

“Conquering Complexity in Your Business”

From Minnesota Futurists by Mark Symchych (<http://www.mnfuturists.org>) – 07/10/04

SUBJECT	21st CENTURY DIRECTIONS & FUTURES
<p>• DEFINING THE ISSUES</p>	<ul style="list-style-type: none"> • The complexity of a product or service offering is often a larger drag on profits and growth than any other factor. • Three rules of complexity: 1) Eliminate complexity that customers won't pay for. 2) Exploit the complexity customers will pay for. 3) Minimize the cost of any complexity you offer. • Internal complexity: complexity of a company's internal operations. • External complexity: breadth of the company's products and services that it offers to customers. • Deliberate complexity versus unmanaged proliferation. • Basic decision options for complexity: 1) Change your existing portfolio of offerings. 2) Improve the profitability of existing options. 3) Minimize internal complexity. • Precepts that drive strategic thinking: 1) Customers define value. 2) Biggest gains come from quantized improvement. 3) Focus on what matters most. 4) Think value share instead of market share. 5) Growth results from value driven applications of finite resources. 6) First eliminate external offering complexity that can never generate positive economic profit, and then attack internal complexity. • Quantitative analysis allows identification of creators and destroyers of shareholder value: 1) Identify strategic complexity targets. 2) Determine the impact of complexity. 3) Quantify your opportunities. 4) Prioritize the targets. • Value creation comes from recognizing and responding to market realities: 1) Can you improve profitability enough through process innovations to achieve positive economic growth? 2) Can you improve profitability by changing the cost component, either through outsourcing or by cutting capital requirements? 3) Can you improve profitability by raising prices? 4) Can you improve profitability through greater volume? 5) Can you change your offering strategy? • Information Technology and Complexity: 1) Expenditures should improve the customer experience through the efficient capture and dissemination of customer information. 2) Expenditures should enable low-cost tailoring to customer needs. 3) Expenditures should improve quality by eliminating human error. 4) Expenditures should improve the processing cost per transaction through economies of scale. • Principles to simplify IT structure: 1) don't rely on IT to

	<p>fix a broken process. 2) Reduce the complexity in your systems architecture. 3) Outsource complexity where it is strategically desirable. 4) Use modularity in your hardware and software.</p> <ul style="list-style-type: none"> • Culture and the ‘externality’ of conquering complexity: 1) Believe that conquering complexity is an imperative. 2) Drive ongoing engagement by executives. • What characterizes a complexity conqueror? 1) Self-confidence with relatively few ego requirements. 2) Respect of the organization. 3) Cultural intelligence and communication skills. • Avoid creating a separate group of people committed fulltime to complexity that has no connections to the everyday work of the organization. • How can you drive incentives that will encourage the desired attitudes and actions toward complexity? Align metrics, incentives and policies. Two questions that need answers. 1) what incentives and measurements do we have now that are inconsistent with conquering complexity? 2) What structural changes are required to ensure you do not re-introduce the wrong kind of complexity?
<ul style="list-style-type: none"> • POSSIBILITIES 	<ul style="list-style-type: none"> • Proliferation in identifying causal metrics that complement and replace effect metrics. • Growth in organizations’ precise understanding of factors that create their value. • Specialization (silo) terrain responsibility expansion; proliferation of interdisciplinary information and knowledge in workforce. • Growth of acceptance and responsibility of workforce and citizens to conquer complexity and externalities. • Shift to HR designing incentive linkages to leading indicators for organization’s strategy to speed readiness and alignment to market and value.
<ul style="list-style-type: none"> • SOCIETAL IMPACTS & CONSEQUENCES 	<ul style="list-style-type: none"> • Growth in the efficiency of the utilization of resources. • Growth in employee resourcefulness to contribute to organization success and away from boss knows best. • Growth in the aesthetics of “social good,” due to transparency.

References: “Conquering Complexity in Your Business”
By Michael L. George and Stephen A. Wilson