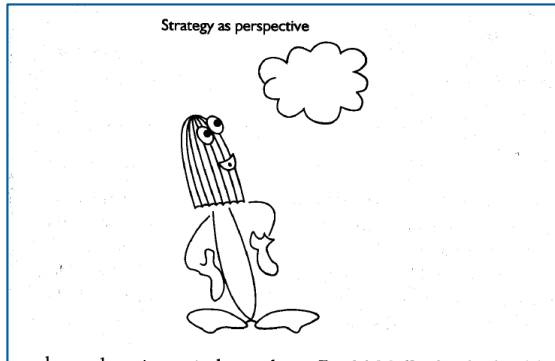# LEVERS OF CONTROL – Systems (a summary)

How Managers Use Innovative Control Systems to Drive Strategic Renewal

BELIEFS SYSTEMS

STRATEGY AS PERSPECTIVE

Strategy as perspective

> While the [previous] definition of strategy looks out, seeking to locate the organization in the external environment, [this one] **looks inside** the organization, indeed inside **the heads of the collective strategist**. Here, strategy is a perspective, its content consisting not just of a chosen position, but of **an ingrained way of perceiving the world.**
>
> Strategy in this respect **is to the organization what personality is to the individual.**
>
> Henry Mintzberg, "The Strategy Concept I: Five Ps For Strategy"

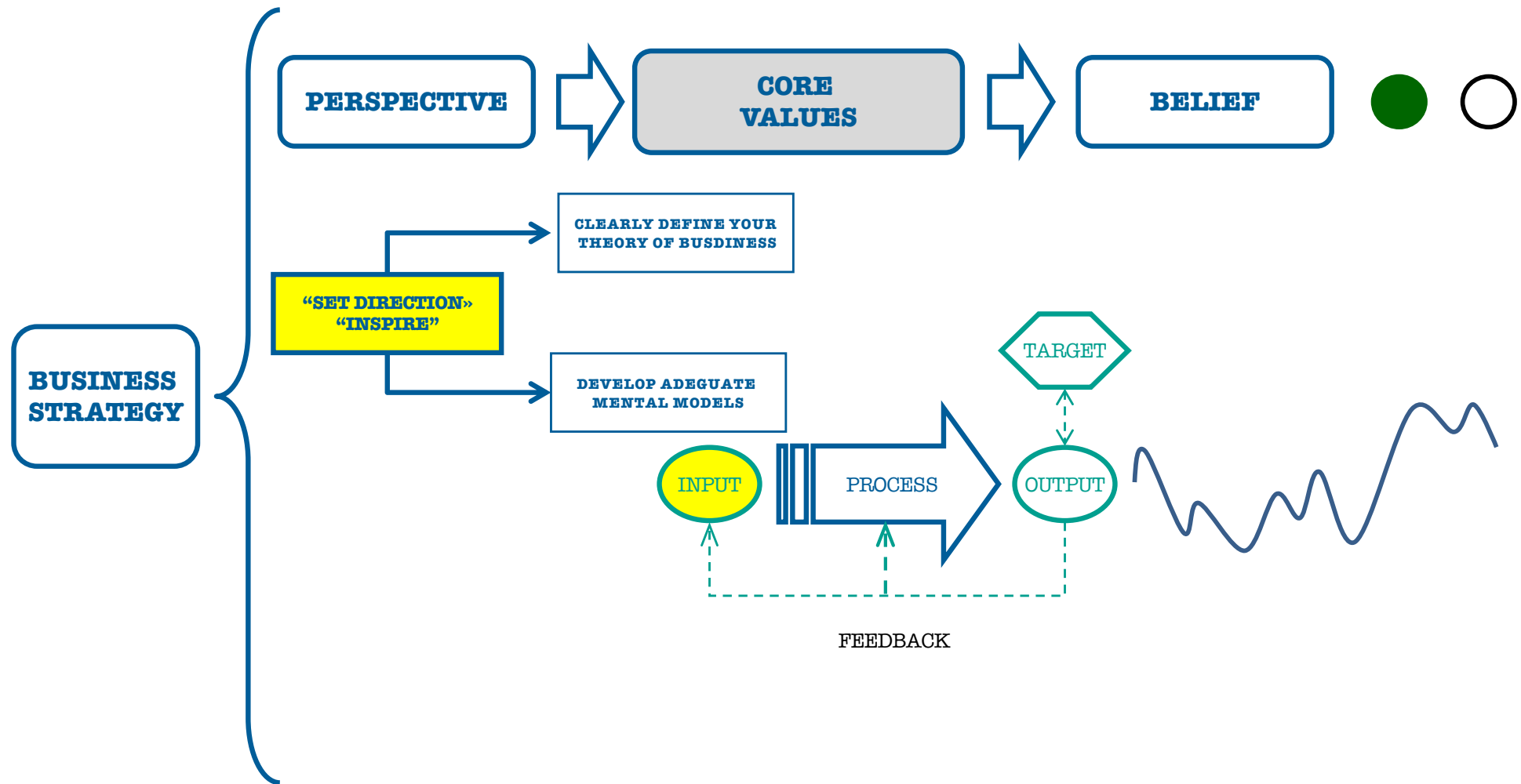KEY STRATEGIC VARIABLE ⟹ **CORE VALUES**

CONTROL SYSTEMS ⟹ **BELIEFS**

> Are used to inspire and direct the search for new opportunities.
>
> They are composed by the explicit set of organizational definitions that senior managers communicate formally and reinforce systematically to provide basic values, purpose, and direction for the organization.
>
> Robert Simons, "Levers of control"

BELIEF SYSTEMS

PERSPECTIVE → CORE VALUES → BELIEF

BUSINESS STRATEGY

"SET DIRECTION» "INSPIRE"

CLEARLY DEFINE YOUR THEORY OF BUSDINESS

DEVELOP ADEGUATE MENTAL MODELS

TARGET

INPUT — PROCESS — OUTPUT

FEEDBACK

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CECKLIST SUMMARY OF LEVERS OF CONTROL

BELIEFS SYSTEMS

WHAT	Explicit set of beliefs that define basic values, purpose, and direction, including how value is created; level of desired performance; and human relationships
WHY	To provide momentum and guidance to opportunity-seeking behaviors
HOW	Mission statements Vision statements Credos Statements of purpose
WHEN	Opportunities expand dramatically Top managers desire to change strategic direction Top managers desire to energize workforce
WHO	Senior managers personally write substantive drafts Staff groups facilitate communication, feedback, and awareness surveys

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DIAGNOSTIC CONTROL SYSTEMS

STRATEGY AS PLAN

Strategy as plan (intended)
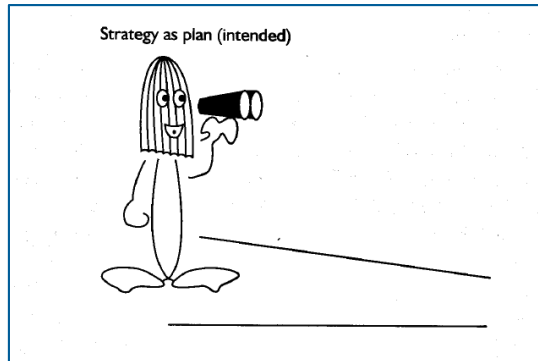
> To almost anyone you care to ask, strategy is a plan–some sort of consciously intended **course of action,** a guideline (or set of guidelines) to deal with a situation.
> By this definition, strategies have two essential characteristics: they are **made in advance** of the actions to which they apply, and they are **developed consciously and purposefully.**
>
> Henry Mintzberg, "The Strategy Concept I: Five Ps For Strategy"

KEY STRATEGIC VARIABLE ⇒ **CRITICAL PERFORMANCE VARIABLE**
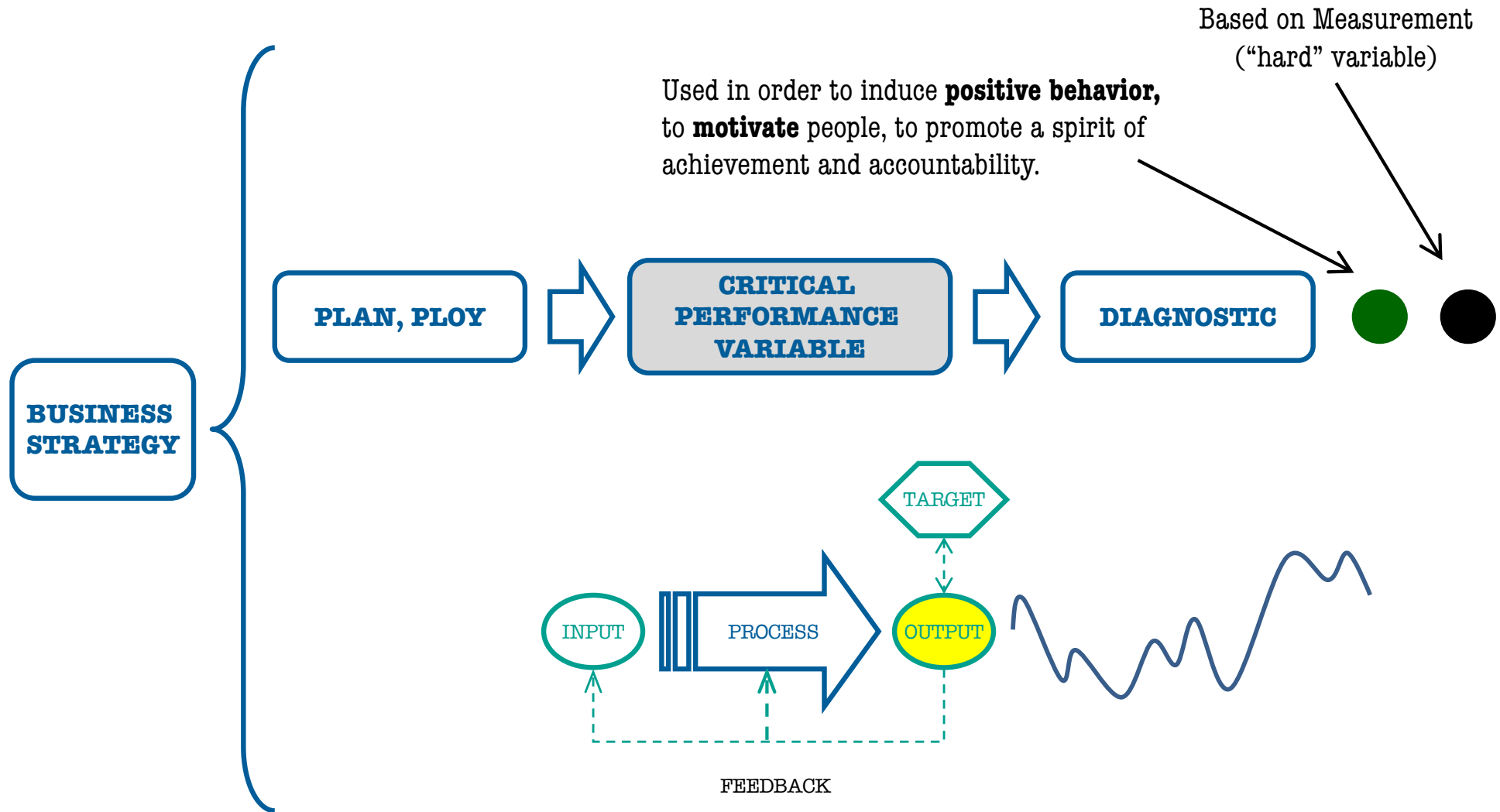
CONTROL SYSTEMS ⇒ **DIAGNOSTIC**

> Are used to motivate, monitor and reward achievement of specified goals.
> These feedback systems are the backbone of traditional management control and are designed to ensure predictable goal achievement.
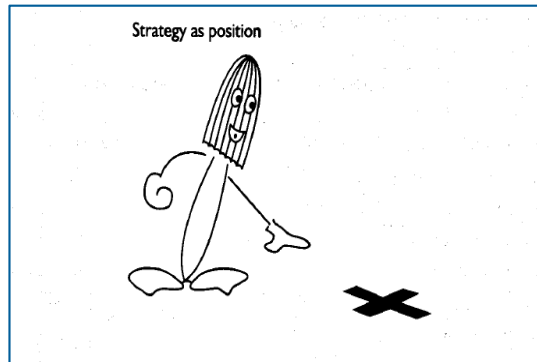>
> Robert Simons, "Levers of control"

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DIAGNOSTIC CONTROL SYSTEMS

Based on Measurement ("hard" variable)

Used in order to induce **positive behavior,** to **motivate** people, to promote a spirit of achievement and accountability.

BUSINESS STRATEGY

PLAN, PLOY → **CRITICAL PERFORMANCE VARIABLE** → **DIAGNOSTIC**

TARGET

INPUT → PROCESS → OUTPUT

FEEDBACK

CECKLIST SUMMARY OF LEVERS OF CONTROL

DIAGNOSTIC CONTROL SYSTEMS

WHAT	Feedback systems that monitor organizational outcomes and correct deviations from preset standards of performance
WHY	To allow effective resource allocation To define goals To provide motivation To establish guidelines for corrective action To allow ex post evaluation To free scarce management attention
HOW	Set standards Measure outputs Link incentives to goal achievement
WHEN	Performance standards can be preset outputs can be measured Feedback information can be used to influence or correct deviations from standard Process or output is a critical performance variable
WHO	Senior managers set or negotiate goals, receive and review exception reports, follow-up significant exceptions Staff groups maintain systems, gather data, and prepare exception reports

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BOUNDARY SYSTEMS

STRATEGY AS POSITION

Strategy as position

[Another possible] definition is that strategy is a position– specifically, a **means of locating an organization in** what organization theorists like to call an **"environment."**

By this definition, strategy becomes the mediating force – or **"match,"** [...] – between organization and environment, that is, between the internal and the external context.

Henry Mintzberg, "The Strategy Concept I: Five Ps For Strategy"

KEY STRATEGIC VARIABLE ⟹ **RISK TO BE AVOIDED**
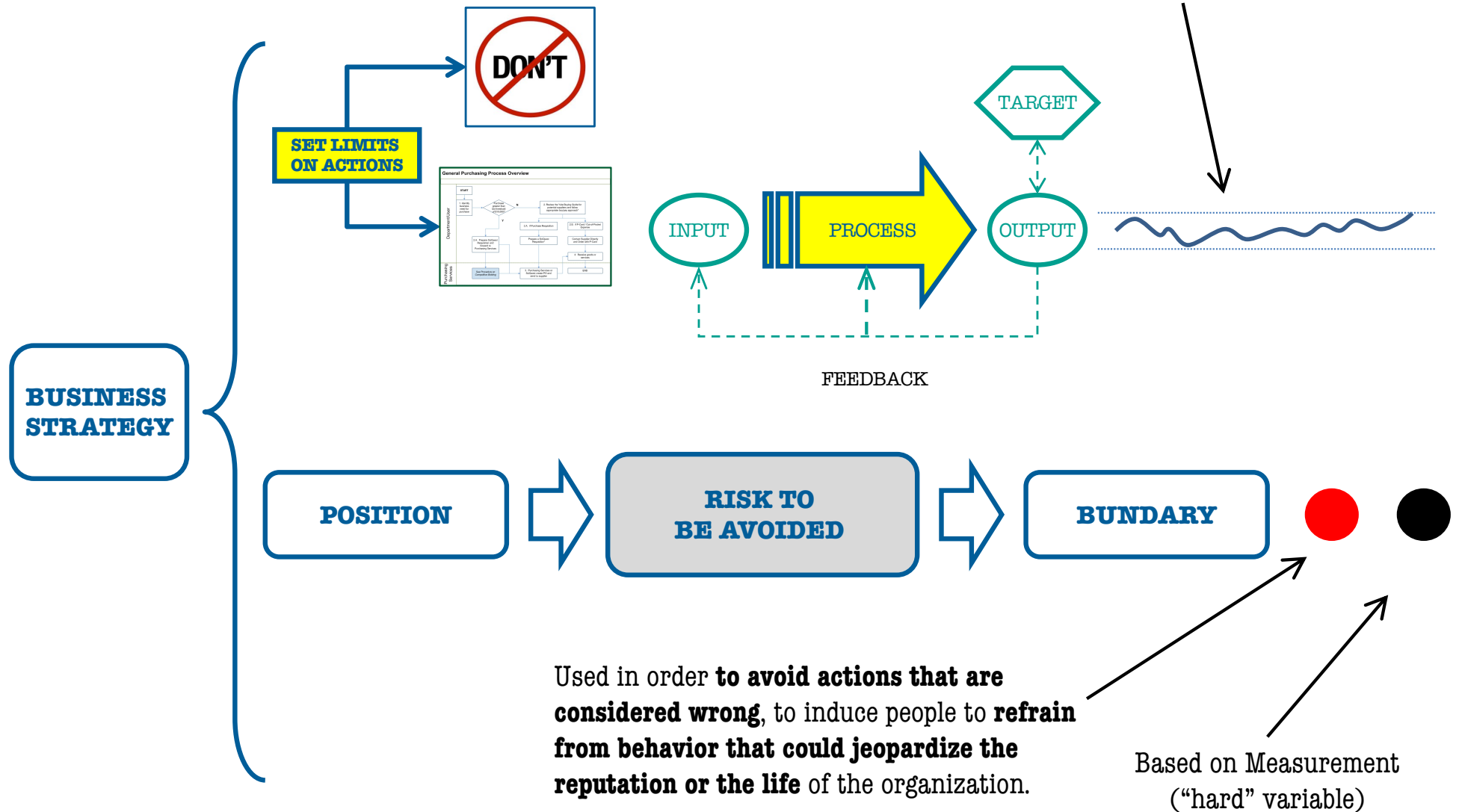
CONTROL SYSTEMS ⟹ **BOUNDARY**

Are used to delineate the acceptable domain of activity for organizational participants.

They establish limits, based on defined business risks, to opportunity-seeking.
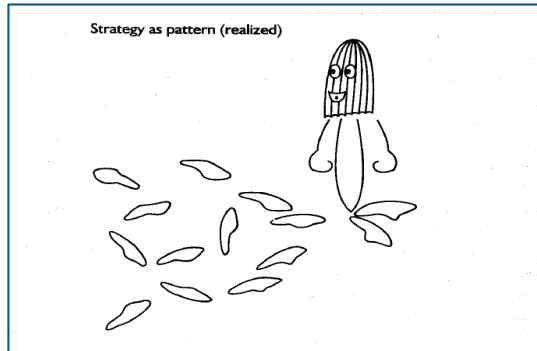
Robert Simons, "Levers of control"

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BUNDARY SISTEMS

Six Sigma (**6σ**) is a set of techniques and tools for process improvement. It was introduced by American engineer [Bill Smith](#) while working at [Motorola](#) in 1986.[1][2] [Jack Welch](#) made it central to his business strategy at [General Electric](#) in 1995. A six sigma process is one in which 99.99966% of all opportunities to produce some feature of a part are statistically expected to be free of defects.

DON'T

SET LIMITS ON ACTIONS

General Purchasing Process Overview

TARGET

INPUT PROCESS OUTPUT

FEEDBACK

BUSINESS STRATEGY

POSITION → RISK TO BE AVOIDED → BUNDARY

Used in order **to avoid actions that are considered wrong**, to induce people to **refrain from behavior that could jeopardize the reputation or the life** of the organization.

Based on Measurement ("hard" variable)

INTERACTIVE CONTROL SYSTEMS

STRATEGY AS PATTERN

Strategy as pattern (realized)

[Another definition of strategy can be] proposed: strategy is a pattern— specifically, a pattern in a stream of actions. In other words, by this definition, strategy is consistency in behavior, whether or not intended.
To paraphrase Hume, strategies may result from human actions but not human designs.

Henry Mintzberg, "The Strategy Concept I: Five Ps For Strategy"

KEY STRATEGIC VARIABLE ➡ **STRATEGIC UNCERTAINTIES**

CONTROL SYSTEMS ➡ **INTERACTIVE**

Are used to stimulate search and learning, allowing new strategies to emerge as participants throughout the organization respond to perceived opportunity and threats.

Robert Simons, "Levers of control"

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CECKLIST SUMMARY OF LEVERS OF CONTROL

LEVER # 4: INTERACTIVE CONTROL SYSTEMS

WHAT	Control systems that managers use to involve themselves regularly and personally in the decision activities of subordinates
WHY	To focus organizational attention on strategic uncertainties and provoke the emergence of new initiatives and strategies
HOW	Ensure that data generated by the system becomes an important and recurring agenda in discussions with subordinates Ensure that the system is the focus of regular attention by managers throughout the organization Participate in face-to-face meetings with subordinates Continually challenge and debate data, assumptions, and action plans
WHEN	Strategic uncertainties require search for disruptive change and opportunities
WHO	Senior managers actively use the system and assign subjective, effort-based rewards Staff groups act as facilitators

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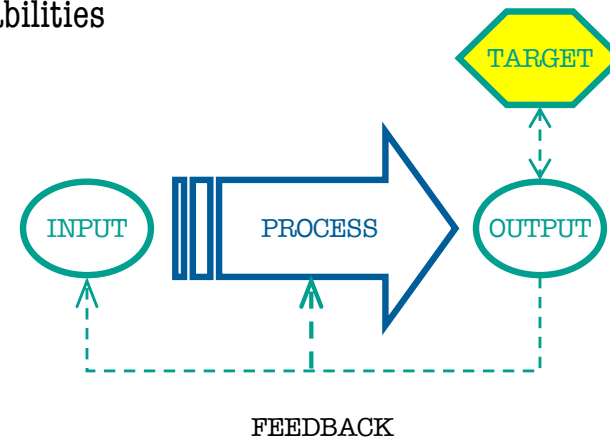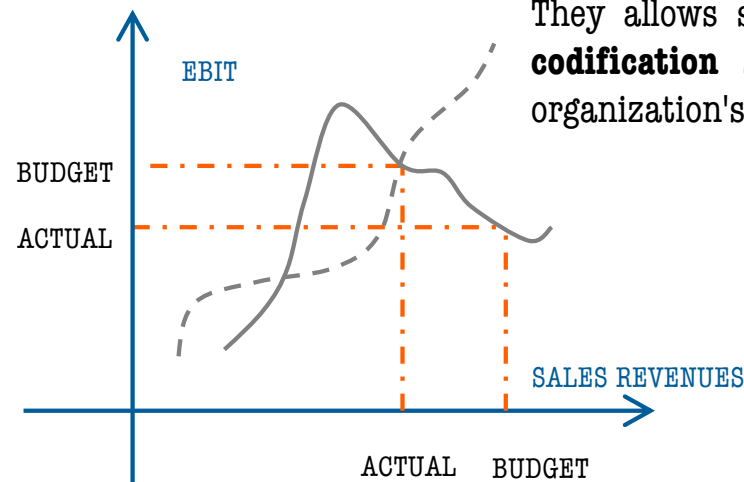# INTERACTIVE CONTROL SYSTEMS

STRATEGY AS...   KEY STRATEGIC VARIABLES   CONTROL SYSTEMS

They **encourage innovation, learning and the search for new solutions,** which trigger the emergence of new strategies, as their participants interact and respond to emerging opportunities and threats.

They allows simultaneously the **creation of a best practices codification system,** in order to stabilize and diffuse the organization's abilities

BUSINESS STRATEGY

EBIT

BUDGET
ACTUAL

SALES REVENUES

ACTUAL   BUDGET

INPUT   PROCESS   OUTPUT

TARGET

FEEDBACK

PATTERN → STRATEGIC UNCERTAINTIES → INTERACTIVE

A SYNTHESIS

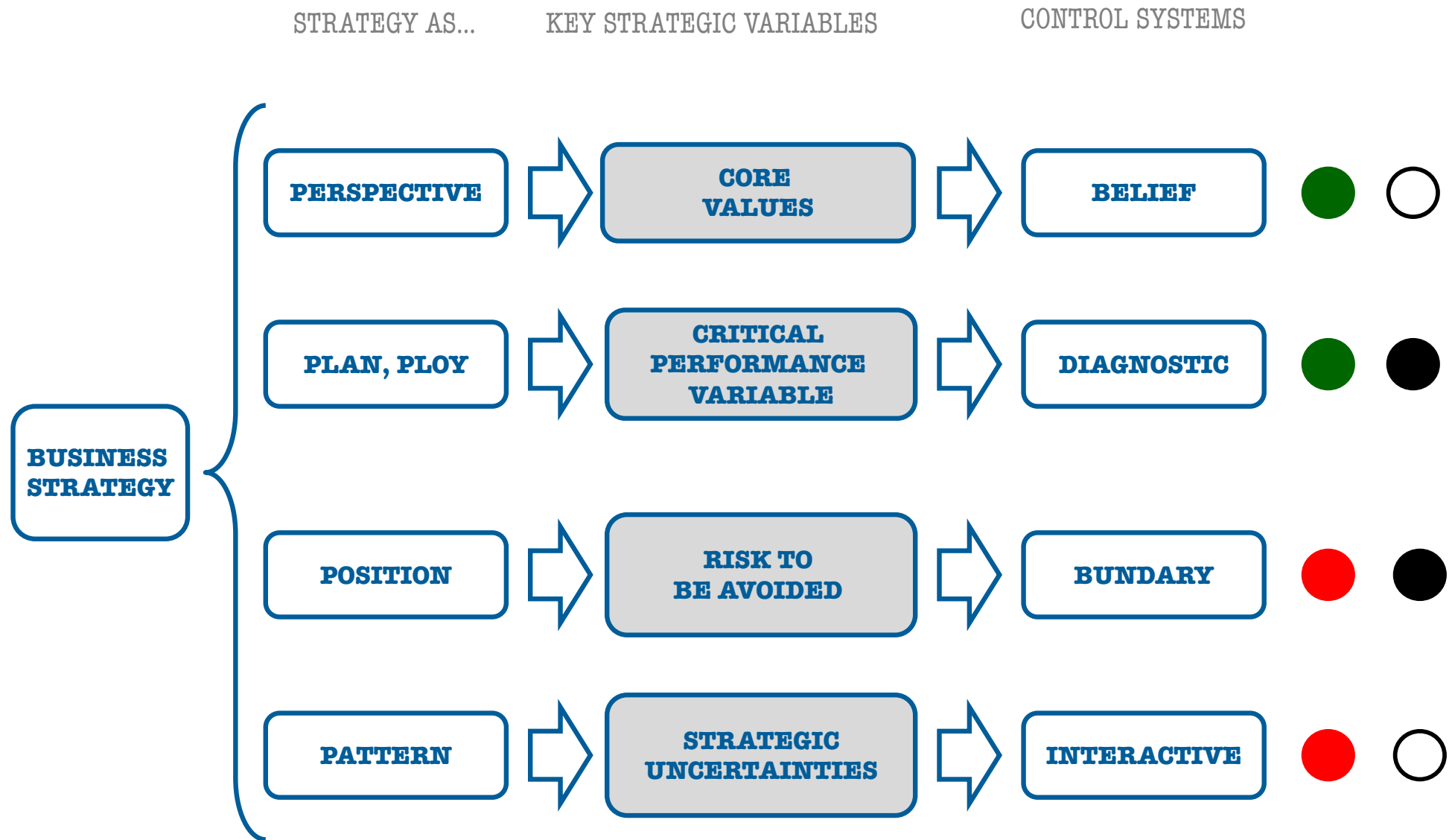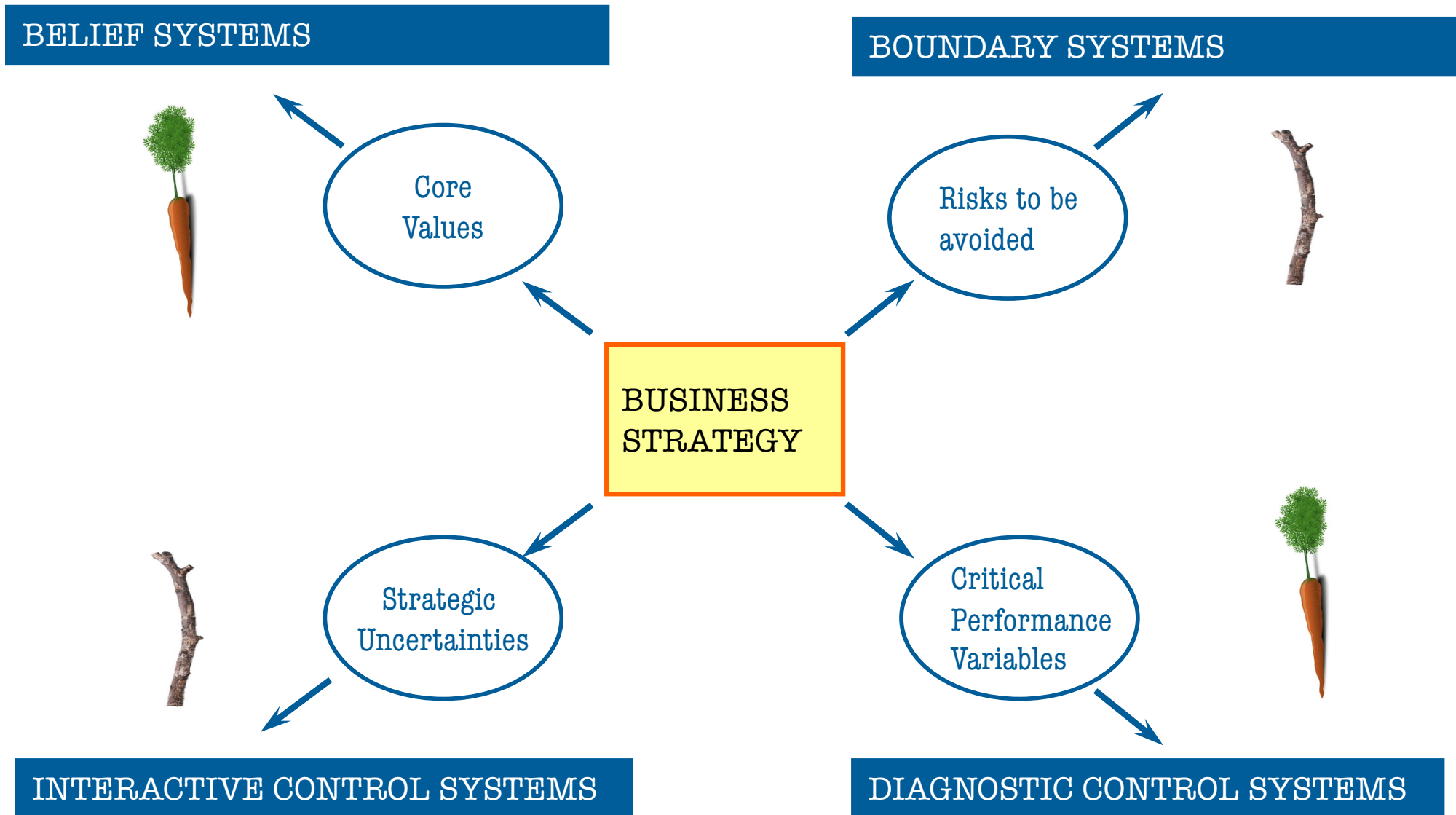| POTENTIAL	ORGANIZATIONAL BLOCKS	MANAGERIAL SOLUTION	CONTROL LEVER
To contribute	Uncertainty about purpose	Communicate core values and mission	Beliefs Systems
To do right	Pressure or temptation	Specify and enforce rules of the game	Boundary Systems
To achieve	Lack of focus or resources	Build and support clear target	Diagnostic Control Systems
To create	Lack of opportunity or fear of risk	Open organizational dialogue to encourage learning	Interactive Control Systems

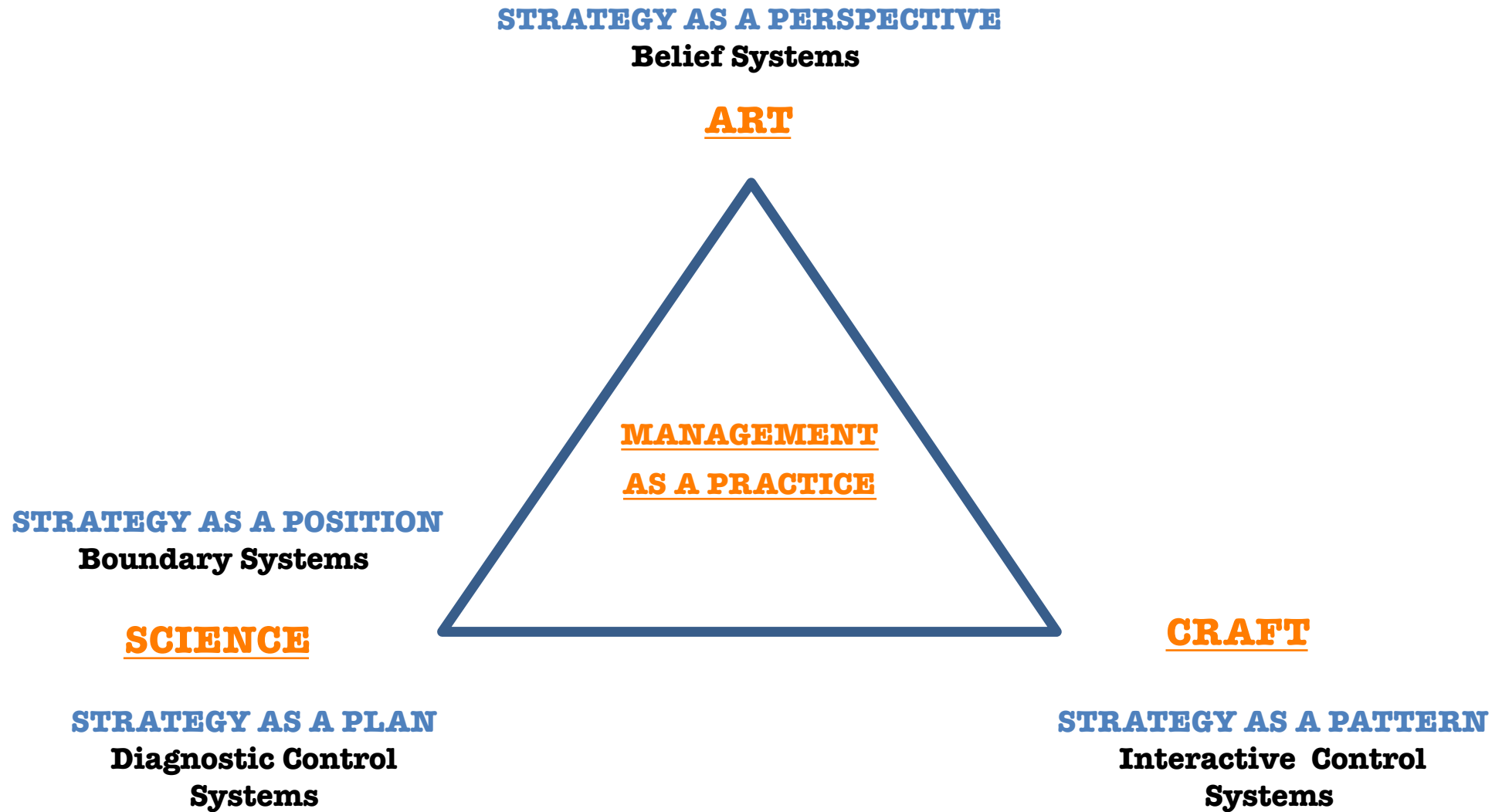Robert Simons, "Control in a Age of Empowerment"

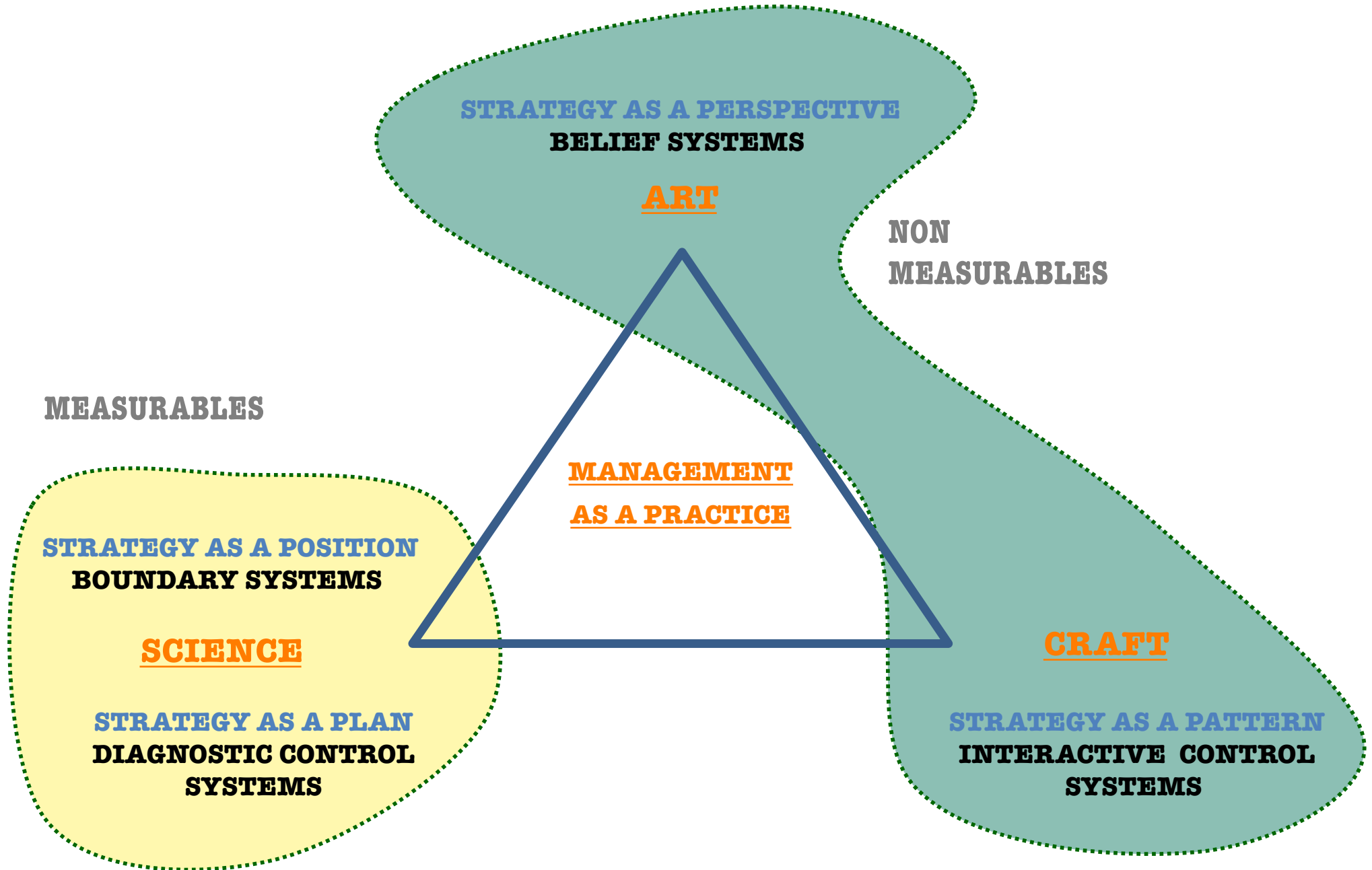**UNIVERSITÀ DEGLI STUDI DI TRIESTE**

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IN CONCLUSION ...

	STRATEGY AS...	KEY STRATEGIC VARIABLES	CONTROL SYSTEMS	
	PERSPECTIVE	CORE VALUES	BELIEF	🟢 ⚪
BUSINESS STRATEGY	PLAN, PLOY	CRITICAL PERFORMANCE VARIABLE	DIAGNOSTIC	🟢 ⚫
	POSITION	RISK TO BE AVOIDED	BUNDARY	🔴 ⚫
	PATTERN	STRATEGIC UNCERTAINTIES	INTERACTIVE	🔴 ⚪

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CONTROLLING BUSINESS STRATEGY

BELIEF SYSTEMS

Core Values

BOUNDARY SYSTEMS

Risks to be avoided

BUSINESS STRATEGY

Strategic Uncertainties

Critical Performance Variables

INTERACTIVE CONTROL SYSTEMS

DIAGNOSTIC CONTROL SYSTEMS

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MINTZBERG TRIANGLE

STRATEGY AS A PERSPECTIVE
Belief Systems

ART

MANAGEMENT

AS A PRACTICE

STRATEGY AS A POSITION
Boundary Systems

SCIENCE

CRAFT

STRATEGY AS A PLAN
Diagnostic Control
Systems

STRATEGY AS A PATTERN
Interactive Control
Systems

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MINTZBERG TRIANGLE

STRATEGY AS A PERSPECTIVE
BELIEF SYSTEMS

ART

NON MEASURABLES

MEASURABLES

MANAGEMENT AS A PRACTICE

STRATEGY AS A POSITION
BOUNDARY SYSTEMS

SCIENCE

CRAFT

STRATEGY AS A PLAN
DIAGNOSTIC CONTROL SYSTEMS

STRATEGY AS A PATTERN
INTERACTIVE CONTROL SYSTEMS

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CONTROLLING BUSINESS STRATEGY

BELIEF SYSTEMS

Strategy as overall perspective

Obtaining Commitment to the Grand Purpose

Core Values

BOUNDARY SYSTEMS

Risks to be avoided

Strategy as competitive position

Staking Out the Territory

BUSINESS STRATEGY

Positioning for Tomorrow

Strategy as pattern of actions

Strategic Uncertainties

INTERACTIVE CONTROL SYSTEMS

Critical Performance Variables

Getting the Job Done

Strategy as plan

DIAGNOSTIC CONTROL SYSTEMS

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DYNAMIC INTERPLAY OF FORCES

BELIEF SYSTEMS

BOUNDARY SYSTEMS

Core Values

Risks to be avoided

BUSINESS STRATEGY

Strategic Uncertainties

Critical Performance Variables

INTERACTIVE CONTROL SYSTEMS

DIAGNOSTIC CONTROL SYSTEMS

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LEVERS OF CONTROL

Systems to Expand
Opportunity-seeking and Learning

Systems to Focus
Search and Attention

Systems to
Frame
Strategic
Domain

BELIEF SYSTEMS

Core Values

BOUNDARY SYSTEMS

Risks to be avoided

BUSINESS STRATEGY

Systems to
Formulate and
Implement
Business Strategy

Strategic Uncertainties

Critical Performance Variables

INTERACTIVE CONTROL SYSTEMS

DIAGNOSTIC CONTROL SYSTEMS

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Levers of Control:
How Managers Use Innovative Control Systems to Drive Strategic Renewal
by **Robert Simons**
Harvard Business School Press, 1995
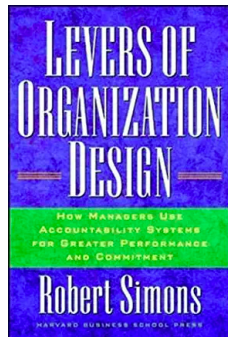
Levers Of Organization Design
How Managers Use Accountability Systems For Greater Performance And Commitment
by **Robert Simons**
Harvard Business School Press, 2005
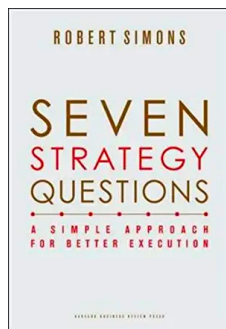
Seven Strategy Questions
A Simple Approach for Better Execution
by **Robert Simons**
Harvard Business School Press, 2005

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Structure in Fives
Designing Effective Organizations
by **Henry Mintzberg**
Pearson; 1992
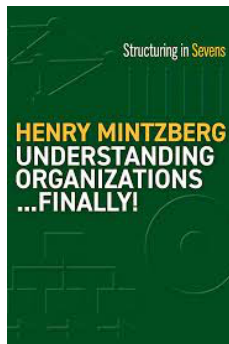
Undserstanding Organizations... Finally!
Structuring in Seven
by **Henry Mintzberg**
Berrett-Koehler Publishers; 2023
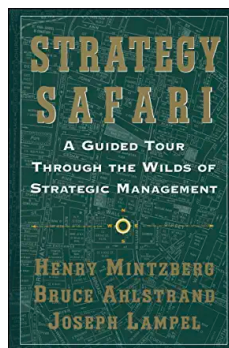
Strategy Safari
A Guided Tour Through The Wilds of Strategic Management
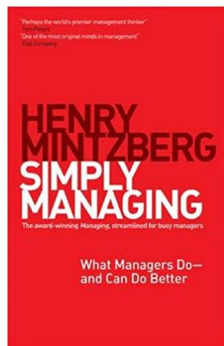by **Henry Mintzberg**
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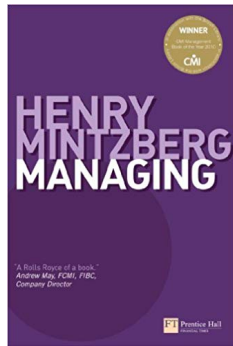
Managing
by **Henry Mintzberg**
Financial Times - Prentice Hill; 2013

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by **Henry Mintzberg**
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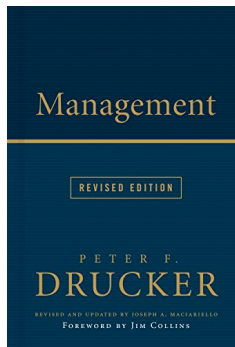
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Revised Edition
by **Peter F. Drucker**
HarperCollins; 2009
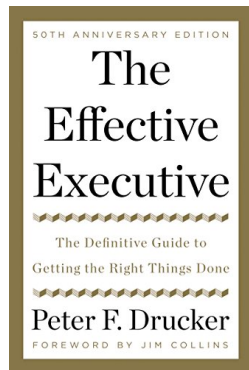
The Effective Executive
The Definitive Guide to Getting the Right Things Done
by **Peter F. Drucker**
Harper Business; 2017 (revised edition)
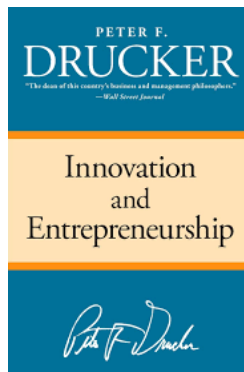
Innovation and Entrepreneurship
Practice and Principles
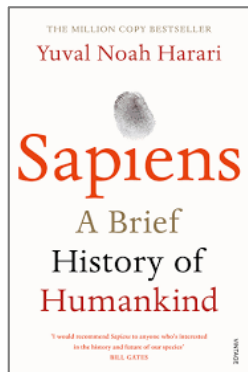by **Peter F. Drucker**
Harper Business; 2006 (Reprint edition)

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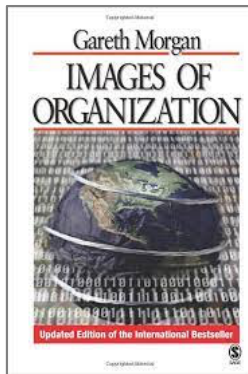
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by **Gareth Morgan**
SAGE Publications, Inc; 2006 (Updated edition)

Sapiens
A Brief History of Humankind
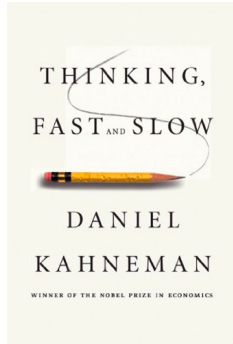by **Yuval N. Harari**
Harper Business; 2017 (revised edition)

Agile compendium
by **McKinsey Agile Tribe**
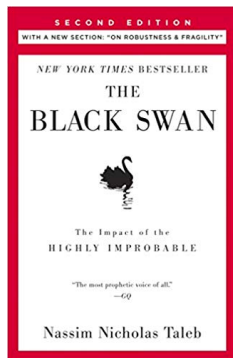McKinsey Company, 2018

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Thinking, Fast and Slow
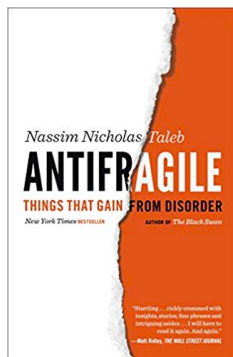By **Daniel Kahneman**
Farrar, Straus and Giroux; 2011

The Black Swan
Things That Gain from Disorder (Incerto)
By **Nassim Nicholas Taleb**
Random House; 2010

Antifragile
Things That Gain from Disorder (Incerto)
By **Nassim Nicholas Taleb**
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Mindfucking
Come fottere la mente
By **Stefano Re**
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