

# Control Systems in Action

Worked Example: Driving a Culture of Innovation

## Target Behavior

**Employees actively generate, test, and refine new ideas** (continuous experimentation).

**Why this matters:** Drives growth and renewal • Enables adaptation to changing markets • Prevents stagnation in mature organizations

## INPUT CONTROLS

- **Hiring for curiosity and creativity**
  - **Innovation training** (e.g., design thinking, agile)
  - **Cross-functional team composition**
  - **Dedicated innovation resources** (time, budget, tools)
- ▶ **Goal:** Ensure employees are capable of innovating.

## BEHAVIOR CONTROLS

- **Structured experimentation processes** (e.g., test-and-learn cycles)
  - **Rapid prototyping and feedback loops**
  - **Clear decision rights for experimentation**
  - **Stage-gate or portfolio review processes**
- ▶ **Goal:** Provide clarity on how to innovate effectively.

## OUTPUT CONTROLS

- **Number of experiments conducted**
  - **Innovation pipeline metrics** (ideas → prototypes → launches)
  - **Revenue from new products/services**
  - **Learning milestones** (validated insights, not just success)
- ▶ **Goal:** Reinforce learning and innovation outcomes, not just short-term success.

## CLAN CONTROLS

- **“Fail fast, learn fast” culture**
  - **Leadership support for risk-taking**
  - **Storytelling around successful and failed experiments**
  - **Peer recognition for initiative and creativity**
- ▶ **Goal:** Make innovation feel safe, expected, and valued.

### How the System Works Together

**Input** → employees can **generate and test ideas**

**Behavior** → employees know how to **experiment**

**Output** → employees are rewarded for **learning and innovation**

**Clan** → employees feel **safe and motivated to innovate**

### What Happens If One Piece Is Missing

**No Input** → ideas are low quality or unstructured

**No Behavior controls** → chaos or wasted experimentation

**Wrong Output controls** → focus on short-term results, innovation dies

**Weak Clan culture** → fear of failure prevents experimentation

### Clean Teaching Line

*Innovation is not a personality trait—it is the product of a **deliberately designed control system**.*

*You don't get innovation by asking for it—you get it by aligning talent, processes, metrics, and culture to support experimentation.*

### Class Discussion

#### **Why don't employees innovate?**

- Punished for failure
- Measured only on short-term results
- Lack time or resources
- Unclear process for experimentation

#### ► **That's a control system misalignment—not a lack creativity**

*Control systems don't just monitor performance—they **shape** it.*