The Power of Simplicity

Simplicity

The Power of Simplicity

nec group
Overview of this session

- What is business Complexity and where does it come from?
- Business and personal benefits of simplicity
- Diagnosing complexity
- Leading simplicity
- Some quick win simplicity ideas
- Questions
Why are we talking about simplicity today?

- Complexity has become a massive barrier to performance in companies, big and small.

- In fact, CEOs see complexity as one of the 5 biggest business challenges they face (Source: IMB CEO survey).
What is simplicity? Some famous quotes

“The ability to simplify means to eliminate the unnecessary, so the necessary may speak.”
—HANS HOFMANN

“Things should be made as simple as possible, but not any simpler.”
—ALBERT EINSTEIN

“Simplicity is hard to reach. It depends on attention, thought, knowledge and patience.”
—JOHN PAWSON
Simplicity and complexity defined

**SIMPLICITY**
exists when you have exactly the *right number of essential components* and connections to achieve a successful result. No more, no less.

**COMPLEXITY**
exists when you have *too many unnecessary components* and connections, which prevents you from achieving a successful result.
Complexity has a major impact on both productivity and people’s motivation.

**WASTES TIME & MONEY**
Complexity means that up to 40% of people’s time is spent on activities that don’t drive value.

**HARMS MOTIVATION**
People don’t enjoy working in complex systems, so employee engagement declines.

**REDUCES AGILITY**
Complexity makes it harder to react quickly to market opportunities and changes.

**REDUCES SALES & PROFITS**
Simplicity sells being simple to do business with can increase sales by 6%
Complexity reduces your profit by 10 - 40%.
A recent academic study by Warwick University proved that excess complexity reduces profit.

The statistical relationship between complexity & EBITDA

- Data from world’s largest 200 companies
- 18 measurable complexity and performance measures
- Data covers 5 years from 2007 to 2011
- 18,000 data points
The Simplicity Matrix looks at complexity and performance

Where would you place NEC Group?

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Discussion: What’s in it for me (WIIFM)

- For change to take root, people have believe there is a personal gain (or risk) at stake

- In pairs discuss the **personal benefits** of making NEC Group simpler?
The source of business complexity

- Where does business complexity come from?
- Does complexity create itself?
Complexity does not create itself!

Your decisions, actions and behaviours cause complexity by increasing:

- The **number** and **variety** of components in your business.
- The **interrelationships** between these components.
- The **pace** at which these relationships and components change.
Some common management behaviours that cause bad complexity

- tinkering
- mistrust
- avoidance
- adding without taking away
- aimlessness
- over intellectualising/engineering
- reinventing
- lack of focus
- indecisiveness
How do our behaviors create complexity?

Now a short video Inventing the Stop Sign

Watch carefully and look out for examples where people’s behaviours have made this task more complex than it needs to be.
Why is it hard to attack complexity in big companies?

**behavioural challenge**
Complexity does not create itself. It’s caused by management and leadership behaviours. These are hard to change.

**complexity is everywhere!**
In big companies, complexity is everywhere. Getting rid of it feels like boiling the ocean.
How are other companies attacking complexity?

CHANGING BEHAVIOURS & MINDSET
Making simplicity an everyday value and a way of working.
- Leaders living the value of simplicity themselves.
- Everyday simplicity ideas/tools
- Training & coaching

MEASUREMENT, REVIEW & OBJECTIVE-SETTING
What gets measured and rewarded gets done.

DIAGNOSIS & REMOVAL OF COMPLEXITY HOTSPOTS
Identify and remove the MAJOR complexity drivers
- Careful diagnosis
- Clear action plans to attack major complexity problems
- Training teams on how to diagnose and remove complexity
Diagnosing NEC Groups specific complexity problems

Our academic work identified the 100 most harmful sources of complexity in big companies.

Which of these are destroying most value in your organisation?

- **Globalization Social Change**
- **Strategy**
  - Lack of strategic focus or clarity is a major cause of complexity as well.
- **Technological Change**
- **Products & Services**
  - Complexity driven by the number of products & services, or design of individual products
- **Political and Regulatory Change**
- **People**
  - Complexity driven by culture, management and leadership behaviors
- **Organisation**
  - Complexity caused by your organization design and decision making processes
- **Process**
  - Complexity driven by the number and design of core processes and systems
- **Economic Change**
- **Competition**

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Example of Diagnosis

Global multinational:
Example output from in-depth complexity diagnosis.
In less than 2 years, over 1200 complexity reduction projects generating savings of €190m

**TOP-DOWN**
- Detailed diagnosis of the most harmful sources of complexity.
- Developed and communicated a cohesive complexity reduction strategy
- CEO and Top 400 leadership commitments

**BOTTOM-UP**
- Complexity reduction included in all managers objectives
- Simplification strategy gives clarity on where the ‘bottom up’ initiatives should focus.
- Enabling change: Over 100 teams have been trained on how to diagnose and remove complexity
Boots: War on redundant management information

- 257 different management reports going to their stores managers each month
- Introduced a new streamlining MI methodology with great success:-
  - Saving of over £750k in management time.
  - Number of reports reduced from 257 to just 83
  - Training on simple design principles to improve readability of each report
  - Each of the 83 remaining reports have been made shorter & clearer
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As leaders you can all start to foster a mind set of simplicity, starting today

*Leadership is the most effective way to drive change in your organization*

- People are heavily influenced by what other people do
- This ‘follower’ effect is amplified if you are a leader
  - People look to you for ‘signals’ of what is acceptable/not acceptable
  - Their careers depend on you
  - Your people look carefully at your words, your actions and behaviors and they take their lead from you
- Knowing this means you can influence them everyday, in lots of ways
- Leadership is free – it is not a project, it does not require a lot of your time

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“Simple can be harder than complex. But it's worth it in the end, because once you get there, you can *move mountains*”

Prepare to be hit with the simplicity stick!
LEADERSHIP: Steve Jobs’ obsessive focus on simplicity was a key driver of Apple’s success. People learnt that it was better to use the *simplicity stick* themselves, before Steve used it on you!

Small groups of highly talented and empowered people. Less is more.

Refuse to accept that complexity is inevitable, even in high technology

Simplicity as a mindset and filter for everything they do. As simple as possible for consumers and us
Apple: simple to the core

FOCUSED STRATEGY
- *Highly focused value curve*: Apple concentrates on design and marketing, leaving the complex and risky manufacturing part to others.
- *Fewer bigger R&D projects*: when Steve Jobs returned to Apple in 1996, he cut out 80% of the R&D pipeline.

SIMPLE ORGANISATION DESIGN
- Five layers of management from CEO to graduate entry level.

NARROW PRODUCT RANGE
- <100 MacBook options = vs. Dell with millions of variations.
- Brand leader in smartphones with just five models vs. Nokia’s 70+ smartphone range.
Vodafone: 300 leaders, one voice

- Simplicity is one of the 3 core values of Vodafone, an idea which was led by the CEO himself.

- Top 300 leaders have used Personal Simplicity 360 Surveys, to understand their own complexity behaviors and how they can lead simplicity more actively.

- Individual development plans to address complexity behaviors

- Top team workshops to identify how they can collectively make simplicity a value
Leaders need to make complexity reduction a top priority

Never underestimate the power you have to ignite a movement!

Leadership lesson’s from an dancing man!
How can leaders encourage simplicity in their team?

**MODEL THE WAY**
Demonstrate your commitment by showing that you are making things simpler and demonstrating simplicity behaviours yourself.

**CHALLENGE**
Continually challenge anything that is not simple. Keep asking: “is this the simplest way?”

**ENABLE CHANGE**
Constantly coach, support and train your teams. Make sure they have the skills and support they need to simplify your business.

**INSPIRE**
Communicate the personal and business benefits of simplicity.

**FEED THE HEART**
Openly recognise and reward teams and individuals who are successfully simplifying things.

“Be the change you want to see in the world.” —Gandhi
Some quick win ideas for you to role model

**COMMUNICATE CLEARLY AND CONCISELY**

- Reduce the volume of emails sent by leaders, by minimum 30%
- 3 slide PowerPoint rule
- ‘Twitter test’ all your own communications = 125 characters

**FOCUS ON THE BIG THINGS, STOP THE REST**

- Prioritise: Radically reduce your project/activity list
- Stop or radically simplify 5 regular management reports
- Stop or reduce attendance/length of 5 regular meetings

**BE DECISIVE**

- Publically promise to make all decisions within 5 days

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How to make simplicity a reality

• Pebbles: Don’t allow your own behaviours, decisions or actions to create complexity

• Start leading simplicity today – be the dancing guy (or his first follower) and start a simplicity movement in your team

• Try some of the quick win ideas I suggested, there simple and they work!

• Diagnose the most harmful sources of complexity in your business unit, prioritise the Top 5, develop plans to remove them.

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HANS HOFMANN