Simplification: A Catalyst for Employee Engagement and Operational Excellence
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Complexity threatens organizational competitiveness. Nearly 70% of executives attribute rising costs to excessive complexity (Gottfredson and Aspinall 2005). Many firms are aggressively combating complexity, and suppliers are gearing up to assist. For example, enterprise software publisher SAP’s Run Simple initiative is built around the idea of streamlining business processes without losing sophistication (SAP 2014).

Of course, no one intends to build overly-complex systems. Complexity is often the byproduct of well-intentioned business decisions. For example, real estate agents may utilize a combination of third-party software products for client relationship management (CRM), to market their listings online, and for direct-mail marketing. These products provide concrete benefit to the agent: targeted and qualified leads are conveniently managed. However, because the software products are available through separate providers, they are not integrated, leaving the agent to bear the burden of shifting between systems. The challenge of assimilating a variety of Multiple Listing Services (MLSs) may contribute to the lack of integration. Product lines may proliferate to serve additional customer segments. Processes become more cumbersome, IT systems are tweaked, and more people are needed to manage the activity (Einhoff and Rey 2011). Organizations often find that complexity absorbs resources that could be better used to support new initiatives (Gottfredson and Rigby 2009, Gottfredson 2012).

Not all complexity can or should be eliminated (Birkinshaw and Heywood 2010). Neither the complexity imposed by laws and regulations nor that inherent in certain lines of business, such as banking or manufacturing, can be eliminated. Complexity that supports competitive differentiation is often valuable. However, unnecessary complexity is a hindrance that businesses can eliminate. Complexity in real estate can be a deterrent to the adoption of tools and systems that would be value-additive to both the agent and the buyer/seller. Consider the way brokerage firms train real estate agents. Because agents are typically independent contractors, they are free
to select the CRM system of their choosing. But because brokers cannot compel agents to attend scheduled computer system training, they then typically expend additional resources to provide one-on-one training when the agent realizes she needs the training.

About the Research

To learn more about how companies target and eliminate unnecessary complexity, we conducted in-depth interviews with project managers at twelve companies engaged in strategic simplification. The companies ranged in size from a small, locally owned manufacturing business to Dallas-based Coldwell Banker Apex to Fortune 500 companies across multiple industries, including retail (Wal-Mart), telecommunications (AT&T), computer/IT (Microsoft, HP, Dell, Sony), manufacturing (Honeywell, Otter Products), automotive (Ford), and philanthropic (The Bill & Melinda Gates Foundation). Our contacts within these organizations were selected for their expertise and experience in leading projects to reduce complexity. We conducted semi-structured interviews where each interview lasted approximately forty-five minutes. To ensure that we fully captured the respondents’ comments, we recorded and transcribed the interviews. We asked respondents to describe what simplification means to their companies, how they identify projects for simplification, instances where they saw success in implementing simplification, and their perspective on simplification for the future. In addition, we interviewed twelve thought leaders known for their leadership in ways to reduce complexity.

The Simplification Journey

While the path to simplification will vary by organization, our research respondents emphasized actions all organizations must take. Simplification projects must be prioritized based on the potential for resource savings or for improving the client experience. Leaders must inspire employee engagement through clear communication. And leaders must guard against complexity again taking hold.

Our respondents identified four fruitful targets for simplification.

*Product Line Presentation.* A real estate brokerage discovered that prospective agents (recruits) were overwhelmed by the firm’s array of product lines and offerings. Firm leaders distilled the offering to key value propositions centering on what matters most with these recruits: firm philosophy and benefits. Similarly, streamlining product lines can sometimes benefit customers. A research respondent explained how his organization’s complex product lines confused the sales team who, in turn, confused clients with vague product descriptions. The product offering was simplified in a way that made it easier for the sales team to learn the intricacies of each offering. Sales representatives were better able to communicate the details to their clients and clients were able to make better purchasing decisions.
Processes. Employees are often in the best position to identify avoidable process inefficiencies. One company we interviewed required signatures from dozens of managers before the development team could begin a new project. After consulting with those directly involved, it became clear that many of the required authorizations were redundant. The process was streamlined by eliminating nearly half of the approval signatures. Projects were implemented more quickly. Another area ripe for process improvement: managing multiple offers. The process is chaotic for listing agents and creates fear and mistrust for the buyers and buyer agents. The right software could make the process transparent, and creating more satisfied buyers and sellers.

Strategy. Fuzzy organizational strategy makes it difficult for employees to focus on what’s important. A real estate brokerage firm with multiple metrics discovered the power of emphasizing the key metrics that drive profitability and de-emphasizing other metrics. In another company, an employee engagement survey revealed that many employees did not understand the overall strategy of the organization. The complex planning and measurement apparatus with layers of goals, milestones, and other metrics had obscured the company’s direction.

Organizational structure. Most real estate firms enjoy relatively flat organizational structures and minimal bureaucracy. That’s good because too many layers can stifle innovation. One firm we interviewed flattened the product innovation department’s organizational structure. Product inception to market introduction time was cut by nearly 25%. Some sales organizations, like real estate brokerage firms, have a flat organizational structure so agency leaders may feel stretched thin. Finding the sweet spot of the organization’s hierarchy does not necessarily mean a totally flat organizational structure.

Our respondents emphasized the importance of being clear about what simplification will involve. A senior manager described a corporate simplification mandate to reduce advertising costs. The divisional advertising managers responded by bidding for media time slots more aggressively. But, divisions frequently bid against each other and inadvertently drove up the price. Once project leaders clarified that simplification was to occur across divisions, managers were able to improve performance.

Leverage Simplification as a Catalyst for Engagement

Simplification involves change. Some employees will have more responsibility, others less. Jobs may be eliminated. Yet simplification depends on the very employees whose autonomy and security may be threatened. Simplification thrives in an atmosphere of trust. A respondent commented, “If employees don’t have trust in the organization’s leadership, you might as well
turn the lights out.” Clear internal communications are crucial. Employees will be more willing to take risks if they understand the “why” behind the “what,” respondents emphasized.

While simplification can be threatening, we discovered that paradoxically it can also energize employees. Employees who are freed from unnecessary processes can better focus on their responsibilities. Employees’ emotional connection with the organization is magnified by contributing to redesign initiatives.

We conceptualize trust, simplification, and employee engagement as a hot air balloon. Employees climb aboard when trust is present. Simplification is the lever that controls the gas, lifting organizational productivity and promoting employee engagement. Engaged employees feel empowered to make wise decisions and are freed to invest their time in value-creating activities.

Complexity didn’t happen overnight and is unlikely to be eradicated instantly. But with time and persistence and the commitment of employees throughout the organization, simplification can be woven into the cultural fabric of the organization.

Notes

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References


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