

BEST PRACTICE

A practical guide to stripping complexity out of your organization.

Simplicity-Minded Management

by Ron Ashkenas

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Simplicity-Minded Management

The Idea in Brief

Big companies have always been complex. But to cope with new challenges such as globalization, they've increased their complexity—with proliferating products, tangled reporting relationships, and duplicated processes.

They've become unwieldy, ungovernable, and underperforming. And nobody likes it. Customers complain about not having a single face to a company. Employees bemoan poor communication and competition among units. Analysts demand clearer numbers. Investors decry duplication of functions.

To combat performance-sapping complexity in your organization, first declare simplicity a hard business objective, advises Ashkenas. Then attack the major sources of complexity, including accumulated changes in organizational structure, endless new-product launches, undisciplined processes, and managerial habits such as time-wasting meetings. For example, periodically audit your product portfolio, retiring offerings that have run their course and are no longer profitable.

Reducing complexity pays off handsomely. At Nortel, for instance, a companywide simplification drive generated 900 ideas that ultimately saved \$14 million.

The Idea in Practice

Ashkenas recommends combating complexity along four dimensions:

ORGANIZATIONAL STRUCTURE

Symptoms of extreme complexity in this dimension include more than seven reporting layers between the CEO and front-line workers, more than five committees or councils that review or make significant business decisions, and redundancy in support functions.

To simplify: Periodically adjust structures to ensure they serve your business strategy and market needs and are as simple as possible.

► Example:

At ConAgra, a spate of acquisitions had generated success while worsening complexity. Each business unit contained its own support functions, and the company had no common method for tracking, reporting, or analyzing units' results. The CEO consolidated support functions (such as HR, IT, and legal) into units that served the whole enterprise.

PRODUCTS/SERVICES

Signs of excess complexity in this dimension include constant package-design tweaks, proliferating product features, and mounting SKUs—which all require changes in manufacturing, marketing, and other activities.

To simplify: Periodically audit your portfolio, asking, "Which offerings are profitable? Which have the greatest growth potential? Which have run their course? Which no longer match customers' needs?"

► Example:

ConAgra had 100+ brands that competed for marketing and investment dollars, making resource allocations free-for-alls. It sorted its brands into three categories: "growth" (give priority for investment), "manage for cash" (maintain), and "potential for divestment" (put up for sale).

PROCESSES

Business processes—budgeting, performance management, customer relationship management—evolve as companies' circumstances (new leadership, new regulations) change. If processes develop too much variability (for example, business units each have their own approach to budgeting), they become inefficient.

To simplify: Rewire or eliminate processes as needed to introduce discipline.

► Example:

ConAgra's newly united finance function couldn't analyze unit sales because brands had different units of sale. The company established a reporting protocol for units of measure (such as pounds or kilograms), product units (e.g., cans or cartons), and organizational units (division, brand, or sub-brand). With standardization, ConAgra could build a companywide reporting system.

MANAGERIAL HABITS

Some managerial habits—poor meeting management, information requests that trigger a cascade of reports—further worsen complexity.

To simplify: Encourage managers to identify how their behavior patterns complicate matters. Commit to simplification yourself.

► Example:

ConAgra's CEO asked his senior team to suggest ways he could manage more simply and effectively. They suggested that when he raised a cross-unit issue, he specify who should take the lead to resolve it, thus avoiding confusion caused by his occasional failure to assign responsibility.

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Large organizations are by nature complex, but over the years circumstances have conspired to add layer upon layer of complexity to how businesses are structured and managed. Well-intended responses to new business challenges—globalization, emerging technologies, and regulations like Sarbanes-Oxley, to name a few—have left us with companies that are increasingly ungovernable, unwieldy, and underperforming. In many, more energy is devoted to navigating the labyrinth than to achieving results. Accountability is unclear, decision rights are muddy, and data are sliced and diced time and again, frequently with no clear idea of how the information will be used.

Imagine a \$14 billion company with more than 100 consumer and commercial brands, a food services business, and a commodity trading operation, but no common method for tracking, reporting, or analyzing results. How would you assess relative brand or business unit performance? How would you evaluate individual performance? How would you know where to place your bets—or what

to report to investors and analysts? That is exactly the situation that Gary Rodkin confronted when he became CEO of ConAgra Foods, one of the largest packaged food companies in North America, in October 2005. ConAgra's lack of cohesion was the unintended consequence of an enormously successful growth strategy, launched in the 1970s, which involved acquiring well-known brands like Reddi-wip, Egg Beaters, Chef Boyardee, and Hebrew National, and then allowing the acquired organizations to operate relatively autonomously.

That strategy was no longer viable by the time Rodkin came on board. The company's growth had hit a wall. Customers wanted a single face to the company, employees were frustrated with poor communication and competition among units, analysts wanted clearer numbers, and investors were unhappy with the wide duplication of functions. The fragmented organization's lack of common systems, data, and processes made it impossible to respond to those demands. So Rodkin

made simplicity one of his first priorities, declaring it a hard business objective. He then invested in a series of initiatives to combat complexity, which made life easier for customers and employees—and produced millions of dollars in savings.

Over the past 20 years our firm has worked with dozens of companies and hundreds of executives to improve operational effectiveness, and my colleagues and I have repeatedly seen the frustrations and inefficiencies caused by complexity. By looking carefully at the sources of complexity, we've identified four areas of opportunity that managers can exploit to gain greater control over their organizations—and improve business results at the same time. To successfully counter complexity, managers need to address all four in a multidimensional, ongoing strategy.

In these pages I'll describe this strategy, citing the steps taken by Rodkin and other executives. But first, let's take a quick look at the factors that contribute to convoluted constructions in the first place.

The Causes of Complexity

Complexity is the cumulative by-product of organizational changes, big and small, that over the years weave complications (often invisibly) into the ways that work is done. The causes tend to fall into one of four categories: structural mitosis, product proliferation, process evolution, and managerial habits.

Structural mitosis. In most large organizations, structural shifts are happening all over the enterprise, all the time. They may range from subtle changes in reporting relationships, to job moves accommodating personal preferences, to the establishment of a new unit or shared service centers. The steady accumulation of structural changes drives up complexity over time, in ways that sometimes go unrecognized.

At a major pharmaceutical company, the CEO realized that too many layers separated him from the frontline employees. When he challenged the leadership team to flatten the organization, many of the divisions were surprised to discover that there were more layers than they had realized—as many as 14 in one case. The organizational structure had taken on a life of its own. They all agreed to consolidate down to eight or fewer.

Product proliferation. Companies refresh

their offerings continually, with changes as modest as tweaks to package design or the addition of new product features, or as involved as the launch of entirely new lines of products or services. Each innovation has a ripple effect throughout the enterprise, requiring changes in manufacturing and the supply chain, pricing, marketing materials, sales and service training, and so forth. What's more, most large organizations are better at adding new products and services than they are at pruning, so the SKUs mount. The resulting complexity is difficult to manage—and can be troublesome for customers, too. At one meeting of a major technology company's customer advisory board, executives and product engineers were surprised to hear that customers wanted fewer new features on some of the company's core equipment. Their assumption had always been the opposite, and they'd made it a priority to deliver. But it turned out that customers found that the steady influx of new features and capabilities from their various suppliers was making it difficult for customers to maintain network stability, because of the ripple effects of constant adjustments.

Process evolution. In recent years, corporations have put their manufacturing, accounting, and information technology processes through rigorous scrutiny, with Six Sigma, lean manufacturing, and reengineering efforts. While those processes tend to be relatively well laid out and controlled, many others haven't benefited from disciplined improvement techniques. Consider budgeting and planning, performance management, customer relationship management, sales forecasting, and innovation. All those processes evolve over time—as companies respond to new regulations, for instance, or accommodate a new leadership team—and they often become battlegrounds between corporate staff and line business units. That results in compromises that introduce too much variability and make processes inefficient. ConAgra's multiple operating units, for example, each had their own ways of doing business, making it very difficult for the newly centralized functions to evaluate relative performance.

Managerial habits. While evolving structures, products, and processes lie at the roots of complexity, managers frequently behave in a way that exacerbates the problem, though usually they have the best of intentions. Se-

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Simplicity Checklist

Ready to cut complexity out of your company? Use this list to craft your approach.

Make simplification a goal, not a virtue

- Include simplicity as a theme of the organization's strategy
- Set specific targets for reducing complexity
- Create performance incentives that reward simplicity

Simplify the organizational structure

- Reduce levels and layers
- Increase spans of controls
- Consolidate similar functions

Prune and simplify products and services

- Employ product portfolio strategy
- Eliminate, phase out, or sell low-value products
- Counter feature creep

Discipline business and governance processes

- Create well-defined decision structures (councils, committees)
- Streamline operating processes (planning, budgeting, and so on)
- Involve employees at the grass-roots level

Simplify personal patterns

- Counter communication overload
- Manage meeting time
- Facilitate collaboration across organizational boundaries

Senior executives, for instance, understandably want information, but they may not realize that a request can set off a cascade of reporting work, which often keeps being added to over time. What seems like a simple question to a CEO can turn into a major exercise for hundreds of other people. When Patrick O'Sullivan became group finance director (the CFO) of Zurich Financial Services, in 2002, he discovered that business units around the world reported on dozens of different performance metrics they'd accumulated in response to questions raised over the years. Things had evolved to the point that no two units reported on the same basis. O'Sullivan launched an effort to standardize the monthly and quarterly reporting requirements, so that all units focused on the measures that were most critical both for corporate executives and for their unique business. That move eliminated thousands of hours of work for numerous managers. In March 2007, O'Sullivan became the company's chief growth officer.

Other managerial habits that inhibit simplicity include "reply all" e-mail responses and poor meeting management. Very few people recognize how their own actions contribute to complexity; the sidebar "The Hidden Cause of Complexity: You" discusses in more detail some of the psychological blind spots, many of which involve breaking the most basic and well-known management rules.

To be fair, these behaviors often actually begin as mechanisms for coping with complexities in structures, products, and processes. When a company introduces new layers of management, for instance, an executive may naturally ask for more reports and e-mail updates. The undesired result is a vicious cycle of additional complexity. (For a quick assessment of your own company, take the quiz "What's Your Organization's Complexity Quotient?")

Simplification as Strategy

While none of the elements of simplification are particularly surprising by themselves, countering complexity requires integrating them into a multidimensional strategy. Though the elements each directly address one source of complexity, applying them separately may actually worsen the problem. For example, many companies have found that simplifying processes through large-scale enterprise systems—without addressing orga-

nizational structure, product offerings, and work behaviors—often leads to diminished rather than enhanced productivity. One-off efforts may interrupt established relationships, introduce unanticipated roadblocks, and create confusion over decision rights.

A simplification strategy must also be treated as a business imperative—not a soft, "nice to have" virtue but a key contributor to bottom-line success. With that in mind, let's look at how each of the elements of simplification plays out, paying particular attention to ConAgra, along with a few other notable examples.

Streamline the organizational structure. Once they've clearly framed simplification as a business imperative and connected it to measurable goals and incentives, managers can begin an ongoing attack on structural mitosis. That means periodically adjusting the structure to make sure it serves the business strategy and market needs and is as simple as possible.

Rodkin started by transforming ConAgra from a company with multiple autonomous business units into an integrated operating company. Previously, each business unit contained all its own support functions. Rodkin combined the functions into enterprise units, including product supply, sales, finance, human resources, information technology, research and development, and legal. He then consolidated the commodities trading, food services, and ingredients businesses into a commercial sector; and the consumer brands into a consumer sector, subdivided into four portfolio operating groups—snacks, dairy, grocery, and frozen. Each sector (as well as brands within each operating group) had its own P&L and received services and expertise from the enterprise functions. The functions were held accountable for reducing costs and supporting the brands. This new structure was put into place quickly, just a few months into Rodkin's tenure.

Whether you're centralizing functions or shifting reporting relationships, the point is to think of organizational design as a dynamic, ongoing, and organic process instead of a onetime exercise in engineering. ConAgra's historical strategy of leaving the units as independent companies had led to tremendous success—the organization had grown from a couple hundred million dollars in

revenue in the early 1970s to a peak of over \$27 billion in 2002. But by the time Rodkin came on board, the structure had outlived its relevance, something that was easy for people working inside it to overlook.

ConAgra continues to monitor and modify its organizational design. Eighteen months after the initial reorganization, Rodkin and his team realized that the supply chain directors that supported each of the consumer operating groups did not have enough direct access to the people who worked in manufacturing, engineering, procurement, and quality control, who had all been centralized in the enterprise units. So whenever there was a supply chain issue, it took too long for these directors to pull together a response team. That led Rodkin's team to further tweak the design by creating small supply chain support teams dedicated to each consumer group. Similarly, at the pharmaceutical company mentioned earlier, one of the company's periodic organizational-health reviews led to the elimination of an additional layer in the sales organization a year after the first streamlining initiative.

Prune products, services, and features. Once the right structure is in place, simplicity-minded managers take a hard look at the

products and services the company offers. Are there too many of them? Which are profitable and have the greatest growth potential? Which have run their course? One way to get some answers is to periodically do a classic portfolio review. That's how Rodkin dealt with the brand structure at ConAgra. Previously, the company's 100-plus brands were assumed to be equal and competed for marketing and investment dollars, which made planning and allocation processes free-for-alls. To inject some rationality, in early 2006 the company sorted the brands into three categories: "growth brands," which would have priority for investment; "manage for cash" brands, which would be maintained; and "potential for divestment" brands, which could be put up for sale. ConAgra then immediately put the business units containing brands designated for divestiture, such as meats (including Butterball and Armour), on the market. It sold them that year.

Another way of addressing proliferation is to set up processes for evaluating how well the company's offerings match customers' needs. The review should focus both on the overall portfolio and on the simplicity of individual products, and usually demands a large

The Hidden Cause of Complexity: You

Many managers are blind to the way their own actions unnecessarily increase complexity. Complexity-inducing behaviors can be hard to identify and to change, so it's a good idea to enlist the help of a trusted associate or an external coach who can provide a more objective perspective. Senior executives should also discuss their patterns of behavior with their management team, not just to get their input and support but also to model the process for their subordinates.

Micromanagement. Managers naturally want to feel in control and want to know what is going on in their organizations, but many insist upon an excessive level of detail, generating needless hours of work for their subordinates. At one consumer products company, the CEO held monthly operating reviews with senior leaders. When his successor dispensed with those meetings, it eliminated thousands of hours of work without compromising the corporation's ability

to execute.

Ask: *What review processes do you have in place? Do they focus on the right topics, at the right frequency? Can you simplify without reducing control?*

Poor meeting management. Most people know the rules: Have a clear purpose for a meeting, carefully select the attendees, send out an agenda, require preparation, manage the interactions, watch the time, leave with clear decisions, and spell out the next steps. Yet how many managers actually run meetings this way? In GlaxoSmithKline's pharmaceutical research organization, for example, the creation of very large, cross-functional drug development teams had spawned numerous meetings of teams and subteams—so many that some researchers were spending more time in meeting rooms than on project work. When Amber Salzman became head of development operations, she sponsored a "fit for purpose" initiative that required all team

leaders to redesign their team memberships and their meetings and tailor them only to the issues required for that stage of drug development. That initiative saved thousands of hours of professional time and refocused many of the teams on what was most important for bringing their products to market.

Ask: *How do you run meetings? Are all of them necessary? Can you apply meeting discipline more rigorously?*

Unclear, redundant, or conflicting assignments. In a perfect world, managers would give assignments that carefully spelled out the expected results, the timelines, and which other people would be involved. In reality, many assignments are given with little context or specificity—"go study this," for instance, "get this started," or "work with so-and-so on this and get back to me." It's also not unusual for a manager to give similar or overlapping assignments to different people without telling them. When subordinates get

dose of customer feedback. At Cisco Systems, for example, a number of customer advisory boards meet regularly to review the company's pipeline of products and services and give input on decisions that involve technology investments, timing, and bundling of products. Fidelity Investments managers do regular tours of duty on the firm's 800-number lines, so that they can hear directly from customers about their experiences. Fidelity also has a "product laboratory" where it tests new products and gets feedback about how easy they are to use. While Fidelity was shaping a web-based retirement planning service, it brought in current and potential customers from different demographic segments to explore the new tool and provide suggestions. Royal Philips Electronics has a "simplicity advisory board" made up of outside experts who help the company create simplified offerings, such as instruction manuals that nontechnological consumers can understand.

Build disciplined processes. Once ConAgra had reorganized its enterprise functions and brand groups, it uncovered a set of processes that resembled a postconstruction Tower of Babel. It had sales reports with massive amounts of data that ran hundreds of pages,

but the newly united finance function couldn't analyze them because brands each had different units of sale—pounds, pallets, cartons, dollars, shipments, cans, and more. Similarly, ConAgra's supply chain managers had to negotiate the purchase of dozens of sizes of cans, requiring different procedures, vendors, and manufacturing processes. Even ingredients were overly complex; the company was using 12 types of carrots, for instance.

Those processes had to be examined and rewired (or eliminated) one at a time. But Rodkin and his team knew that if it were to stick, process simplification had to become an ongoing activity. So they introduced an initiative similar to the GE Work-Out, called RoadMap, which brought together people from across the company to redesign critical processes.

An early RoadMap simplified financial processes by establishing a uniform reporting protocol for units of measure (such as pounds or kilograms), product units (such as cans or cartons), and organization units (division, brand, or subbrand). For two days representatives of the consumer brand operating groups, the commercial businesses, and the enterprise functions—more than 60 people in all—

unclear or contradicting directions, all too often they end up tripping over one another and wasting their time and energy. That was the case when Nortel launched an initiative to increase sales force productivity, with different functions and regions all commissioning various projects that ultimately targeted the same set of people. When the telecom company's senior leaders realized how many complex but uncoordinated tasks were being given to the sales force, they directed a companywide "global sales effectiveness council" to pull the efforts together and serve as a governance body that would guide a simpler and more consolidated rollout process.

Ask: *Do you have people working on intersecting or overlapping assignments? Do you have mechanisms to identify, combine, or coordinate such work?*

E-mail etiquette. It might seem relatively insignificant or innocuous, but e-mail overload is a serious source of organizational complexity. When you send large numbers of people a message that discusses issues

many of them don't need to know about, you're just burdening your colleagues with low-value information that distracts them from important matters. A frequent culprit is the "reply all" button, which can create hundreds of e-mails, often about insignificant topics such as meeting schedules. Another source of complexity is the recirculation of documents in multiple drafts and redrafts. This creates extra work for the recipients, who must read and organize them, particularly if they must comply with document retention (and destruction) standards. Worse, recipients can become confused about which version is most current and make edits or comments on the wrong one—a waste of time and a source of potential errors.

Ask: *Have you established protocols for e-mail behavior, electronic circulation of documents, and retention of materials?*

PowerPoint perfection. Presentations with charts and graphs have become the currency of decision making in many organizations. Well-done slides can focus the issues,

present data quickly and clearly, and foster constructive dialogue, but presentations can overwhelm decision makers with data, arguments, and entertainment. Creating long, overloaded decks has become an industry in itself, taught and reinforced in business schools, and outsourced by consulting firms and other companies to experts in India who crank out data-loaded templates on a 24/7 basis. The result in many cases is what managers refer to as "death by PowerPoint"—presentations that are so long and complex that they bore their audience senseless. To counter this trend at Nortel, executive vice president Dennis Carey instituted the "one-minute drill" for presentations—forcing people to reduce their message to its essence, in slides that could be presented in only a minute.

Ask: *To what extent has the "presentation culture" in your company obfuscated issues and slowed decision making? Have you created ways to reduce the size and complexity of presentations?*

What's Your Organization's Complexity Quotient?

The quiz below can help you gauge your own organization's complexity. If your score looks alarmingly high, start developing your own strategy of simplicity. If your score suggests that you have complexity under control, give yourself a pat on the back—but don't rest for long. The forces of complexity are constantly at work, and their effects could creep into your business at any time.

How easily can you draw a picture of your organization's structure—the major business units, functions, and geographies?

- A It's simple and straightforward
- B It takes a little explanation
- C I would need a computer-aided-design program

How many organizational layers are there between the CEO and first-line workers?

- A Seven or fewer
- B Eight to ten
- C More than ten

How many committees or councils do you have that either review or make significant business decisions?

- A Five or fewer
- B Six to ten
- C More than ten

How many products and services does your organization offer?

- A A manageable number
- B A few more than we need
- C Way too many

If you could streamline your company's product or service lines without reducing profitability, how many SKUs (or equivalents) would you eliminate?

- A Just a few
- B About 15%
- C About 25%

How many months does it take for your organization to create its budget for the next fiscal year?

- A Less than two months
- B Two to four months
- C A good part of the year

How long does it take for your finance department to officially "close" the books at the end of each reporting period?

- A Less than one week
- B One to three weeks
- C Three weeks to forever

How many people do potential senior hires need to meet in your organization before offers are extended?

- A Just a few
- B Four to eight
- C Almost everyone

To what extent can employees clearly and accurately describe the strategy of your firm?

- A Everyone can do it
- B Many can describe the strategy
- C Not too many can describe it well

To what extent do you retire old products or features when new products or features are introduced?

- A This is our regular practice
- B We do it some of the time
- C We rarely think about doing this

How much time do your senior managers spend in meetings?

- A Less than 25% of their time
- B About half their time
- C Most of their time

If you personally were given the power to reorganize your company (or your part of it) and you had an incentive to improve productivity at the same time, what is the minimum number of people you would need compared with what you have now?

- A 100% of the current head count
- B About 85% of the current staff
- C 75% or less of the current staff

Whenever you need to get approval for a capital expense or policy modification, how clear are you about how to make it happen?

- A I know exactly how to make it happen
- B I have a reasonable idea of what to do
- C I'm not really sure how to go about it

When a dispute arises between functions or departments, or with a customer, how quickly is it resolved?

- A Right away
- B Within a week
- C Seems as if it drags on forever

If the unnecessary complexity in your company were eliminated, how much of an increase in productivity might be possible?

- A None
- B Some
- C A great deal

Scoring: Give yourself one point for every A answer, two points for every B, and three points for every C, and total them up. Then see where you fall on the scale below.

15–25: Normal complexity: You're in good shape—maintain vigilance.

26–35: Creeping complexity: You're heading for trouble—start working on simplification.

36–45: Too much complexity: Your productivity is suffering—focus hard on simplification.

Engaging employees in simplification at the grassroots level can be powerful. At Nortel, employees generated 3,000 simplification and improvement ideas, implemented 900, and saved \$14 million.

debated these standards with one simple ground rule: By the end of the second day they would come to a single decision by which they would all abide. And if they couldn't come to a decision, then the CEO or CFO would decide. As it turned out, the group did reach consensus, which allowed finance and IT to spend the next several months building a truly companywide reporting system that was successfully launched in October 2006, exactly one year after Rodkin had joined ConAgra.

By the end of the year, after dozens of RoadMap sessions, ConAgra had in place a far simpler set of enterprisewide processes—for reporting, planning, capital expenditures, new product development and introduction, performance management, and more. In addition, many of the process rewiring efforts had produced substantial savings. For example, simplified processes allowed corporate HR to reduce the number of its staff members who processed forms and paperwork in the field, while doubling the number of employees doing these transactions through the centralized HR business center—without adding any head count in the center. In the Canadian division, an effort focused on simplifying ways of managing discontinued products, ordering raw and packaging materials, and tracking inventory reduced inventory write-offs by \$1.5 million. By this point more than 1,000 ConAgra employees had participated in simplification initiatives—either in RoadMap sessions or on implementation teams—so that a cultural embrace of simplicity was starting to happen. Rodkin and his senior team reinforced that shift by continually beating the drum about simplicity in speeches, town hall meetings, employee lunches, and videos.

Engaging employees across the organization in process simplification, particularly at the grassroots level, can be powerful. People at all levels become more likely to step up and correct a problem before it gums up the works. At Nortel, CEO Mike Zafirovski and EVP Dennis Carey created a two-hour workshop called Own-It, in which teams of employees were taught simple Six Sigma tools like DMAIC, Process Maps, Fishbone, and Pareto. Employees were then asked to identify processes that they “owned” and could simplify. If the process cut across areas outside their control, they were encouraged to fix

what they could and then engage others as needed. In a little over a year, Nortel trained 2,700 people to lead these workshops, and 25,000 employees participated in at least one. Employees generated 3,000 simplification and improvement ideas, implemented 900, and saved \$14 million. More important, a culture of continuous process improvement and simplification developed at the company.

Improve managerial habits. If managers are serious about reducing complexity, they need to identify how their own (often unintentional) patterns of behavior complicate matters, and make a personal commitment to simplification.

As part of the change effort at ConAgra, Gary Rodkin invited his senior team to suggest how he himself could manage in a simpler, more effective manner. One thing he learned was that he occasionally failed to specify which person should take the lead on a cross-functional or cross-unit issue. That created what the team called “jump balls”: multiple executives’ assuming that they had the lead or that someone else did. Team members would then jockey to catch the ball, creating confusion; or in some cases, no one tried to get it. For instance, an innovative product idea that used commercial food technology but would be introduced in the frozen foods business was held up because it was unclear whether an executive from R&D or one from the consumer sector should lead the effort. After discussing this tendency with the rest of the leadership team, Rodkin was able to reduce the frequency of jump balls and simplify the resolution of critical issues. He also realized that this seemingly innocuous pattern had been replicated in some of the management teams the next level down and was creating complexity there. So working on it with his team as a collective issue had a powerful impact far beyond Rodkin’s own behavior.

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It sounds paradoxical, but making your organization simple and keeping it that way takes a lot of hard work. It requires an explicit strategy and vigilant attention over time. However, simplicity must be more than a feel-good theme; the four elements of a simplification strategy will be effective only if positioned as business imperatives. ConAgra’s Rodkin made it clear to his managers and associates, as soon as he arrived, that the company’s complexity

ConAgra's CEO declared simplicity, accountability, and collaboration to be key priorities—ones that would constitute 50% of the performance review criteria for managers.

was driving up costs, hurting profit margins, and hindering the ability to invest in growth opportunities. He set specific cost-reduction targets that were clearly tied to eliminating duplication, and he publicly declared simplicity, accountability, and collaboration to be key priorities—ones that would constitute 50% of the performance review criteria for managers.

Similarly, when Peter Löscher became chief executive of Siemens, in 2007, he set out to simplify an overly complicated structure that may have allowed managers to hide improper payments, contributing to financial irregularities. He made a commitment to creating a more streamlined, transparent structure, as well as a less complex product portfolio. And then there's Mike Zafirovski at Nortel. He used "Business Made Simple" as his galvanizing theme shortly after he became CEO, in 2005, and translated it into a

set of ambitious goals for reducing costs, speeding up product development and delivery, taking the complexity out of networks, and making it easy for customers to harness the latest technologies. Zafirovski made simplicity the foundation for the company's strategy across its business—from R&D, to marketing, to customer service, to choosing strategic partners, to mergers and acquisitions.

It's a given that senior executive support is vital to the success of any change initiative. But it's easy to give short shift to notions that seem "soft," like simplicity. These CEOs made simplicity a mandatory, "hard" objective, which is the only way it can get any traction.

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Further Reading

ARTICLES

[Deep Change: How Operational Innovation Can Transform Your Company](#)

by Michael Hammer
Harvard Business Review
 April 2004
 Product no. 6573

This article focuses on how to streamline your company's operational processes not only to produce new efficiencies but also to create competitive advantage. To simplify your operational processes, experiment with changing *what results* are to be produced in your department, *who* should perform the necessary activities, *where* they should be performed, in what *sequence*, or *how thoroughly* each activity must be performed. For example, Shell Lubricants reconsidered who needed to participate in its order fulfillment process. By replacing a group of seven people who each handled different parts of the order with one person who does it all, Shell cut cycle time by 75%, reduced operating expenses by 45%, and boosted customer satisfaction by 105%.

[The Superefficient Company](#)

by Michael Hammer
Harvard Business Review
 September 2001
 Product no. 7699

You can gain further efficiencies through simplifying the business processes your company shares with other organizations. Start with your supply chain, and you gain big, immediate payoffs. To make your supply chain superefficient, view business processes as chains of activities performed by a series of different—but connected—companies. For example, at IBM, a sales rep used to handle each incoming order—costing the company \$233 every time. By integrating its fulfillment process with customers' procurement processes, IBM eliminated the sales-rep role. Now customers enter their own orders

and check order status. The payoff? Convenience, fewer mistakes, time and money savings for IBM and its customers, and increased customer loyalty.

[Innovation Versus Complexity: What Is Too Much of a Good Thing?](#)

by Mark Gottfredson and Keith Aspinall
Harvard Business Review
 November 2005
 Product no. 222X

The authors provide additional suggestions for reducing product proliferation. For instance, stem "complexity creep" by raising the bar for adding new products. If you formerly required managers to show a 15% return before introducing a new SKU, up the number to 25%—which probably reflects added complexity costs more accurately. In addition, postpone complexity. Design products that don't get customized until the last step in assembly or distribution. You'll reduce complexity by enabling manufacturers to source materials and components from anywhere and assemble products close to the point of sale. Home Depot, for example, designs and installs custom kitchens by combining affordable stock items from varied manufacturers.

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