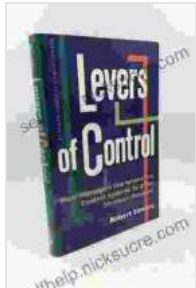


How Managers Use Innovative Control Systems To Drive Strategic Renewal



Levers of Control: How Managers Use Innovative Control Systems to Drive Strategic Renewal

by Robert Simons

★★★★☆ 4.4 out of 5

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In today's rapidly changing business environment, managers are increasingly looking for ways to drive strategic renewal. This involves making changes to the firm's strategy, structure, and processes to better align with the changing market environment. Innovative control systems can play a vital role in driving strategic renewal by providing managers with the information and feedback they need to make better decisions and by aligning employee behavior with the firm's strategic goals.

Types of Innovative Control Systems

There are a number of different types of innovative control systems that managers can use to drive strategic renewal. These include:

- **Balanced scorecard:** A balanced scorecard is a performance management system that measures the firm's performance across a range of different dimensions, including financial, customer, internal process, and learning and growth. By looking at the firm's performance across a range of different dimensions, managers can get a better understanding of the firm's overall health and identify areas where improvements are needed.
- **Activity-based costing:** Activity-based costing is a cost accounting system that assigns costs to activities rather than to products or services. This allows managers to see how much it costs to perform different activities and identify areas where costs can be reduced.
- **Throughput accounting:** Throughput accounting is a financial management system that measures the firm's performance in terms of throughput, which is the rate at which the firm converts inputs into outputs. By measuring throughput, managers can identify bottlenecks in the firm's processes and make changes to improve efficiency.
- **Value stream mapping:** Value stream mapping is a visual representation of the firm's value chain, which is the sequence of activities that the firm performs to create value for customers. By mapping the value chain, managers can identify areas where waste can be eliminated and improvements can be made.

How Innovative Control Systems Can Drive Strategic Renewal

Innovative control systems can drive strategic renewal in a number of ways. First, they can provide managers with the information and feedback they need to make better decisions. For example, a balanced scorecard can help managers to identify areas where the firm is not meeting its goals

and to make changes to address these problems. Second, innovative control systems can help to align employee behavior with the firm's strategic goals. For example, an activity-based costing system can help employees to understand how their work contributes to the firm's overall performance and to make decisions that are in the best interests of the firm.

Overall, innovative control systems can be a valuable tool for managers who are looking to drive strategic renewal. By providing managers with the information and feedback they need to make better decisions and by aligning employee behavior with the firm's strategic goals, innovative control systems can help firms to stay ahead of the competition and achieve their long-term goals.

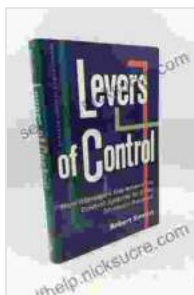
Examples of Innovative Control Systems in Action

Here are a few examples of how innovative control systems have been used to drive strategic renewal in practice:

- **General Electric:** General Electric (GE) has used a balanced scorecard to drive strategic renewal for many years. The balanced scorecard has helped GE to improve its financial performance, customer satisfaction, and operational efficiency. GE has also used the balanced scorecard to align employee behavior with the firm's strategic goals.
- **Toyota:** Toyota has used activity-based costing to drive strategic renewal. Activity-based costing has helped Toyota to identify areas where costs can be reduced and to make changes to improve efficiency. Toyota has also used activity-based costing to align employee behavior with the firm's strategic goals.

- **Amazon:** Amazon has used throughput accounting to drive strategic renewal. Throughput accounting has helped Amazon to identify bottlenecks in its processes and to make changes to improve efficiency. Amazon has also used throughput accounting to align employee behavior with the firm's strategic goals.

Innovative control systems can be a powerful tool for managers who are looking to drive strategic renewal. By providing managers with the information and feedback they need to make better decisions and by aligning employee behavior with the firm's strategic goals, innovative control systems can help firms to stay ahead of the competition and achieve their long-term goals.



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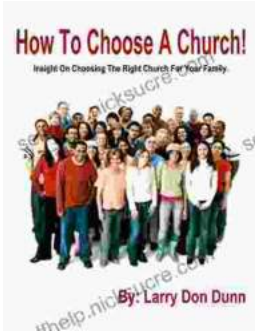
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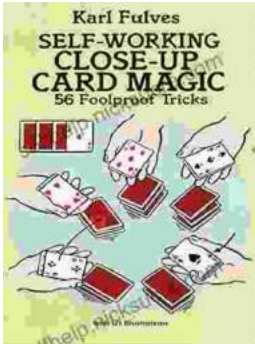
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