Management control – increasingly a case of e-learning?
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Abstract
Traditionally, management control has been a question of reporting and analysis of (monetary) data. Management has been a realm for visioning, boundary-setting and dialogue. The increasing use of computers in organizational administration – and actual performance of organizational tasks – has led to an increased availability of (nonmonetary) data, that could be used to support “fact-based” management – and perhaps help controllers become more business relevant, when viewed from line management and grassroots perspectives. It is not obvious that this has led to an actual change in what constitutes management, or even how management control is actually enacted and experienced. Partly as a response to this, partly as an attempt to turn the e-learning hype into something useful, some organizations are now attempting to use the power of digitization and the pervasiveness of computers in contemporary life as ingredients in a novel way for management control purposes. E-learning is designed to instil awareness of, and knowledge in, top-management-approved corporate values and practices and combined with e-quizzes. Thus, management directives asking employees to study and accept particular values and practices can now be realized to a greater degree, and the actual employee attention and retention of such messages can be easily monitored. How much of the novel – and successful – image of this addition to the management control repertoire remains after closer scrutiny? In this article, I present my attempts to investigate such systematic attempts to employ e-learning and e-based monitoring of e-learning for management control purposes.

Introduction
Management by numbers – with Balanced Score Cards and Key Performance Indicators – and process orientation have become the government norm today. A board member of a listed company recently stated “process orientation and process description compliance is the hallmark of professionalism” (Annell, 2011-04-29). Others would rather claim that the process descriptions are not used by experienced employees, but serve as checklists and raise the lowest level of performance (Junlin & Edmundsson, 2011). A problem with management by numbers is that a large set of balancing KPIs is difficult to attend to simultaneously and a few (traditional) key indicators tend to be the ones that management seem to award the greatest importance – such as sales and EBITDA (Ekman & Gustavsson, 2010).

A potentially new avenue for standardised alignment of employee work in a decentralised organisation where the individual co-worker has some latitude in how to perform the work and what decisions to make, is to convey a common mindset. Doing that by sending out a manual or a manifesto is known not to be effective. But digitised alternatives can provide the monitoring capability of checking who has read, and also automated quizzes to determine whether the readers have grasped, the contents.

A current application
At a Swedish-based international telecom company, this approach has been tried for a couple of years. Termed “Mobil 2.0”, probably to allude to web 2.0 and something “modern”, e-learning and e-
quizzes are combined to convey the “Service & Quality” norms. Framed as a competence-enhancing program for a division, Mobile 2.0 was made available via the Intranet and was studied and “passed” by 100% of the employees. (Passed means having achieved a sufficient number of correct answers on the automated quiz.) The norms consist of six steps: improvement activities, service culture, customer relations, master processes, attention to detail, and, finally, attainment of a specific rating by SKI, the Swedish quality index which is part of EPSI rating, the European Performance Satisfaction Index rating organisation.

The controllers at the division believe the program to be a good complement to the balanced scorecard and claim that it has resulted in a more customer- than technician-focused perspective on problems and opportunities. They also state that the company strategies have become more widely known and understood, which is important in a company with highly skilled and educated employees who affect where the company is going by their everyday decisions and actions. The unit managers find Mobil 2.0 to be a good way of spreading awareness and knowledge of the Service & Quality program and note that it has helped increase service and quality of the work performed in the division. They also note that the performance of the least competent has increased and that people in general look more to the company as a whole and are engaging less in “us and them” thinking. The list of beneficial results is extended by noting that employees are more premeditated in their behaviour, and are better at prioritising. In addition, they see more individual initiatives and that the business plan is more adhered to.

Other applications of the idea

From a management control perspective, this long list of positive effects of the application of a rather uncomplicated tool – the e-learning material and accompanying e-quizzes – appears attractive. It could then be expected that other large companies would also chose to employ it, and that this could be an effective part of the future management control tools. To make a preliminary assessment of the current spread of such practices, I have contacted employees in a number of large Swedish enterprises. The results so far indicate that although the use of e-learning material, and to some extent accompanying e-quizzes, appears to be common, their adoption as a central tool in management control in general is so far not widespread.

At a large industrial group, this type of tool has been employed for Health and Safety and for Business Ethics Compliance training, the most prominent example being the latter. Since 2006, a number of Business Ethics Compliance programs have been launched. The programs have contained some traditional face-to-face parts, but the centrally monitored ones have been e-learning-based. On two occasions since 2006, course material has been posted on the intranet and all employees have been invited by email to take that part of the training. All managers were asked to make sure that their employees heeded the call.

The course consisted of a number of pages to read – typically structured as sets of: an instruction, a description of a business situation, and a number of questions on how you would act in this situation. It was not possible to “skip through” – the program did not allow you to continue until you had spent a reasonable amount of time on each page. And if you gave “wrong” answers, you would be returned to a previous point in the material and would have to repeat until you produced “correct” answers.

At intervals, an automated email reminder would be sent to those who had not yet passed the course, asking them to complete it. Simultaneously, the managers received information on who had not yet completed the course, so they could also remind.
At an international accounting and management consulting company, there is a large supply of e-learning material, almost all of it optional. The only compulsory one is on the company’s independency policy. It details the laws and policies concerning employees’ and their families’ involvement in customer organisations. At its launch, all employees were required to take (and pass) it, and since, all new employees are required to take it. The course is rather conventional, consisting of an information material and ending with a set of questions, where you are required to achieve a certain score in order to pass. Your use of the application is monitored, and your manager will not accept that you do not (eventually) pass it.

In addition, the official company values are installed as the default screensaver on all company computers, but without any attempt to check that they are read and internalised by the employees.

An international ICT systems developer also has a large set of optional e-learning courses, but few compulsory ones. One is an anti-corruption course for consultants. It consists of digital OH presentations and videos, ending with e-quizzes on hypothetical situations and how you would act in them. One reason for making it compulsory is that it could easily seem unlikely to a consultant that she or he would end up in such situations, and thus make them not prioritise taking the course, or giving it more than scant attention. The e-quiz and monitoring aspects provide management with much higher assurance that the employees have actually studied and comprehended the material – even though it does not assure that they would act in accordance with their quiz answers in a real situation.

The other area for compulsory e-learning courses is information security – from encryption of sensitive digital material to prudent behaviour in places where conversation can be overheard or documents can be visible.

An international IT consultant and solutions vendor, with an extensive supply of e-learning training modules and programs, employs an obligatory Business Conduct Guideline e-learning session. It should take about 40 minutes to complete, and all employees are required to take it every year. After basic information, the user is presented with cases depicting business situations requiring non-trivial decisions. A score of 100% is needed to pass, and the e-learning session is part of the company business rule certification scheme, making it impossible for employees to claim that they are unaware of the rules that apply. Thus, there is considerable management attention on anyone who lags in completing the session.

The medical faculty at a large university employs an extensive e-learning course (work load of about two days) to introduce PhD students to the practice of PhD studies. Mainly dealing with the practical issues during the PhD period, it also encompasses some aspects of expected behaviour from PhD students and tutors, and regulations that apply. The course consists of recorded lectures with accompanying quizzes, where the student needs 100% correct answers to pass. (There is no limitation on how many times you retake a quiz or how soon after a failed attempt you make a new one.) From the course provider’s perspective, the e-learning course is viewed as a convenient service to the students, but from a student perspective, it can also give an impression of “this is what it entails to be a PhD student at the medical school”.

In a number of organisations, another type of (temporary) use of e-learning and e-quiz is reportedly at the introduction of new IT systems, when employees are required to learn the new system. In management control literature, there have been calls for aligning management control and IS use guidelines and incentives (Petri, 2001). Company-wide, recurring or systematic use of such applications has, however, not been reported by my informants, nor has the use been viewed as an integrated part of management control.
Computer security is also an area where this type of application is used. Initiated by IT staff, it is more regarded as part of the technical infrastructure of the organisation than as part of management control or corporate governance. However, given the prevalence of IT infrastructure in organisations, and the potential risks of mismanaging information security, perhaps it is time to start viewing such security-awareness training as part of the management control package.

**Analysis**

The idea that information systems afford surveillance capabilities over and above their explicit goals is long established, capabilities with intended and unintended consequences (for example in management accounting: Hopwood, 1990; Westelius, 1996; ERP systems: Westelius 2006; Knowledge management systems: Brivot & Gendron, 2011). What I am discussing in this article is the explicit use of such capabilities in e-learning applications as a part of a management control package. The distribution of a training material in e-learning format with accompanying e-quizzes affords the sender an easy monitoring possibility of the extent to which the receivers have perused the material. From a management control perspective, this combination of the digital format’s capabilities for inexpensive distribution and inexpensive monitoring can profitably be employed, as indicated by the examples. However, it is so far not the subject of discussion in management control journals such as AOS or MAR.

But what are these possibilities used for? Taking Simons’ levers of control as a starting point (see Figure 1), the telecom company example could be viewed as fostering alignment of beliefs systems and core values (top left). The other examples tend to restrict themselves to boundary systems and risks to be avoided (top right). All were coupled with a diagnostic control systems parameter – the extent to which the employees had successfully completed the training (and automated reminders to those who had not). In order to make the monitoring effective, they also had some kind of connection to interactive control systems – that managers cared about the extent to which their employees had completed the training and brought the subject up with those who had not.

The use for boundary systems purposes seemed to be more passive in the sense that the completion of the training appeared to close the matter. In some examples, this was a one-off training, in others something that would reappear every few years, and in yet other a yearly requirement. However, in none of these cases, the informants presented the training as something the results of which would be actively followed up afterwards, either in management dialogues or through some kind of diagnostic control system metric of boundary systems violations. In comparison with this, the telecom company beliefs systems use appeared more active. There, the training formed a part of broad attempts to foster behaviour deemed to be beneficial to the business and the company’s long-term profitability. The results of the training were also followed up by diagnostic control systems attempting to measure performance at behaviour and results levels.
The example does not prove that the effects claimed by the controllers actually derive from the use of the e-learning modules, but it appears plausible that the effects have been sufficiently valuable to further explore the inclusion of e-learning and e-quiz modules for governance purposes in the management control toolbox.

Conclusions

My conclusions from this preliminary investigation is that there is potential in e-learning for management control purposes. It appears to be a useful tool to add to the management control toolkit. Probably, it has a wider management control applicability than the boundary systems use that seems to prevail at present.

However, it is by no means a new cure-all. Selection of employees is, as always, one of the most important foundations for corporate governance. And the use of the tool, with its automation and monitoring capabilities, must be subject to management attention and focus (interactive control) in order to be effective. To derive more than symbolic benefits, it probably also needs to be part of a larger scheme, where continued management attention in interactive control mode, and indicators (formal diagnostic control systems style as well as informal, soft ones) help follow up on the achievement of the wished-for results and detect unintended results of the management control use of e-learning.

References


