Controlling Rapid Innovation:
A Case Study of an E-business Project

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Abstract

As the global economy boomed in the late 1990s, corporations spent heavily on technology innovation and pursued “radical” new electronic business opportunities. Years later, it is well documented that these expectations did not eventuate, with a consensus view that insufficient value propositions, content and capabilities were often offered. Yet, several questions from this period that are still relevant to contemporary organisations remain unexplored. One such issue forms the primary focus of this paper; the relationship between control and rapid innovation. A case of an e-business innovation at a wholesale financial services organisation is presented. The empirical analysis reveals the manner in which control over innovation is enacted by different ‘control specialists’, how these different control logics competed and how certain formal controls were curtailed through the mobilisation of wider business imperatives. Overall, this paper contributes to the literature by providing insights and understandings into the complex control-innovation dynamic.
Introduction

As the global economy boomed in the late 1990s, corporations spent heavily on technology innovation and pursued “radical” new electronic business (e-business) opportunities. Years later, it is well documented that these expectations did not eventuate, largely due to over-optimistic predictions of e-business take-up and the offering of insufficient value propositions, content and capabilities (Gibson, Lin & Burns, 2003; Wise & Morrison, 2000). Indeed, the business world seems to have moved on. Yet, several unexplored issues from this period of “e-mania” remain relevant to contemporary organisations. This paper focuses on one such issue, the relationship between control and rapid innovation.

During the previous decade, many organisations sought to ‘techno-novate’ by creating ‘incubators’ either separate to the pre-existing organisation (Hansen, Chesbrough, Nohria & Sull, 2000) or comprising highly autonomous teams within. Flexibility and freedom from formalised and bureaucratic control systems were seen as essential to these enterprises of rapid innovation. Arguably, the failure of many e-business initiatives can be ascribed to a ‘lack of control’ over the innovation process. However, this risks over-simplification, with prior research equivocal on the relationship between formalised controls and innovation processes. In response, this paper investigates the complexities within the control-innovation dynamic. It presents a case-study of a financial services organisation (labelled “TransactCo”) that sought to innovate its customer relationships through the development of an e-business technology. In doing so, this paper presents the notion of formal control as multi-dimensional, comprising diverse and sometimes competing control logics. Furthermore, it highlights the need to consider controls as they are enacted rather than as they exist; ‘controls-in-action’ rather than ‘controls-in-existence’. Finally, difficulties in the implementation of formalised control logics within contexts of rapid innovation are revealed. Together, these contribute to better understandings of the control-innovation dynamic and help in “making sense” of the observed circumvention of formal routines and mechanisms in innovation work.

The paper is structured as follows. The next section overviews prior management control literature on the subject of innovation processes. This is followed by a discussion of research site and method and the empirical results in successive sections. The paper concludes with a synthesis of its main findings and research contributions.
Literature Review: Control and Innovation

A large part of the literature examining control and innovation derives from management control system (MCS) research traditions. As such, it focuses on the role of formal routines and systems in supporting innovation work. To this end, the control and innovation literature is equivocal.

For example, formal routines and control systems have been described as opposing innovation, either because they result in a preoccupation with efficiency (Keegan & Turner, 2002), conflict with creativity (Amabile, 1998) or are incompatible with the embrace of medium to high uncertainty (Abernethy & Stoelwinder, 1991, 1995).\(^1\) Controls systems have also been portrayed as irrelevant (Abernethy & Brownell, 1997; Rockness & Shields, 1988). In contrast, other studies see formal control systems as contributing to the innovation effort through the provisioning of broad scope and timely information for the management of uncertainty and performance (Chenhall & Morris, 1986, 1995; Davila, 2000). Similarly, innovators have been shown to rely upon formal control systems and, in doing so, increase their ability to innovate (Simons, 1991). According to these studies, formal controls do not just merely co-exist, but contribute in the planning, management and control of innovation.

While previous authors have turned to the usage styles of formal control systems as a potential explanation for these inconsistent findings (Bisbe & Otley, 2004), this paper adopts a different view in focusing on how control is enacted within and upon autonomous teams of technological innovators. Rather than identifying various types of controls or elements of a ‘control package’ (Otley, 1999), the focus here is on the organisational participants that seek to effect control, revealing the multiple and often competing logics of control that prevail in situations of uncertain, dynamic and innovative work. Thus, controls are not seen as merely ‘existing’, or possessing sufficient momentum in of themselves to create the effects assigned to them by prior studies. Instead, the study considers the organisational participants that take up controls in the pursuit of their objectives, and their ability to impose these controls on others or reject their imposition upon themselves. To reveal these influences and effects, a case-study method was employed. This is discussed next.

\(^1\) In contrast, informal type controls such as socialisation or professional/personnel controls are seen as playing a larger role in these circumstances (Abernethy & Brownell, 1997; Abernethy & Stoelwinder, 1995).
Research Site and Method

Case studies are best suited to the analysis of complex interactions among different issues and participants (Yin, 1994). The focus herein on organisational participants and the enactment of controls meant that the detailed data that the case study method provides, along with its capacity for ‘rich’ explanations of events and proceedings in ‘real’ settings, were considered important methodological advantages. An in-depth micro case-study design was thus selected to further the aims of the research study.

The organisation studied is labelled ‘TransactCo’. TransactCo is a wholesale financial services company, offering loans, transactional services, financial markets products and advisory services to Australian corporate and institutional organisations. The research for this paper commenced at the start of 2000 and ended in July 2001. Throughout this period, a wide spectrum of data sources was utilised. Table 1 presents an overview of the data collection process.

<table>
<thead>
<tr>
<th>Data Source</th>
<th>Details</th>
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<tbody>
<tr>
<td>Formal Interviews</td>
<td>19</td>
</tr>
<tr>
<td>Informal Interviews</td>
<td>16</td>
</tr>
<tr>
<td>Meetings/Presentations</td>
<td>37</td>
</tr>
<tr>
<td>Observation (days)</td>
<td>39</td>
</tr>
<tr>
<td>Documents Collected*</td>
<td>45</td>
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</tbody>
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* Includes internal papers, memos, project documentation and other presentations made available by the organisation.

The location of the innovation to be studied was the financial markets (FM) department of TransactCo. The FM department is characterised by the rapid buying and selling of foreign exchange (FX), currency options, interest-rate derivatives and commodities. In the FM department, there exist distribution dealers who are responsible for selling a specific product to particular groups of customers assigned to them. These distribution dealers are normally reliant on other dealers, known as interbank dealers, for price quotes on products that customers require. It was in this environment that the innovation, the electronic transacting of foreign exchange (EFX), was to be introduced. Customers who previously had to interact with FX Distribution Dealers would be able

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2 The use of a fictitious name is to preserve the anonymity of the organisation.
to obtain FX quotes and trade electronically without manual intervention once EFX was launched. Table 2 profiles the main actor groups in the ensuing case-study.
Table 2 – Main Actors/Actor Groups and Role Overview

<table>
<thead>
<tr>
<th>Actor(s)</th>
<th>Overview of Role</th>
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<tbody>
<tr>
<td>Head of FM (part of executive management)</td>
<td>• Commissions the EFX project and sets a deadline that it be launched within eight months. This imperative influences a number of events and actions in the building of EFX.</td>
</tr>
</tbody>
</table>
| Head of FX and Project Owner of EFX, “Fred” | • In charge of selling FX and selected as “Project Owner” of EFX.  
• Sees EFX as providing an immediate benefit in helping TransactCo to protect its customer relationships. As such, Fred prioritises the prompt launch of EFX. |
| Head of FX – Corporate Distribution, “Bob” | • Is one of Fred’s direct reports and is in charge of selling FX to corporate customers. In this regard, Bob is somewhat similar to the FX Distribution Dealers that report to him.  
• Questions the dominant discourse that EFX will help TransactCo protect customer relationships. |
| FX Distribution Dealers | • Sell FX to the customers that are allocated to them.  
• Will be the most impacted by EFX’s launch. Once EFX is available to customers, this group is seen as being less able to charge uninformed customers high margins for FX products. |
| EFX Project Manager, “John” | • Manages the EFX project team and is responsible for building and launching EFX within the eight-month timeframe.  
• John shares Fred’s belief that EFX will protect customer relationships and is particularly concerned with launching EFX by the deadline. |
| Operational Risk Manager, “Liella” | • Sees herself as a ‘champion’ for operational risk, partnering with management in the proactive identification and management of these risks.  
• Emphasises quantitative performance measures. Seeks to impose such a methodology on the EFX project team. |
| Head of Customer Research, “Gina” | • Acts as a spokesperson for TransactCo’s customers, attempts to ensure that processes and projects reflect customer needs.  
• Seeks to impose her rival calculation of “the customers’ EFX needs” on the EFX project team. |

All data obtained was manually coded and refinements in coding structure occurred as the conceptual schema developed throughout the case-study. The results of this process are presented next.
Control and Technology Innovation at TransactCo

Background: The Need for Rapid Innovation and E-business

TransactCo in the mid-nineties was an organisation facing growing competition from foreign and domestic participants. The FM division specifically faced commoditisation of its FX product and compressed margins. The increased availability of exchange rate information and ease of trading meant that customers were better able to compare across and switch FX suppliers at minimal cost. Consequently, efficiency enhancements in the trading of FX were seen as important amongst FM senior management.

In attempting to secure enhanced efficiency, the Head of the FM department announced that TransactCo should develop an automated FX trading engine (“EFX”) accessible through the internet. Although the FM department already used electronic systems to monitor market prices and trades, conduct and confirm transactions, and effect settlements, this was not openly accessible to all customers. In contrast, EFX would allow customers to obtain quotes and transact FX without requiring the support (and time and cost) of TransactCo’s FX Distribution Dealers. These lower costs would then enable TransactCo to mitigate the value dilution associated with compressed FX margins.

EFX was also seen as helping to retain customer relationships under threat from competitors offering their own e-business solutions. Amongst senior FM management, the absence of an e-business offering at TransactCo created a risk of customers switching to an alternative supplier:

“The whole EFX strategy was defensive and probably still is. It was about not losing our customers in the future because we didn’t have this [EFX].”

In early-2000, TransactCo’s executive management approved the in-house building of EFX, with a deadline of October 2000. The position of “Project Owner” of EFX was assigned to the Head of FX (Fred) as he was in charge of FX sales to customers within the FM department. An EFX Project Manager (John) was also selected. Reporting to the Project Owner, he was responsible for delivering the promised functionality by the October deadline. In addition, the project team was to report periodically to an “EFX Steering Committee”, which comprised the Head of FM, the TransactCo E-business General Manager and Fred as the Project Owner. The business goals of EFX were specified as follows:
“To maintain and grow client relationships – retain revenues; to develop and improve relationships by improving operational efficiencies – cost savings; to generate more business from existing clients – grow revenues”

**Autonomous Spaces and Rapid Innovation**

Concurrent with the approval of EFX was a shift to increased autonomy for project teams and reduced control by TransactCo’s executive management. Historically, project managers were required to produce detailed and often lengthy proposals that identified individual project deliverables and assigned accountabilities for these. In early-2000, TransactCo’s executive management announced a re-engineered project approval process. While executive management would retain responsibilities for the prioritisation and approval of projects, the design and implementation was to be left to the discretion of the individual project manager in consultation with the project owner. As such, Fred and John possessed significant and increased autonomy over the innovation process as owner and manager respectively of the EFX project. TransactCo’s General Manager of E-business summarised the need for reduced control and more speed:

“In the past, we would have tried to control everything, and we can’t do that anymore. In approving projects and bringing them to market, we need to run at e-speed.”

Furthermore, the EFX Steering Committee that John reported to played a relatively minor role in the building of EFX. The EFX Steering Committee merely facilitated an update function while John and Fred had significant autonomy according to a TransactCo Manager that acted as a support for the Committee:

“The Steering Committee was more of an update to management. So, the EFX project team would inform them of any issues. The committee didn’t really get involved in the management of the project itself.”

Although the EFX team had significant autonomy over the specifics of the EFX innovation, deciding which customers were to be targeted and what functionality to develop for example, the October deadline imposed by the Head of FM and the EFX Steering Committee was an important constraint. Senior FM management had decided that launching EFX by this date would help mitigate the perceived risks of competitor offerings on customer relationships. This imperative to launch EFX quickly was a
significant influence in the path the innovation took. For example, while the initial EFX project plan allocated one month at the start of the technology building phase to “conduct customer research and identify customer needs”, the series of “customer forums” that were to be held never took place due to time constraints. Instead, the EFX team held a series of “customer value proposition meetings” with FX Distribution Dealers in an attempt to identify the functionality that customers would want and, of these, which were mandatory and which were preferred. The results of these meetings would then form the user requirements for the design and building of EFX. Throughout the design and build process, the October deadline was central. John commented:

“Building EFX has been a bit back-to-front. Rather than decide on the functionality we want and then see how long it will take to provide that, we see how much we can do by the deadline.”

Despite the need for rapid innovation, the building of EFX was not a process without control. Detailed project-planning was implemented by John, with required tasks specified and accountabilities assigned to individual members of the EFX project team. Actual task duration was monitored against targets and any over-runs were identified for correction. An “issues register” was maintained, with the latter escalated to the EFX Project Owner when required. Weekly EFX project team meetings were held where progress was detailed, obstacles were identified along with their implications for the October deadline, and mitigation strategies were discussed. Furthermore, throughout TransactCo, John sent broadcast e-mails that outlined the project tasks that had occurred in the past fortnight, those that were expected over the next fortnight, and the “major issues” that the EFX project team was encountering. Overall, the actions of John and the EFX project team indicated the enactment of a “project-oriented” logic of control, where the primary control objectives were the delivery of EFX by the requested deadline and the required management of technology, suppliers, internal stakeholders and both TransactCo and FM division resources. This project-oriented control was to intersect with alternative logics of control enacted by others within TransactCo.

Contesting Control and Managing Risks to the Business

An alternative logic of control to that enacted by John derived from TransactCo Operational Risk Manager, “Liella”. Liella considered herself to be a ‘champion’ of risk within TransactCo, partnering with TransactCo managers to make decisions based on the identification and mitigation of risk. Liella was particularly concerned with risk
management within TransactCo projects. She specifically wanted to develop performance measures to monitor whether identified risks were being managed effectively, considering TransactCo to be historically poor at doing this in relation to its projects:

“We do a lot of projects that don’t add value to the business. At least, we don’t know if they do. And, I think if we are a good business, we ought to know that they add value. So I say let’s develop some measures. And that’s a challenge. The Project Managers don’t want that because they may look bad.”

Specifically, Liella felt that existing project management performance measures were often difficult to quantify and evaluate. As such, she emphasised the development of quantifiable performance measures in all new TransactCo projects.

Upon hearing that the EFX project had been approved, Liella commenced the design of a risk methodology and performance measurement system for EFX. In total, over thirty different “business operational risks” were identified across the categories of “customer-related risks, employee-related risks, general risks, regulatory risks, cross-border risks, process risks and technology risks”. In comprising a holistic business risk focus, Liella’s system of risk management and performance measurement is characterised here as a “business-oriented” logic of control, focusing on how EFX would impact the existing TransactCo business, its relationships with customers, employees, regulators and other stakeholders, as well as its business processes and interaction in cross-border transactions. Overall, this logic of control focused on evaluating and ensuring that initiatives and projects “add[ed] value to the business”.

Having developed her ‘inventory’ of risks, Liella requested the EFX project team to assess each risk, stipulate the control techniques to be used to manage each risk, allocate responsibility for implementing each control, assess each control, and identify quantitative key performance indicators. Liella informed the EFX team that she would only sign-off that the EFX project had complied with her operational risk requirements once her controls had been implemented, “key performance indicators” were identified and accountabilities had been assigned. However, simply implementing controls was insufficient; Liella had to convince the EFX team to shift from their project-oriented control logic and subject themselves to her regime of business-oriented control. This was to prove difficult.
In opposition to Liella’s risk management and performance measurement system, the actions of the EFX team indicated a preoccupation with ensuring EFX’s launch by the October deadline. For the team, uncertainty beyond the launch date was either insignificant or outside the scope of risks to consider. Reflecting this, John indicated his focus on the October launch of EFX, with little consideration to what happened thereafter:

“To be successful, EFX must be robust, be available, and must have a reasonable breadth of functionality by launch. Success is getting the functionality right and making it work in October. After that I don’t really care, it’s up to the business to sell it.”

Consequently, John considered Liella’s risk template to be an unnecessary burden. In support, he drew upon the imperatives of rapid innovation. Rather than ensuring every risk was properly accounted for and measured, John indicated that evaluating and controlling all uncertainty was not feasible given the rate of change in e-business:

“The big thing is that management needs to recognise that they can’t predict the future. And that the future comes sooner in e-business. You’ve just got to go out and do it and see what happens and refine. You need people that can realise that e-business involves more risks.”

Time-consuming methodologies such as risk management and the development of extensive business criteria and performance measures were thus considered to be inconsistent with e-business. E-business required faith to “go out and do it”. Fred, the EFX Project Owner, also enunciated these sentiments in arguing against extensive and delaying management methodologies that controlled for risk, especially given important business imperatives:

“I’m definitely in the camp of ‘build it and get something out there’. Some would argue that ‘Let’s spend some time, check out what the risks are and what customers want and get it right’. But I’d argue that everyday we don’t have something, the other financial service providers move away from us. We need to make a value call.”

In meetings between Liella and the EFX project team, the latter continuously resisted the formalised business-oriented control logic. They repeatedly responded that any business uncertainty could not be fully evaluated while EFX was being built and any
required changes would be incorporated prior to its launch. Also weakening Liella’s ability to impose her logic of control on the EFX team, the EFX Steering Committee had not required the project team to obtain Liella’s approval as a prerequisite for launch. As such, accepting Liella’s risk template was voluntary. Furthermore, wider discourse that privileged the building of EFX “at e-speed” supported the view that e-business needed ‘faith’ to “just go out and do it”, not extensive and delaying risk management methodologies such as Liella’s. Later, she reflected on the EFX project team’s input into the e-business risk template, commenting:

“I didn’t like the way the EFX risk template was done. What I wanted is to set up a template for sign off so that the project is better managed. So that there are clear lines of responsibility. The EFX template is all over the place, we don’t even know just who does what.”

However, Liella did not proceed in completing her e-business risk template. The imposition of her risk-management methodology and business-oriented control logic was discontinued due to her difficulty in convincing the EFX project team of its need. Consequently, the EFX team remained pre-occupied with ensuring EFX’s launch by its October deadline, until other ‘control specialists’ and control logics contested their innovation efforts.

Leaps of Faith or Researching Customer Needs: Alternative Control Logics Compete

An alternative control logic that emerged at TransactCo to contest the EFX innovation process involved Gina, the Head of Customer Research at TransactCo. She was responsible for conducting and coordinating market research, analysing emerging trends in customer needs and measuring and monitoring customer satisfaction and market share metrics for TransactCo. Together with Bob, the Head of FX – Corporate Distribution who managed a number of FX Distribution Dealers, Gina had recently conducted a series of twenty interviews with FM customers investigating, *inter alia*, their e-business needs. According to Gina and Bob, their analysis of customer needs suggested problems with the current design of EFX. In particular, it suggested that customers wanted multiple FX prices through a portal rather than a single bank’s system. Bob commented:

“We didn’t have any customer say EFX is the best thing since sliced bread. Lots of financial service providers have been providing a system,
with no take-up. It’s not what the client wants. It’s what we think the client wants. We’re ramming it down the client’s throat. Customers are saying we want to see all providers’ prices, not just one provider’s prices.”

Gina, in particular, saw herself as a spokesperson for the customer, ensuring that their needs were enshrined in TransactCo’s business processes and projects. Overall, she enacted a “customer-oriented” logic of control that attempted to ensure that customers would be satisfied with their interactions with TransactCo products and personnel. However, in order ensure that corrective action was taken in the building of the EFX technology, Gina and Bob had to persuade those in charge of its design and build. In attempting to impose this “customer-oriented” logic of control, they encountered resistance.

At a meeting with the EFX project team, both Gina and the Bob voiced their dissent. In response, Fred contested Gina’s and Bob’s claim by commenting that twenty customers was not equivalent to TransactCo’s entire customer base. Additionally, Fred appeared to argue that customers’ e-business needs were unknown to themselves and would only emerge in the future. He rationalised the approach the EFX project team had taken by describing customer needs in relation to e-business as ‘unknown’ and emergent, needing to be somehow extrapolated from other ‘known’ information. The following interchange is reflective:

“We’ve done twenty customer visits. They’re not interested in one bank’s system. They want three prices, they want multiple contribution pages” Bob

“We’re asking customers to give us their feedback on what they want in the future, based on what their current experience is. We can’t take the customer research because it’s wrong. Otherwise [our competitors] would not be having their reasonable take-up.” Fred

“When are you planning to have customer focus groups? It’s really important to get a breadth of view” Gina

“I couldn’t agree with you more. But I’m really vulnerable about not having a product [e-business technology]. I think we need a leap of faith and just get out there … We’ve done some customer research, probably not enough. But we can’t take 2-3 months to do a piece of research. Just
twenty customers saying they won’t use it [EFX] does not mean our entire customer base will totally ignore it” Fred.

Gina continued in her attempts to impose her customer-oriented control logic on the EFX project team. She offered to present her research directly to the team but her invitation was declined. Furthermore, on obtaining external market research that also indicated customer preferences for multi-contributor portals, she distributed that widely amongst TransactCo and FM senior management, claiming the need to consider these in the building of EFX. Despite her attempts to promote customer needs, especially in terms of preferences for multi-contributor portals, the EFX team continued in the innovation process without apparent change. For Gina, the imperative to build EFX at “e-speed” as part of wider rhetoric on “e-business” was central to the resistance she was encountering and unable to overcome:

“It’s me pushing customer research out and not enough the other way. They [EFX project team] cringe when they see me coming. I’m sick of e-business being described as defensive always, and that there’s no time. The management of the e-business projects keep saying its defensive and there’s no time for customer research.”

The EFX project team continued to build EFX for the October launch deadline. They appeared to have deflected alternative logics of control that others had sought to impose upon them, strengthened by the “e-speed” imperative for the building of EFX. However, this was to change as the EFX innovation neared launch.

The “Failure” of the EFX Innovation

For the launch of EFX to be considered “successful”, support was required from resources beyond the EFX project team. For example, FX Distribution Dealers were required to market EFX to their customers and help in demonstrating its value. Customers themselves needed to be convinced sufficiently of EFX’s benefits in terms of convenience and cost savings for them to utilise this innovation. With factors requiring control being much broader than the mere completion of an innovation by a certain date, the “project-oriented” logic of control that had thus far dominated the design and building of EFX proved insufficient.

Recognising that FX Distribution Dealers possessed detailed knowledges of their allocated customers and were experienced in the trading of FX, the EFX project team
had allocated the FX Distribution Dealers a central role in the “selling” of EFX. However, as its launch neared, the FX Distribution Dealers withdrew their support for the EFX project due to concerns about its impact on them. An EFX project team member explained:

“The dealer reaction has been negative. They talked the game early on, that they would go out and sell it. Now they’re very sensitive, they’re protective of their customers, they’re protective of their margins. It’s a loss of control. It’s a fear of losing their job.”

Corroborating the above, an FX Distribution Dealer observed in relation to EFX:

“There’s a lot of protectionism going on in corporate land with automated trading, for both the customer and the bank dealers.”

Without adequate consideration and control, the FX Distribution Dealers had become concerned that EFX would make them lose control over their customer relationships, with consequences for the margin they charged customers, their interaction with customers and, ultimately, their relevance at TransactCo. As such, they had become “protective”, refusing to share their individualised customer knowledges that had been considered instrumental in helping to persuade customers to take up EFX. A risk to the business had been left uncontrolled.

Subsequent to its launch, customers also did not appear to be interested in EFX, instead preferring to use multi-contributor portals. Emerging research on customers’ electronic FX trading patterns confirmed the preference of multi-contributor systems over single proprietary systems such as EFX. Again, a risk identified by Gina’s customer-oriented logic of control had not been considered for corrective action, significantly impacting the success of EFX.

At the end of the first three months of EFX’s operation, only four external customers were using EFX. The low number of customers appeared to concern the EFX team. At one project meeting, team members appeared frustrated with the low numbers of external users:

“You can tell [Head of FM] that we are better for the experience of building EFX and once we work for a company who’s customers want to trade in proprietary systems, we’ll put our knowledge to good use” John.
With EFX now in (little) use, the EFX project ended and the project team disbanded to work on other technology projects. Despite the imperatives to launch EFX, its culmination appeared to have little impact. Instead, the organisation awaited the launch of the next series of innovations, for TransactCo in the interim had joined a number of multi-contributor FX portals that were yet to be launched.

**Discussion and Conclusions**

In seeking to make sense of the “innovation excesses” associated with e-business, one can argue a lack of control. Supporting this is the apparent high autonomy and freedom from formalised control systems granted to rapid innovation teams. However, it is argued herein that such a view is overly simplistic. Furthermore, extant research is equivocal on whether control supports or hinders innovation. In presenting a case-study of TransactCo, an organisation attempting to innovate its customer relationships through the development of an automated FX trading engine labelled EFX, this study has sought to reveal the complexities inherent in the control-innovation dynamic. In particular, it makes three contributions to the literature.

Firstly, much of the prior literature presents innovation and formal control as separate and opposing organisational forces. Hence, tensions and trade-offs are said to exist in balancing innovation and control systems, while formal controls restrain innovation (Abernethy & Stoelwinder, 1991, 1995; Amabile, 1998; Keegan & Turner, 2002). Overall, innovation processes are depicted as being somehow ‘out of control’, with formal control being uni-dimensional. In contrast, observations at TransactCo indicate alternative possibilities. John and the EFX team utilised a highly formalised system of project-oriented controls extensively to ensure the launch of the EFX innovation within the October deadline. However, in doing so, they excluded alternative formal control logics; Liella sought to impose a highly formalised business-oriented control logic grounded in risk management discourse and the measurement of “value add to the business” while Gina’s customer-oriented control logic was again different in deriving from EFX as an offering to TransactCo’s customers and needing to align with customer needs. Thus, formal control at TransactCo was multi-dimensional and comprised different control logics. This notion of control logics is offered as helping to explain why prior research is equivocal on the relationship between control and innovation, for formalised control is not a uni-dimensional construct but comprises multiple meanings and modes and, thus, consequences for innovation processes.
Secondly, while much of the prior literature on control and innovation focuses on ‘controls-in-existence’, this paper is concerned with ‘controls-in-action’. In understanding the impact of control systems and logics on the innovation process, one cannot separate control mechanisms from those who seek to enact them. Thus, Liella’s business-oriented and Gina’s customer-oriented control logics were not simply irrelevant during the building of EFX, as might be concluded from a focus solely on ‘controls-in-existence’, they were made to be so by the ability of John and the EFX project team. Furthermore, this irrelevancy was constrained to the build and design phase of EFX as, arguably, their absence in the launch phase of EFX contributed to its failure. Hence, it is argued that controls by themselves do not possess any inherent effects that can be described as positive, negative or irrelevant for the innovation process. Rather, it is the interests of those who seek to impose or resist the controls in question, and their ability to do so, that shape “controls-in-action” and their consequences for processes of innovation.

Finally, practical difficulties in the management of rapid innovation through certain formalised control mechanisms are revealed. While one can simply prescribe the greater use of “business-oriented” and “customer-oriented” control logics to mitigate the possibilities of innovation failure, practically implementing these might be difficult. At TransactCo, the use of performance measures and controls within Liella’s risk management methodology was resisted in part by John appealing to business imperatives; the need to “run at e-speed” and arguing for ‘faith’ to “just go out and do it”. Similarly, dissenters to Gina’s calls for a further accounting of customer needs through focus groups were also made strong by mobilising perceptions that EFX needed to be launched quickly. Indeed, a popular view at TransactCo was that EFX should simply be launched rather than seeking to more fully calculate and control risk, especially when the technology, business environment and customer needs were considered to be dynamic and unstable.

While the above events are specific to TransactCo, this paper proposes a more enduring relevance for those seeking to enact controls such as the “business-oriented” and “customer-oriented” logics described here. Popular notions of time-compression, accelerating product lifecycles, and environmental hyper-dynamism, to name but a few, privilege those seeking to rapidly innovate in resisting potentially “delaying” control logics. Thus, in these accelerated environments, where things may prove difficult to be “pinned-down”, calculated and controlled, alternative forms of control routines and
mechanisms may need to be relied upon, especially in situations where “a new IT [information technology] can even become obsolete before project completion” (Benamati, Lederer & Singh, 1997).

In closing, this paper represents an attempt to consider how controls are enacted in an e-business innovation setting and how control and innovation intersect. The extent to which similar observations and dynamics manifest in alternative contexts represent areas for future research.
References


