

Simons' Levers of Control

Worked Example: Driving Cost Discipline in an Operations-Heavy Firm

Strategic Objective

Achieve low-cost leadership through efficiency and consistency.

The challenge: How do you embed cost awareness across an entire organization—not just in finance? All four levers must work together.

INSPIRE BELIEVE

Belief Systems

- **Frugality and operational excellence** as core values
- Leadership reinforces “**Cost is everyone’s responsibility**”
- ▶ **Employees internalize efficiency as a core value.**

CONSTRAIN PROTECT

Boundary Systems

- **Strict spending limits and approval rules**
- **Standardized processes and procurement policies**
- ▶ **Employees operate within clear cost boundaries.**

MONITOR MEASURE

Diagnostic Controls

- Track **cost per unit, margins, and budget variances**
- Set clear **cost reduction targets** with accountability
- ▶ **Management ensures efficiency goals are met.**

ENGAGE DEBATE

Interactive Controls

- **Regular reviews of cost drivers** and process improvements
- **Leadership focus on operational bottlenecks**
- ▶ **Continuous improvement and efficiency learning.**

How the Four Levers Work Together

Inspire → Reinforces cost awareness as a shared value

Constrain → Limits waste and enforces spending discipline

Monitor → Drives efficiency through clear targets and data

Engage → Improves processes through ongoing dialogue

The Key Tension to Manage

Levers operate in two pairs with opposing forces:

Positive (energizing) — Belief + Interactive systems inspire commitment and learning.

Negative (constraining) — Boundary + Diagnostic systems enforce limits and track results.

Over-reliance on constraint kills morale. **Too little** creates undisciplined spending. The manager’s job is to hold both.

Key Teaching Line

*Cost discipline is not just about cutting costs—it's about **aligning values, rules, metrics, and attention around efficiency.***

Executive version: *You don't achieve cost leadership by issuing a memo—you achieve it by designing a system where every lever reinforces the same goal.*

Class Discussion**Why do cost reduction programs fail?**

- Leaders preach frugality but approve exceptions freely
- Targets are set but no accountability follows
- Processes aren't standardized—workarounds persist
- Cost reviews are reactive, not forward-looking

▶ **That's a lever misalignment—not a spending problem.**

Robert Simons, *Levers of Control: How Managers Use Innovative Control Systems to Drive Strategic Renewal* (Boston: Harvard Business School Press, 1995).

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