Harvard Business School Publishing

Case Map for
Horngren, Foster & Datar: *Cost Accounting: A Managerial Emphasis*, 10th Edition
(Prentice Hall)

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Case Title	Institution, HBSP Product Number, Length, Teaching Note	Geographical and Industry Setting, Company Size, Time Frame	Abstract, Key Subjects
PART ONE: COST ACCOUNTING FUNDAMENTALS			
Chapter 1: The Accountant's Role in the Organization			
Chapter 2: An Introduction to Cost Terms and Purposes			
[Carver Consulting Co.]()	HBSP #199006 7p	United States, consulting, 10,000 employees, 1994	The managing partner of a relatively new consulting firm is concerned because training costs at the firm's new training center are higher than expected. Analysis of actual costs compared to those expected is required. In addition, he is considering capitalizing some training costs for later amortization. A management control system for the center is also a priority.
[Daniel Dobbins Distillery, Inc.]()	HBSP #189065 7p TN #189172	Tennessee, liquor distillery, 1988	A distiller increases whiskey production and income declines because of accounting methods in use. Questions are raised regarding the treatment of expenditures, which can be classified as production, inventory, or period costs. The necessary aging process raises added questions about prior period restatements and needed financing.
Chapter 3: Cost-Volume-Profit Analysis			
[Hollydazzle.com]()	HBSP #100066 5p	New England, Web retailing, 1999	Describes the underlying economics of a start-up Internet retailing company. Highlights the fact that costs in that setting have a component that varies with volume and thus seriously impacts profitability. The cases focuses on the unusual cost-volume-profit relationship at an e-tailer.

Prestige Telephone Co.	HBSP #197097 4p TN #197098	United States, telecommunications, 1997	An independent regulated telephone company has established a computer services subsidiary that seems to remain unprofitable. Managers must determine whether it is profitable or not and consider changes in pricing or promotion that might improve profitability. Introduces concepts of relevant costs, contribution, and breakeven analysis.
Mueller-Lehmkuhl GmbH	HBSP #187048 13p TN #187049	Germany, light manufacturing, 1985	Mueller-Lehmkuhl sells apparel fasteners and rents attaching machines. It views these two products as effectively a single item and prices them accordingly, the fasteners at high profit and its attaching machines at a loss. The cost system allocates the cost of the attaching machines to the fasteners. The Japanese have entered the market and found a way to unbundle the two products. As a result they are challenging the European way of doing business. The case asks the student to analyze the true cost and profitability of the products.
Chapter 4: Job Costing			
Colorscope, Inc.	HBSP #197040 16p TN #198110	Los Angeles, CA, pre-press, 20 employees, 1996	A small company in the graphic arts business faces severe price competition. The company has to respond by cutting costs and making process improvements. Introduces job costing, activity-based costing, cost controls, process improvements, and product pricing concepts in a very simple setting.
Chapter 5: Activity-Based Costing and Activity-Based Management			
Owens & Minor, Inc. (A)	HBSP #100055 17p TN #100100	Richmond, VA, health-care supply, 4,200 employees, 1996-1999	Examines the use of activity-based (or menu) pricing at Owens & Minor (O&M). A manager at O&M, a large national medical and surgical distribution company, enlisted the help of both logistics and cost managers to develop an innovative pricing schedule based on the customer's activities instead of product price. The existing cost-plus pricing structure made it impossible for O&M to price services appropriately. However, he encounters customer resistance to his new proposal. Introduces students to activity-based pricing/menu-pricing in a medical supply distribution company.
Insteel Wire Products: ABM at Andrews	HBSP #198087 9p TN #198111	South Carolina, steel/wire & nails, 1996-1997	Insteel implements an ABC system in 1996. It finds pallet nails to be its most profitable product and decides to expand the number of cells making pallet nails from two to four. A repeat of the ABC study in 1997 shows pallet nails have become the least profitable product. The case explores cost allocation in the presence of excess capacity.

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Activity-Based Management at Stream International	HBSP #196134 25p TN #198079	Indiana, software, 1995	Describes the design and implementation of an activity-based costing project undertaken by Stream International's Crawfordsville, Indiana, facilities. After analyzing the costs assigned to 161 work activities, Crawfordsville managers present five proposals for change based on ABM results, then meet to decide which to implement.
The Co-operative Bank	HBSP #195196 17p TN #198078	England, banking, 1993	A British bank with strong roots in the cooperative movement encounters declining profitability in an increasingly competitive and deregulated financial services industry. It attempts to grow by broadening its customer base and increasing the range of products and services offered. It turns to activity-based costing as part of its reengineering effort to learn more about the process and product costs and customer profitability, and contemplates what actions to take based on this new information.
Wilkerson Co.	HBSP #101092 4p	Florida, brass fittings, 1989	The president of Wilkerson, faced with declining profits, is struggling to understand why the company is encountering severe price competition on one product line while able to raise prices without competitive response on another product line. The controller proposes that the company develop an activity-based cost model to understand better the different demands that each product line makes on the organization's indirect and support resources. Students estimate the new cost model, which provides a radically different perspective on product line profitability. They can suggest actions, based on the new cost model, to improve the company's profitability.
Kanthal (A)	HBSP #190002 13p TN #190115	Sweden, wire, 1987	Multinational company needs an improved cost system to determine the profitability of individual customer orders. Its strategy is to have significant sales and profitability growth without adding additional administrative and support people. The new cost system assesses a charge to each customer order received and an additional surcharge if the item ordered is not normally stocked. The goal is to direct sales resources to the most profitable customers: those who buy standard products in large predictable quantities with minimal demands on technical resources.

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PART TWO: TOOLS FOR PLANNING AND CONTROL			
Chapter 6: Master Budget and Responsibility Accounting			
Cafes Monte Bianco: Building a Profit Plan	HBSP #198088 8p TN #101044	Italy, coffee, 1997	Using an income statement, balance sheet, and projected demand and cost schedules, students are required to build a profit plan for a closely-held coffee manufacturer in Italy. Students must estimate cash flow and ROE and use this analysis to evaluate the attractiveness of a new strategy.
Walker and Company: Profit Plan Decisions	HBSP #197084 12p TN #100005	United States, publishing, 35 employees, 1997	Ramsey Walker, a second-year MBA student, must decide how to control a family business as an absentee owner. After providing background details on the publishing industry, the case requires the reader to: 1) make a product segmentation decision; 2) prepare a profit plan; 3) calculate free cash flow effects; 4) determine key accounting performance measures; and 5) assess new control systems and their implementation.
Citizen Watch Co., Ltd.: Cost Reduction for Mature Products	HBSP #194033 9p TN #195049	Japan, watches, 1990-1993	Explores the comprehensive cost reduction program at the world's largest watch manufacturer. Given the maturity of quartz watch technology, Citizen focused its cost reduction efforts on the production process. Details Citizen's aggressive efforts to achieve steady cost reduction from suppliers and to reduce direct labor costs through increased automation and employee efficiency.
Chapter 7: Flexible Budgets, Variances, and Management Control: I			
Software Associates	HBSP #101038 5p	Software, 113 employees, 1990-1999	The president of a small consulting firm has just seen his second-quarter profit and loss statement, showing an increase in revenues but a substantial decline in profits. He asks his chief financial officer to explain the results in a meeting the next day. The CFO works hard to accumulate information so she can explain the impact of the quantity of billed hours, billing rates, consultant expenses, operating expenses, and the shifting mix of business between the two principal product lines. The situation provides an excellent opportunity for students to learn the fundamentals of variance analysis and flexible budgeting in the context of a professional service firm, without the complications that arise in manufacturing firms of overhead absorption and fixed-cost volume variances.

Peoria Engine Plant (A) (Abridged)	HBSP #197099 14p	Midwest, automobiles, 1992	Describes the cost control system used at an automobile engine plant for labor and overhead costs. The finance staff prepares daily, weekly, and monthly variance reports against budgets. Department supervisors, finance staff, and the plant manager discuss the use and interpretation of these reports. Also describes the company's budgeting procedures, which include a performance improvement factor to motivate annual productivity gains and cost reductions. Allows the class to discuss whether the extensive and detailed variance analysis systems promote valuable managerial objectives such as cost control, learning, and improvement. A big issue is whether an emphasis on meeting short-run budgets inhibits longer-term improvements in quality and productivity.
Metabo GmbH & Co. KG	HBSP #189146 14p TN #191098	Germany, power tools, 1985	A privately owned German power tool company was dissatisfied with its existing cost system. The system could not produce timely, accurate reports on cost center operations, and newly purchased automated machines were attracting large overhead costs. A new, highly automated system was designed and installed that used 600 cost centers and an appropriate activity base chosen for each center. The case shows the design of a highly accurate cost control system with flexible budgets used in both support and production cost centers.
Chapter 8: Flexible Budgets, Variances, and Management Control: II			
Chapter 9: Inventory Costing and Capacity Analysis			
Micro Devices Division	HBSP #191073 13p TN #191175	United States, electronics, 1989	The company has excess capacity. The case explores the various issues surrounding accounting for the cost of capacity. Several definitions of capacity can be discussed and accounted for.
PART THREE: COST INFORMATION FOR DECISIONS			
Chapter 10: Determining How Costs Behave			
The Co-operative Bank	HBSP #195196 17p TN #198078	England, banking, 1993	A British bank with strong roots in the cooperative movement encounters declining profitability in an increasingly competitive and deregulated financial services industry. It attempts to grow by broadening its customer base and increasing the range of products and services offered. It turns to activity-based costing as part of its reengineering effort to learn more about the process and product costs and

			customer profitability, and contemplates what actions to take based on this new information.
Analog Devices, Inc.: The Half-Life System	HBSP #190061 26p TN #191103	Massachusetts, semiconductor, 1989	The company has committed to major improvements in quality, cost, and on-time delivery performance. Despite strong senior management support, however, the actual rate of improvement was disappointing until a new measurement philosophy was introduced. The new approach specified expected rates of improvement and compared actual improvements to the expected rate. Operational people preferred the new measures to the monthly financial reports they continued to receive. The case explores the conflicts between financial measurements and operating improvements.
John Deere Components Works (A)	HBSP #187107 19p TN #188049	Midwest, farm equipment, 1985	The division has recognized the inadequacies of its existing, traditional cost system for estimating product costs. Describes the innovative activity-based system that was developed to more accurately trace overhead costs to individual products. Provides students with the opportunity to critique a standard cost system and to assess the characteristics of the proposed system that traces costs to production activities.
Chapter 11: Decision Making and Relevant Information			
Prestige Telephone Co.	HBSP #197097 4p TN #197098	United States, telecommunications, 1997	An independent regulated telephone company has established a computer services subsidiary that seems to remain unprofitable. Managers must determine whether it is profitable or not and consider changes in pricing or promotion that might improve profitability. Introduces concepts of relevant costs, contribution, and breakeven analysis.
Catawba Industrial Co.	HBSP #191053 4p TN #894058	United States, industrial machinery, 1990	A department general manager has to decide whether or not to add a lightweight compressor to the line, what price to charge, and what volume to produce. The analysis requires maximizing contribution in a situation where one factor is constrained. As such, it takes into account opportunity costs and shadow prices as well as fixed and variable costs, demand curve analysis, and sunk costs. Also invites discussion about the proper measurement, offering departmental profits and return on sales as candidates.
Bridgeton Industries: Automotive Component & Fabrication Plant	HBSP #190085 7p TN #191168	United States, automotive	Bridgeton Industries was experiencing reduced sales. To become more competitive it introduced a classification procedure for products based upon their productivity and other factors. Products were classified into three groups: world class, potentially world class, and non-world class. The firm

			outsources the non-world class products. This outsourcing causes the costs on the remaining products to increase because some costs associated with the outsourced products don't go away. These residual costs caused more products to become non-world class and hence candidates for outsourcing. The firm has entered the death spiral.
Chapter 12: Pricing Decisions and Cost Management			
Owens & Minor, Inc. (A)	HBSP #100055 17p TN #100100	Richmond, VA, health-care supply, 4,200 employees, 1996-1999	Examines the use of activity-based (or menu) pricing at Owens & Minor (O&M). A manager at O&M, a large national medical and surgical distribution company, enlisted the help of both logistics and cost managers to develop an innovative pricing schedule based on the customer's activities instead of product price. The existing cost-plus pricing structure made it impossible for O&M to price services appropriately. However, he encounters customer resistance to his new proposal. Introduces students to activity-based pricing/menu-pricing in a medical supply distribution company.
Toyota Motor Corp.: Target Costing System	HBSP #197031 10p	Japan, automotive	Explores Toyota's target costing system, considered to be the most advanced such system of any major Japanese manufacturer. Specifically, describes Toyota's process of setting rigorous cost-reduction goals and the steps taken to achieve them.
Olympus Optical Co. Ltd. (A): Cost Management for Short Life Cycle Products	HBSP #195072 12p TN #195074	Japan, electronics/consumer products, 1990-1993	Explores Olympus Optical's strategic response to major losses in its camera business. Key to Olympus's recovery were its extensive product planning process, a quality improvement program, and an aggressive cost-reduction program. In particular, the case details Olympus's target costing system, which enabled the firm to design high-quality products at low cost.
Isuzu Motors Ltd.: Cost Creation Program	HBSP #195054 15p TN #195055	Japan, automotive, 1990-1993	Describes the various value engineering techniques used by Isuzu. Shows how Isuzu reduces the cost of its products while increasing their functionality within the constraints of a target cost.

Nissan Motor Co. Ltd.: Target Costing System	HBSP #194040 20p TN #195063	Japan, automotive, 1990-1993	Describes Nissan's sophisticated target costing system in the context of new product introduction. On the basis of consumer analysis and a life cycle contribution study, Nissan conducts an exhaustive analysis of component costs to determine whether a new model can be profitably manufactured. Cost reduction measures are then pursued both internally and with suppliers to ensure that the model can be produced to the target cost. The target costing system is central to Nissan's continued competitiveness in the fiercely contested Japanese automobile market.
Chapter 13: Strategy, Balanced Scorecard, and Strategic Profitability Analysis			
Boston Lyric Opera	HBSP #101111 21p	Boston, MA, performing arts, 30 employees, 2001	The Boston Lyric Opera was the fastest growing opera company in North America during the 1990s. Having successfully completed a move to a larger facility in 1999, the board and general director recognize the need to develop a formal strategic planning and governance process to guide the company into the future. Board members, senior managers, and artistic leaders use the Balanced Scorecard as the focus of a strategic planning process that develops a strategy map and objectives in the four BSC perspectives for three core strategic themes. This case describes the high-level scorecard development, its cascading down to departments and individuals, and the directors' interactions, using the Balanced Scorecard, with the artistic leaders and board of directors. Can serve as an introductory class on the Balanced Scorecard or as a follow-up session after the scorecard has been introduced in a traditional for-profit setting.
Pillsbury: Customer-Driven Reengineering	HBSP #195144 28p TN #199021	United States, food processing, 1994	Pillsbury is transforming itself from an integrated producer of flour and bakery products to a value-added supplier of premium branded products. After initial successes applying activity-based costing to manufacturing operations, two senior executives decide to collaborate to propose a major reengineering project across the company's entire value chain. The case describes the project's definition and scope to yield projected annual cost savings and margin improvement between $100 and $300 million.
Chemical Bank: Implementing the Balanced Scorecard	HBSP #195210 19p TN #198090	New York, banking, 1993-1994	The retail bank division of Chemical Bank faces declining margins and increased competition in its credit and deposit gathering and processing business. It wishes to implement a new strategy to become a

			preferred financial service provider to target customer groups. The division adapts the Balanced Scorecard to clarify and communicate the new strategy and to identify the key drivers for strategic success. The case describes the development of strategic objectives and measures for four perspectives: financial, customer, internal, and learning growth, and the process for implementing the new measurement and management system.
PART FOUR: COST ALLOCATION AND REVENUES			
Chapter 14: Cost Allocation			
Insteel Wire Products: ABM at Andrews	HBSP #198087 9p TN #198111	South Carolina, steel/wire & nails, 1996-1997	Insteel implements an ABC system in 1996. It finds pallet nails to be its most profitable product and decides to expand the number of cells making pallet nails from two to four. A repeat of the ABC study in 1997 shows pallet nails have become the least profitable product. The case explores cost allocation in the presence of excess capacity.
Cambridge Hospital Community Health Network: The Primary Care Unit	HBSP #100054 19p TN #101007	Cambridge, MA, health care, 1996	Examines a pilot activity-based costing program at the Primary Care Unit (PCU) of the Cambridge Hospital Community Health Network. The network needed to gain a better understanding of its unit-of-service costs, which had been rising at a rate of 10% per year. The network's current step-down costing system gave only aggregate costing information, and there was some concern that it was inaccurately representing the true cost of the intern/resident program, the interpretive services department, and the use of nurse practitioners. Provides detailed exhibits on the methods of allocating costs using activity-based drivers. Students are encouraged to examine both the data and methodology of the pilot study.
Wilkerson Co.	HBSP #101092 4p	Florida, brass fittings, 1989	The president of Wilkerson, faced with declining profits, is struggling to understand why the company is encountering severe price competition on one product line while able to raise prices without competitive response on another product line. The controller proposes that the company develop an activity-based cost model to understand better the different demands that each product line makes on the organization's indirect and support resources. Students estimate the new cost model, which provides a radically different perspective on product line profitability. They can suggest actions, based on the new cost model, to improve the company's profitability.

Chapter 15: Cost Allocation: Joint Products and Byproducts			
Chapter 16: Revenues, Sales Variances, and Customer-Profitability Analysis			
The Co-operative Bank	HBSP #195196 17p TN #198078	England, banking, 1993	A British bank with strong roots in the cooperative movement encounters declining profitability in an increasingly competitive and deregulated financial services industry. It attempts to grow by broadening its customer base and increasing the range of products and services offered. It turns to activity-based costing as part of its reengineering effort to learn more about the process and product costs and customer profitability, and contemplates what actions to take based on this new information.
Manufacturers Hanover Corp.: Customer Profitability Report	HBSP #191068 16p TN #191208	New York, banking, 1988-1990	A banking company noting declining profitability from its traditional lending activities has started to measure the total profitability of its lending relationships. A loan pricing model estimates the profit and return-on-equity from commercial loans. Additional work was required to recognize the revenue from fee-for-service business for the same customer that is performed by other units in the bank. The case raises the problem of how revenues and expenses from diverse activities can be combined to produce an accurate picture of customer profitability.
Chapter 17: Process Costing			
PART FIVE: QUALITY AND JIT			
Chapter 18: Spoilage, Rework and Scrap			
Chapter 19: Quality, Time, and the Theory of Constraints			
Lehigh Steel	HBSP #198085 15p TN #198112	Pennsylvania, specialty steel, 1993	Lehigh Steel is a specialty steel manufacturer that plummeted from record profits to record losses in less than three years, driven by an inability to distinguish between profitable and unprofitable business. The scale and growth of service activities and overhead costs in an increasingly customized product line suggests that ABC could unlock the secrets of profitability. However, the high fixed-cost structure suggests that the theory of constraints (TOC) could also be relevant. How should Lehigh measure profitability to rationalize its products? Students assess the relevance of various costs and the structure (fixed or variable) to calculate profitability relevant to a product mix decision over a certain time horizon.

Analog Devices, Inc.: The Half-Life System	HBSP #190061 26p TN #191103	Massachusetts, semiconductor, 1989	The company has committed to major improvements in quality, cost, and on-time delivery performance. Despite strong senior management support, however, the actual rate of improvement was disappointing until a new measurement philosophy was introduced. The new approach specified expected rates of improvement and compared actual improvements to the expected rate. Operational people preferred the new measures to the monthly financial reports they continued to receive. The case explores the conflicts between financial measurements and operating improvements.
Texas Instruments: Cost of Quality (A)	HBSP #189029 16p TN #189112	Massachusetts, control products & metallurgical materials, 5,000 employees, 1987	Texas Instruments implements a Cost of Quality (COQ) system as part of a company-wide "Total Quality Thrust." After several years of operation, group management questions whether or not the COQ system should be updated to make it more useful in identifying areas for quality improvement. The case documents the current system and asks students to analyze the role it played in the quality control process and areas in which it could be improved.
Chapter 20: Inventory Management, Just-in-Time, and Backflush Costing			
Supply Chain Management at World Co. Ltd.	HBSP #601072 21p TN #601147	Japan, apparel/retailing, 5,000 employees, 1999	Describes a supply chain with very quick (i.e., two week) response times and allows students to explore how such short response times are achieved. Allows students to explore why other supply chains, with much longer response times, might not be able to replicate this performance. Illustrates the need and value of response times to short-lifecycle product supply chains and how response times can be reduced through process and organizational changes.
Injex Industries	HBSP #697003 20p	Hayward, CA, injection molding for automotive industry, 250 employees, 1996	Injex Industries in Hayward, CA, supplies the New United Motor Manufacturing, Inc. (NUMMI) – a joint venture between General Motors and Toyota – with interior plastic door trim panels and garnish parts. Injex applies the methods of lean, just-in-time manufacturing through the Toyota Production System and improves quality and productivity significantly. NUMMI is Injex's only customer. The challenge is to keep inventory as low as possible, yet be able to react to production problems without seriously impacting their customer's production. A minor car model change means a significant change to the manufacturing processes. A major model change requires Injex to change many plastic injection molds for new design on the upcoming 1998 model with little time for production testing.

			Explores the advantages and disadvantages of having a single, very demanding customer.
Raychem Corp.: Interconnection Systems Division	HBSP #694063 17p TN #695012	California, microelectronics, 100 employees, 1988-1992	Describes the highly successful efforts of a management team to turn around the performance of a $30 million Raychem division that manufactures electronic connectors. The original manufacturing system was a batch operation, with a broad product line, high inventories, and slow throughput time. Describes the process of converting the operation to a low-inventory, just-in-time plant, organized by manufacturing cells. Shows how it was done, and the impact it had on different categories of overhead cost. Can be used for two purposes: 1) explains how to manage the transition of an organization to one based upon just-in-time manufacturing, and 2) can be used to show in detail the cost structure of a manufacturing organization, describing how costs change when just-in-time principles are adopted.
Digital Equipment Corp.: The Endpoint Model (A)	HBSP #688059 14p TN #691047	Maine, Massachusetts, computers, 1,000 employees, 1986	Describes a comprehensive manufacturing strategy designed to reduce substantially the cycle time of orders (the time between the placement of an order by a customer and its delivery to the customer). To launch the strategy, Digital has adopted manufacturing resource planning (MRP II). The case allows students to assess the pros and cons of the strategy, which requires rapid information flows and tight manufacturing discipline; the usefulness of MRP II, which integrates manufacturing with overall business plans; and the implementation process to date.
PART SIX: INVESTMENT DECISIONS AND MANAGEMENT CONTROL SYSTEMS			
Chapter 21: Capital Budgeting and Cost Analysis			
Phuket Beach Hotel: Valuing Mutually Exclusive Capital Projects	University of Hong Kong #HKU145 4p TN #HKU146	Thailand, hotels	Phuket Beach Hotel has an opportunity to lease its underutilized space to a karaoke pub and earn a rental income. Alternatively, the hotel could develop the unused space and create its own pub. The general manager of the hotel must decide which of the two capital projects to recommend to the hotel owners. This case presents sufficient information to build cash flow forecasts for each project and to rank the mutually exclusive projects using various evaluation criteria.
Ginny's Restaurant	HBSP #201099 2p TN #202013		An individual is considering the development of a new restaurant. To make the decision, she uses NPV analysis to determine whether she should undertake the investment, and if so, the optimal size of the investment. Introduces net present value analysis.

Dixon Corp.: The Collinsville Plant (Abridged)	HBSP #201097 14p	United States, chemicals	Specialty chemical company Dixon must decide whether to acquire Collinsville, a business in a new segment, and how much to pay. Gives students practice in applying free cash flow valuation methods.
Reto S.A.	HBSP #197102 2p TN #197109	Switzerland, plastics, 1997	The company must decide whether to acquire new equipment to offer a new product line. The question is whether equipment will meet return on investment targets considering depreciation and taxation of profits. The equipment is acquired, but one year later, better equipment becomes available. This case reviews all major issues to be considered in analyzing new equipment proposals.
E.I. du Pont de Nemours & Co.: Titanium Dioxide	HBSP #284066 7p TN #289005	United States, chemicals, 1972	Disequilibrium in the $350 million TiO2 market has prompted Du Pont's Pigments Department to develop two strategies for competing in this market in the future. The growth strategy has a smaller internal rate of return than the alternative strategy due to large capital outlays in early years and positive cash flows arising only in later years. However, it is the more valuable project on a net present value basis for all discount rates less than 21%. Students must convert strategic plans and objectives into free cash flow projections and determine a breakeven discount rate between these mutually exclusive projects. They must then decide which strategy to pursue.
Chapter 22: Management Control Systems, Transfer Pricing, and Multinational Considerations			
Airtex Aviation	HBSP #800269 16p	Texas, aviation, 1996-1998	Two young and inexperienced MBAs buy a virtually bankrupt company. They design a decentralized control system organized around profit centers. As a case in control systems, there is ample detail for discussion of design issues, control of independent profit centers, and details about decentralized control.
ATH Technologies, Inc.: Making the Numbers	HBSP #197035 14p TN #198037	United States, medical devices, 600 employees, 1986-1996	A self-contained exercise that takes students through five stages of growth in an entrepreneurial start-up in the medical devices industry: 1) founding, 2) growth, 3) push to profitability, 4) refocus on process, and 5) takeover by new management. At each stage, students must confront tensions in balancing profit, growth, and control. Difficulties encountered in the business are due to management's attempts to design and use formal control systems to achieve profit and performance goals.

Kyocera Corp.: The Amoeba Management System	HBSP #195064 12p TN #195065	Japan, semiconductors, electronics, 1990-1993	Describes Kyocera's unusual approach to profit centers. The firm's basic units of operation are profit centers called "amoebas," which are sales or manufacturing units with full responsibility for their planning, decision making, and administration. Amoebas are expected to find ways to improve production and lower costs, reflecting the belief of Kyocera's founder that profits are generated during the manufacturing process.
J Boats	HBSP #197015 18p TN #199042	Newport, RI, sailboats	Traces the 20-year evolution of a family-owned, entrepreneurial sailboat company. Illustrates how two founders leveraged their design and marketing skills to build one of the most recognized brands in the recreational boating industry. Ends as the founder considers management succession and the need to improve financial planning and control systems to capitalize on brand value. Illustrates how entrepreneurs successfully utilize the levers of control by focusing on core values, risks to be avoided, critical performance variables, and strategic uncertainties in a small, family-run business.
Chapter 23: Performance Measurement, Compensation, and Multinational Considerations			
Vyaderm Pharmaceuticals	HBSP #101019 15p TN #101043	Seattle, WA, pharmaceuticals, 17,500 employees, 2000	In 1999, the new CEO of Vyaderm Pharmaceuticals introduces an Economic Value Added (EVA) program to focus the company on long-term shareholder value. The EVA program consists of three elements: EVA centers (business units), EVA drivers (operational practices that improve EVA results), and an EVA-based incentive program for bonus-eligible managers. Over the next two years, the implementation of the program runs into several stumbling blocks, including resistance from regional managers, who push for "line of sight" EVA drivers; the difficulty of managing a large number of EVA centers; and unexpected bonus adjustments due to poor EVA performance. The decision point focuses on the competitive situation in a business unit where the sudden exit of a competitor produces an unexpected one-time "windfall" in earnings. Vyaderm's top managers struggle with the question of whether to adjust the EVA results to prevent demoralizing managers in future years when EVA results are likely to decline. Requires students to calculate EVA bonus payouts.

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Guidant Corp.: Shaping Culture Through Systems	HBSP #198076 17p TN #199056	United States, medical products, 1996	Guidant is a successful IPO start-up selling pacemakers and defibrillators. The case describes how managers install systems to balance innovation and control. Three parts of a shareholder value strategy are described. Controls include incentive systems, beliefs systems, and risk-management systems.
Citibank: Performance Evaluation	HBSP #198048 9p TN #199047	United States, banking, 1996	Citibank has introduced a new, comprehensive performance-scorecard system. A regional president struggles with a tough decision: how to evaluate an outstanding branch manager who has scored poorly on an important customer satisfaction measure. This case provides a scoring sheet to be completed by the reader and an explanation of the ramifications of the decision for the business's strategy.
Mobil USM&R (A): Linking the Balanced Scorecard	HBSP #197025 19p TN #198044	United States, petroleum, 1995	The CEO of the marketing and refining division of a major oil company is in the midst of implementing a profit turnaround. He transforms the strongly centralized, functionally-organized division into 17 independent business units and 14 internal service companies. The division also launches a new, market-segmented strategy aimed at high-end buyers. The CEO recognizes, however, that the new organization and strategy require a new measurement system. He turns to the Balanced Scorecard (BSC) because of its ability to link measurement to strategy, and to help the new profit-center managers develop customized strategies for their local responsibilities. The case describes the development of the initial divisional BSC, the linkage of the divisional BSC to independent business unit and internal service company BSCs, and linkage of the BSC to managers' compensation. Concludes with the senior executives reflecting on how they are using the BSC in their management processes.