

Simpler Business

Riches Without Complexity

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Outline...

- Need for simpler business
- Describing simpler business
- Benefits of simpler business
- Making a business simpler
- Contents of *Simpler Business—Riches Without Complexity*

Things evolve to become ever more complex, not more simple.

Edward De Bono, Simplicity, 1999.

Some current problems in business...

- Regulation & compliance increases
- IT delivers more and more detail but managers often delay decisions until “all the data” is available and analyzed
- Business planning is extensive and detailed, yet regularly lacks focus
- Increased customer demand drives the need to increase ‘capacity’, but skills are in short supply
- Generation Y looks for instant results and gratification
- The necessity to manage outside the business as well as inside it increases management complexity

Some outcomes if nothing is done

- Information overload and decision-making hindered
- Work gap between Baby Boomers and Generation Y staff causes frustration & morale problems
- Working on the business will become a thing of the past as owners & managers wallow in a mire of detail
- Baby boomer owners will get less for their businesses
- Business improvement is held back by middle managers protecting their positions
- Business “complexity” increases as more is taken on

But...

Adding complexity to cope with complexity is a seriously flawed approach

Simplicity Wins, McKinsey & Co, Harvard Business School Press, 1995

So is simpler better?

Everything points to the fact that the superior performance of the leading companies – measured by growth, return on sales, and liquidity – is attributable to simplicity and rigorous implementation: simple, realistic objectives and a high rate of realisation, achieved through simplicity in structures and procedures.

Simplicity Wins, McKinsey & Co, Harvard Business School Press, 1995

It may be better to simplify a process rather than train people to cope with the complexity

Edward De Bono, *Simplicity*, 1999.

Some case studies describing simpler business....

The technology business...

- In 1988, a successful Australian systems developer and manufacturing SME embarked on a major product development campaign to grow its international business. It entered various overseas markets on the basis of innovative products filling many needs, but was almost broke after two years.
- The company turned these major losses to a profit in under a year

HOW?

- It introduced a simple decision-making framework for all key people
- It reduced its product range and focused its development and sales on the few really “attractive” products
- It reduced the sales team but simplified and promoted the interface between sales and support

The family furniture business...

- In 2001 the owners of a respected furniture brand found their business increasingly competitive and difficult to manage. They had increased their product range to about 60 but profitability was just a few percent. The directors struggled with increasing working hours for very little improvement in profit.
- From 2002 to 2005 sales increased by 300% & profits by 400%

HOW?

- They cut product range to about 10, then increased to about 25 over two years
- They developed a unique and simple view of the real value they could provide to customers
- They optimized their supply chain between local manufacture & international sourcing to achieve the desired customer value

The ERP system...

- A local food processor experiencing highly variable sales patterns for its products found it very difficult to schedule production to meet demand. It investigated the purchase of a warehouse and supply chain module for its ERP system, at a total cost approaching \$100,000.
- An ERP consultant visited the business and suggested the problem could be solved by stacking their finished goods so that lines of different products led to the loading bay. He recommended painting a white mark on the floor for each product to signify the starting point for production to satisfy upcoming demand.
- Total cost to solve problem = a can of paint and some labor.

Simpler business applies everywhere...

- Streamlining value addition - Tasmanian Quality Wool reduced wool ownership from 8 stages to 2, decreasing time-to-market from 24 months to 10 months
- Removing costs – Telstra BigPond removed 10% of outsourced technical support costs in a few weeks by reducing the number of improvement initiatives and encouraging information sharing along its value chain

Making the complex clear always helps people work smarter—because it is a lot easier to figure out what's important and ignore what isn't

Bill Jensen, *Simplicity*, 2000.

Suggested benefits by owners & managers

- *There is less stress at the top, and down through additional layers of management*
- *Our managers feel more confident about delegating problems and decisions to their people*
- *Our employees feel more confident in making decisions because they have been given simple guidelines to help them.*
- *There is more innovation when the business is simple.*
- *Our business can respond more quickly to opportunities or threats.*
- *The bank is more easily convinced with simple, focused plans and financial reports.*

The lazier a person is the more likely is that person to seek simpler ways to do things

Edward De Bono, *Simplicity*, 1999.

The way things are...

- Most of the sales go to a few of the customers
- Most of the profit comes from a few of the products
- A few staff members provide most of the problems
- A few software functions are used most of the time
- A few improvement projects achieve most of the benefit
- The majority of inputs have only marginal impact, so...

How do we change?

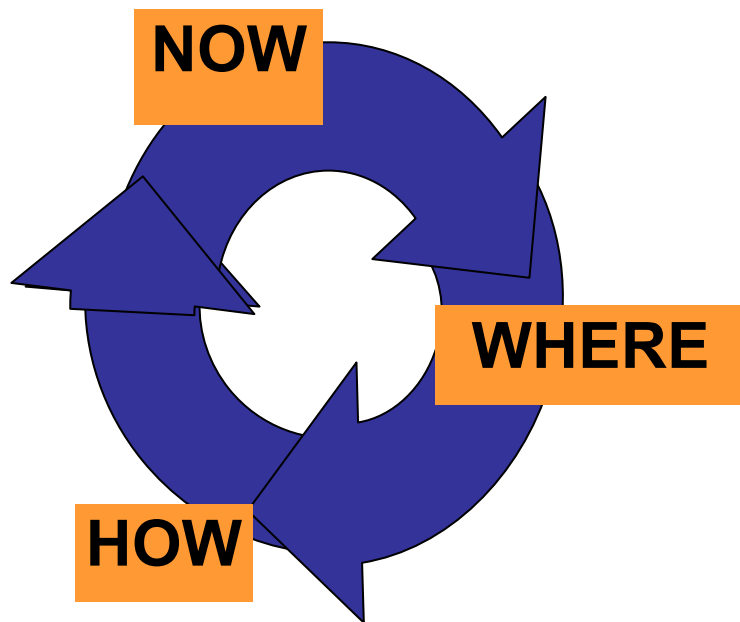
Apply 80/20 thinking (vs analysis)

- 80% of potential improvement comes from 20% of things you could do, so look for the short cut and be selective rather than exhaustive...especially in business improvement projects!
- 20% of your effort will give you 80% of the results, so target a limited number of very valuable goals

20% of major business improvement trends provide 80% of the benefits

Strategic Planning, Balanced Scorecard, Lean, Six Sigma, Statistical Process Control, Business Excellence, ERP, CRM etc

Adopt simpler problem-solving...



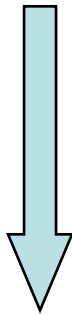
Most people solve problems by defining the situation **NOW** then jumping immediately to **HOW**.

Often there are as many **HOWs** as there are people discussing the problem!

By firstly agreeing what a successful solution (i.e. **WHERE**) looks like it is much easier to gain agreement on **HOW** to proceed confidently.

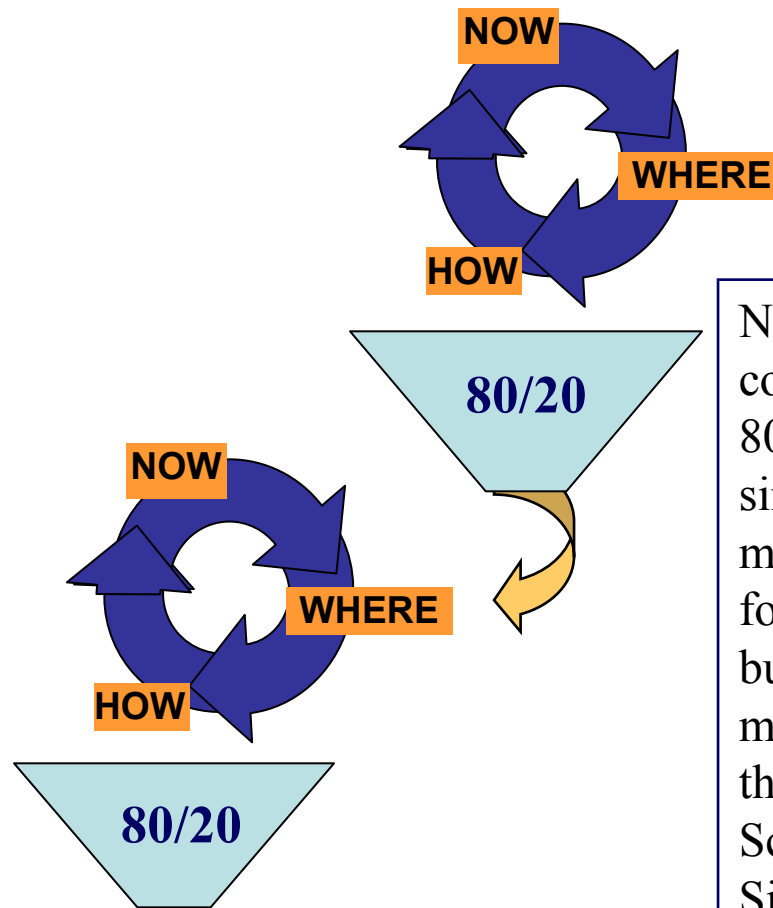
Combine Now-Where-How and 80/20...

Management



Staff

Pass down the few strategies or projects that will generate the most value to customers and/or staff

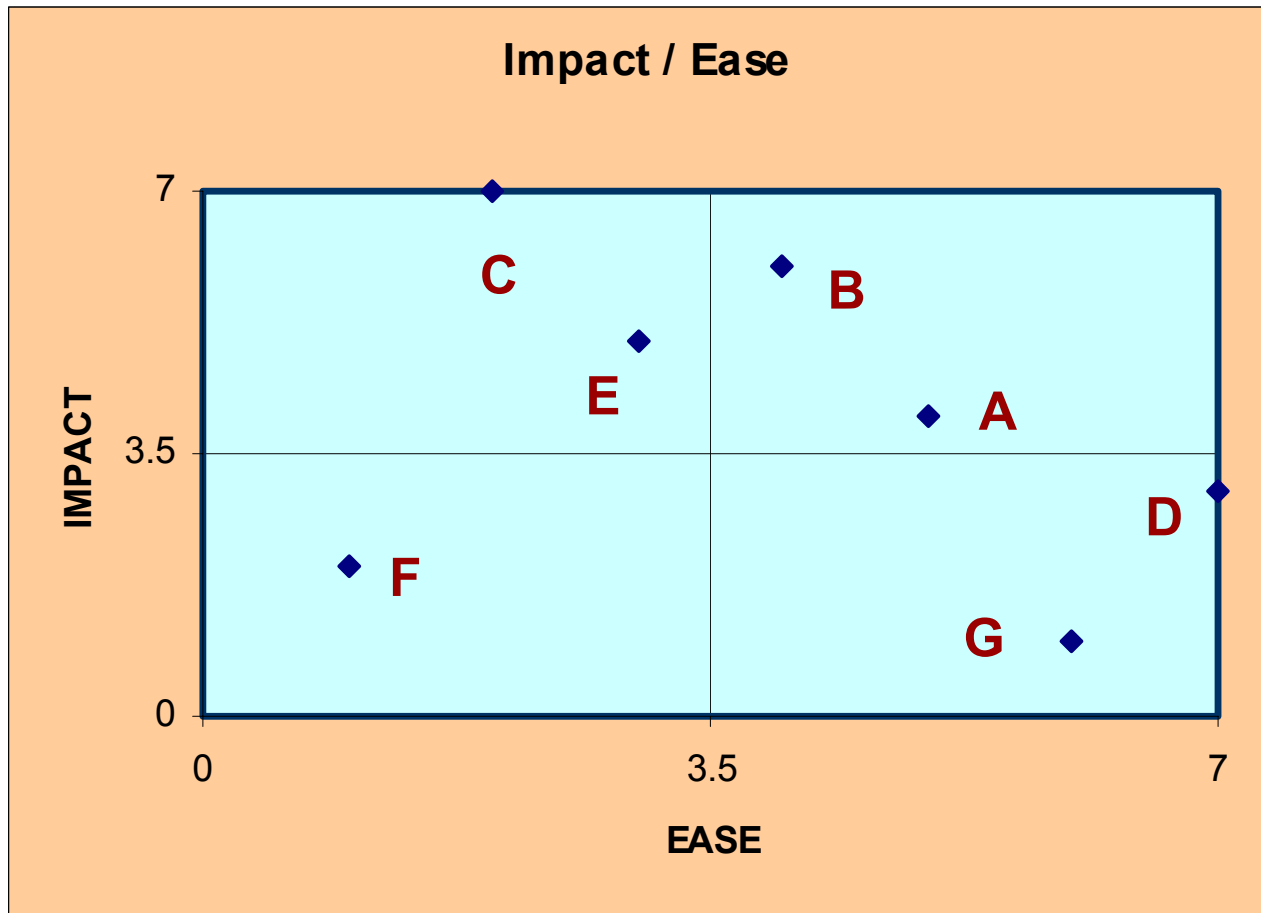


Now-Where-How combined with 80/20 provides one simple decision-making framework for all levels in the business (and this may be linked to the Balanced Scorecard, Six Sigma, Lean etc)

Create “options” to progress...

Strategy Development	Strengths <ul style="list-style-type: none"> • • 	Weaknesses <ul style="list-style-type: none"> • •
Opportunities <ul style="list-style-type: none"> • Objectives <ul style="list-style-type: none"> • 	<i>Strategies using strengths to gain opportunities</i>	<i>Strategies using opportunities to overcome weaknesses</i>
Threats, Hurdles + Restraints <ul style="list-style-type: none"> • 	<i>Strategies using strengths to overcome threats</i>	<i>Strategies to manage risk where threats & weaknesses coincide</i>

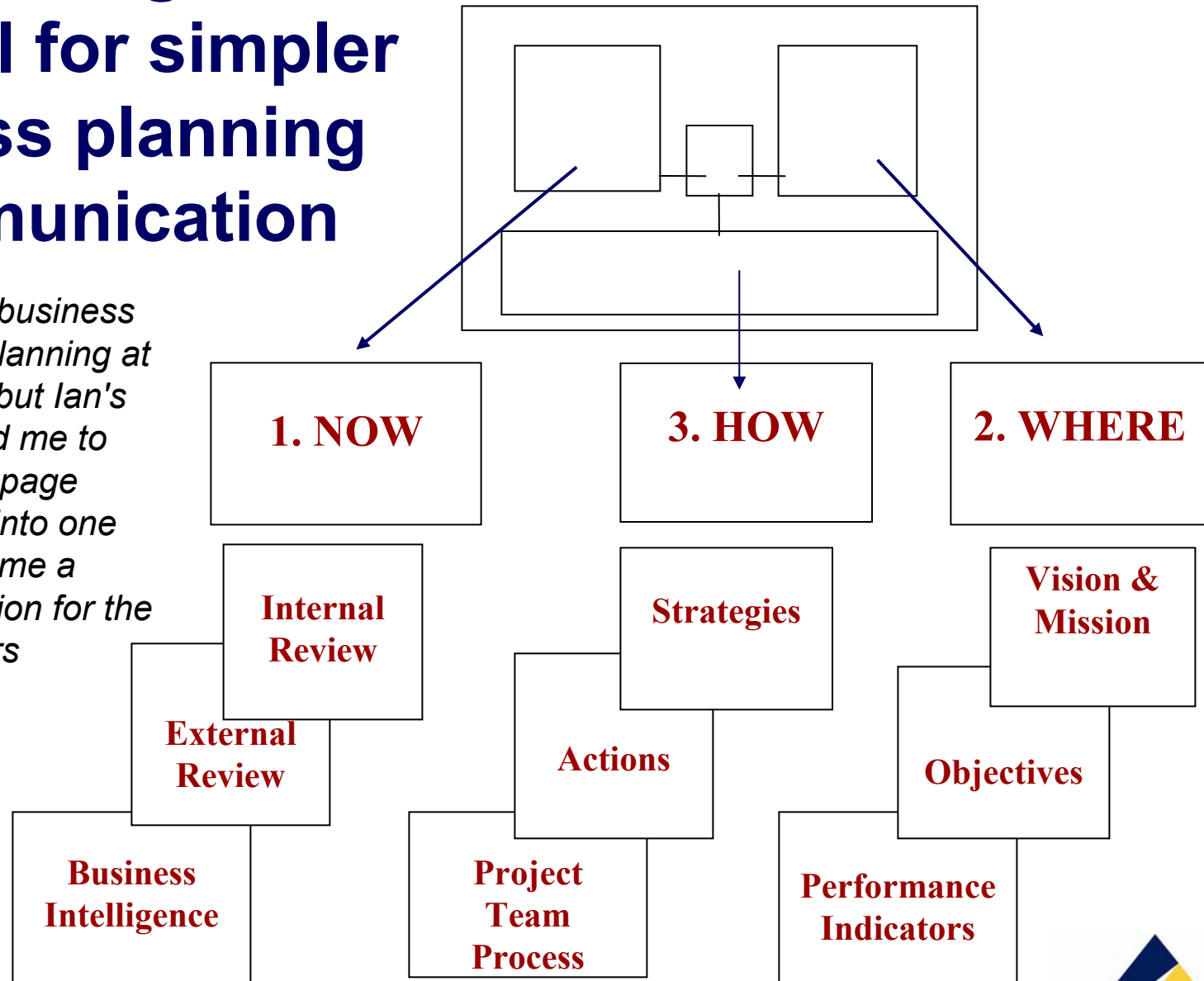
Then determine the priorities...



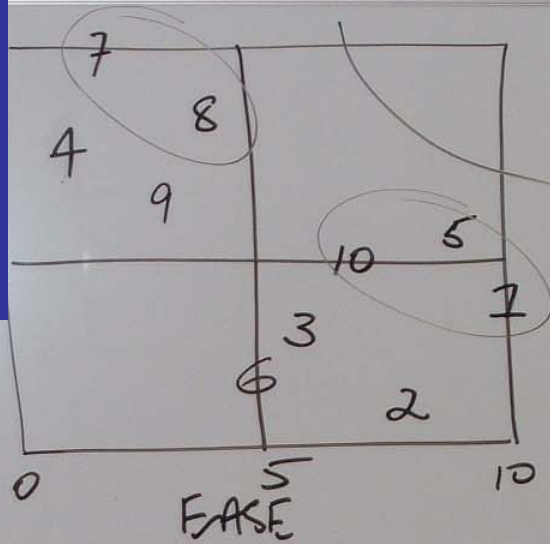
The One-Page Plan is a tool for simpler business planning & communication

I have studied business and strategic planning at Masters level, but Ian's toolbox allowed me to simplify my 30 page business plan into one page and give me a strategic direction for the next three years

Shelley Pisani



Apply the basics of the Theory of Constraints



PRODUCTION PLANNING

MORE RESOURCES REQUIRED IN AREA OF ENGINEERING

LACK OF CAPACITY IN BLAST FREEZER

NEED TO USE "CORRECT RECIPE"

NEED TOP ACCURACY IN WEIGH UP

LABELING IN WEIGH UP ROOM NEEDS TO BE RE-MODELED

NEED TO BE PRECISE. NEED FOR SKILLED OPERATORS

MACHINERY BREAK DOWN (EX. TRUMP)

LIMITED PROCESS AREA.

LIMITED STORAGE SPACE

FACT - JIWA NOT GEARED FOR ENTERING PRODUCTION SCHEDULES

REQUISITION TO PICK AFTERNOON BEFORE

DISPENSARY ROOM NEEDS TO BE RE-VAMPED

SKILLED OPERATORS/BAKER/PASTRY COOKS - FEWER, IN JOBS MARKET

DATED EQUIPMENT

LIMITED PROCESS AREA LIMITING EXPANSION

NEED A PRODUCT BLAST FREEZER TO HOLD FRESH BAKED THINGS

STORAGE



WEIGH-UP (STARTED ARVO)

MIXING

MANUFACTURE + (QUALITY CONT)



BLAST FREEZING

SPACE A PROBLEM

SOME FLOUR NEEDED 1 WK BEFORE

TIME TO PICK RAW MATERIALS

HUMAN ERROR IN WEIGH UPS

POOR TRAINING ON WEIGH UPS = MISTAKES IN MIXING

HUMAN ERROR (SARGAULAW)

WORKING/NO TRAINING FOR MIXING OPERATORS

CAPACITY LIMITATIONS (INCREASES SLOWLY IN WINTER)

EQUIPMENT FAILURE

LAYOUT

CAPACITY PROBLEMS

BUTTER!

CONVERTING PALLETS WOOD TO PLASTIC

WASTE THROUGH INCORRECT RECIPE. * ERRORS IN WEIGH UP

RECIPE INCORRECT RECIPE

LACK OF TRAINING - CONTRIBUTES TO MACHINERY BREAK DOWN

DATA ON FAILURE?

LACK OF SPEED IN FREEZING

What drives your business?

Drivers for simplicity?

- People wanting easier or faster decision-making
- Awareness that simple business is generally more profitable business
- Managers wanting to make it easier for front-line staff to do their work well
- Easy succession & delegation

Drivers for complexity?

- Many engineers, accountants and technologists
- People feeling their jobs / positions are threatened
- ERP & e-commerce systems seeking great detail
- Complex planning systems
- Contemporary management literature & education

...and ask, What would a simpler business achieve?

Simpler Business – Riches Without Complexity

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Appendix 1: My Simpler Business Journey

Appendix 2: Support for Simpler Business

Where to from here?

The Center for Simpler Business

- Free information to increase awareness of simpler business
- Subscriber E-classes providing Simpler Business techniques
- Presentations & seminars highlighting success stories
- Interviews with others who have achieved success via simplification
- Access to the quarterly Simpler Business Club to share & help

Achieving simplicity is a far more valuable contribution than delivering the capability to manage complexity.

Simplicity Wins, McKinsey & Co, Harvard Business School Press, 1995

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