of BPM.

- List and discuss some basic principles of business process management.

- Explain expectancy theory.

- Apply all three topics within the context of accounting information systems.
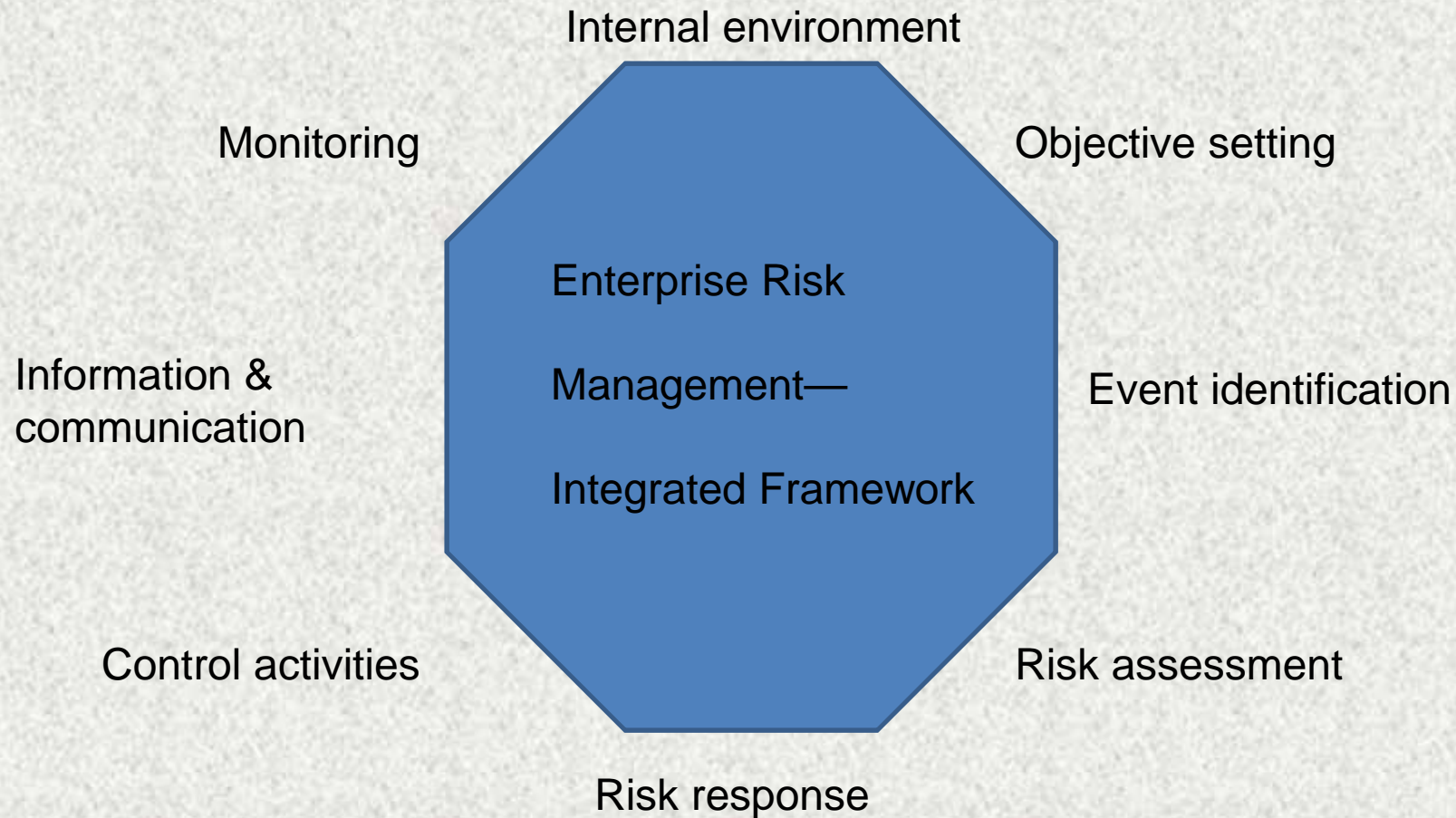
4-3

Importance in AIS

- AIS is interdisciplinary at its core.
  - Accounting and finance
  - Management and organizational behavior
  - Information technology

- Humans are an integral part of any AIS.

- AIS focuses on business processes.

- People can behave in unusual ways when dealing with AIS issues.

4-4

ERM framework

- A second publication from COSO
- Not as well received as the Internal Control framework
  - Necessarily less specific than internal control framework
  - Published around the time SOX became law
- Does not supplant the internal control framework

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ERM framework

Internal environment

Monitoring

Objective setting

Enterprise Risk Management— Integrated Framework

Information & communication

Event identification

Control activities

Risk assessment

Risk response

ERM framework

- **Lecture break 4-1**

  Form a group of three to five students. Consider one or more of the following questions:

  - How are the two COSO frameworks similar? Different?

  - Why is the ERM framework necessarily less specific?

  - How could the ERM framework gain wider acceptance?

Business process management

- A systematic approach to analyzing, redesigning, improving and managing a specific process

- Processes include:
  - Sales / collection
  - Acquisition / payment
  - Financing
  - Conversion
  - Human resources

  Those five processes are discussed later in the text.

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Business process management

- Generalized model of BPM
  - Select the process and define its boundaries.
  - Observe, document and map the process steps and flow.
  - Collect process-related data.
  - Analyze the collected data.

  - Identify and prioritize potential process improvements.
  - Optimize the process.
  - Implement and monitor process improvements.

Lecture break 4-2. Identify one process at your university that could be improved. Complete as many of the steps in the generalized model as you can.

Business process management

- Principles of BPM
  - Understand interaction with organizational strategy.
  - Be open to alternatives.
  - Enlist top management support.
  - Hire people who see the "big picture."

  - Avoid too much reliance on external consultants.

  - Ensure consultants' tasks are well defined.

  - Communicate!

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Expectancy theory

- Proposed by Vroom as a way of understanding human motivation
- Motivation = Expectancy X Instrumentality X Valence
- Note that factors are **multiplied**, not added

- Expectancy
  Will effort lead to success?
- Instrumentality
  Will success be rewarded?
- Valence
  Do I value the reward?

Expectancy theory

- **Lecture break 4-3**

  What tasks associated

  with AIS could be

  usefully analyzed via

  expectancy theory?

Motivation =

Expectancy X

Instrumentality X

Valence

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Classroom assessment

- In this lecture, we've examined the following topics:
  - Enterprise risk management
  - Business process management
  - Expectancy theory

- Consider the process you used to purchase your AIS textbook.
  - What risks did it entail? How did you manage those risks?
  - How could the process be improved?
  - Use expectancy theory to analyze your motivation to buy the book.

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