

# progressing business



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# Simplicity Creates Efficiency and that means Higher Profitability

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*Business is getting more complex – not just in the ever-increasing compliance we all face, but also increasing complexity of our own making due to things like offering more product and service choice to customers, running more projects in parallel, restructuring the organization and implementing ever-more sophisticated systems because of the advances in technology.*

Unwanted complexity is killing profits, stifling growth and putting businesses at risk from extreme events such as economic downturns, natural disasters and technological failures. But the strategy of Business Simplification is available to combat complexity and restore profitability.

We've found descriptions of businesses using simplification (often combined with new technology) to generate massive cost savings and/or competitive advantage for themselves going back as far as the 1870s. It doesn't matter the type of market you're in, the track record shows that 'un-complicating' your business:

- 1 multiplies your profits and performance,
- 2 revitalizes the morale of your employees,
- 3 makes your work more satisfying, and
- 4 increases the sustainability of your business.

If you talk to owners and managers around the world who have successfully driven business turnarounds, add to this the experience gained by executives who have brought companies through past recessions, and read the detailed research by groups such as McKinseys in their book "Simplicity Wins", you'll see that businesses with simpler focus, structures, processes and priorities outperform and outlast the others.

The diagram Figure 1 is a summary of the results of a 5-year study by McKinseys of companies in Germany in the mid-90s. It shows that the more successful companies focus on fewer things and they do these things extremely well.

More recently, the 2010 IBM Global CEO Survey found that complexity is becoming a big issue for business, yet executives are very concerned that they don't have good techniques to confidently manage it.

In the end, you've got three choices for handling increasing complexity...

- 1 Do nothing and watch profits walk out the door
- 2 Implement increasingly sophisticated systems to manage the complexity
- 3 Reduce or remove some of the complexity via simplification.

In 2001, a major telecommunications company's internet service provider was experiencing a rapid rise in technical support costs. In a period of just a few weeks, as a result of a simple exercise to set the 80/20 priorities for 30+ cost reduction initiatives, the company reduced the number to 5 and found one initiative within their value chain that was able to immediately remove almost 10% of their costs.

In 2010, an Australian technology business growing internationally added over 3% to its bottom line in 6 months by reducing its product range, redesigning to simplify its signature products and getting its marketing more focused on the success of its customers.

Looking back over approximately 100 business simplification projects starting from 1991, we found some lessons that seemed to crop up again and again...

Always strive for the most from the least by "thinking & acting 80/20" in all aspects of your business

Instigate simple, consistent problem solving so that your people "bring solutions rather than problems"

Get everyone understanding and delivering customer value, defined simply as "the things we do that make our customers more successful"

Continuously seek to remove just the few 'main constraints' across all the business' processes to make it easier for people to do good work

Always simplify things before automating them.

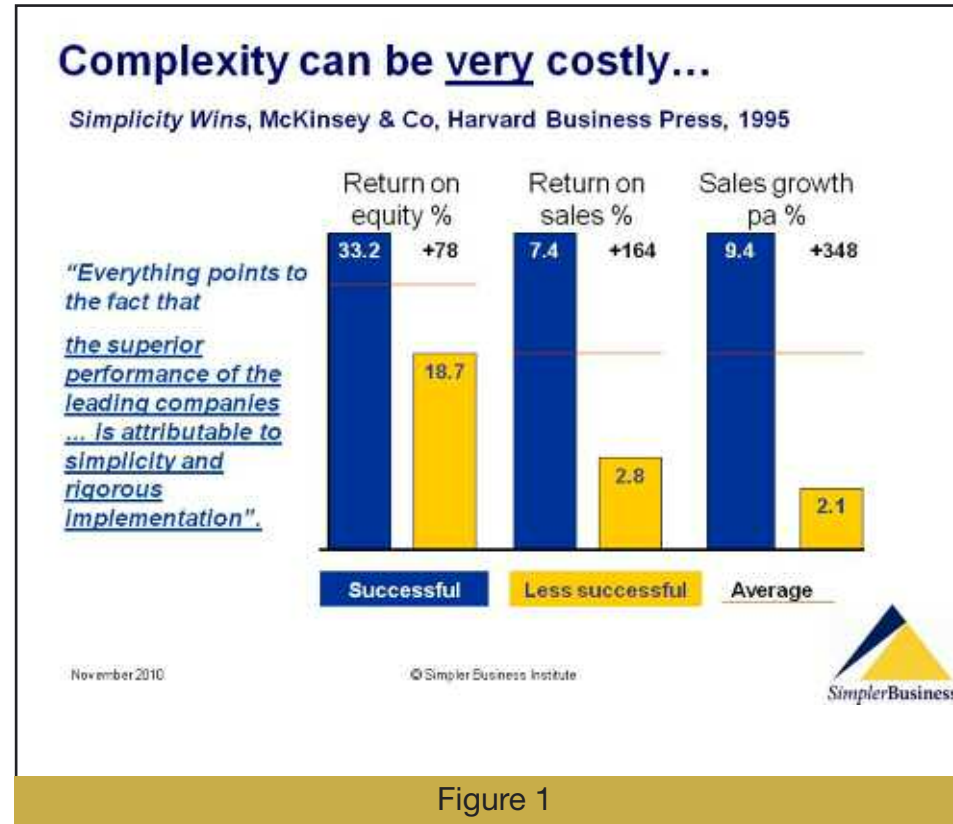


Figure 1

These lessons have become the 5 Principles of Simpler Business because they can be applied to any part of any business at any time. The most common comment from managers who adopt business simplification is "it's all common sense – I can't believe we haven't done this before."

One can start anywhere to simplify a business, but to have the most impact on profits and sustainability, it's recommended to start with a simpler strategic focus because this will have an immediate impact on all people and decision-making.

AOQ-QLD recently undertook a Simpler Business Strategic Focus workshop to identify its priority activities. The Chairman (Mr Len Mahon) commented that; "the workshop has cleared away some long held misconceptions

and focused AOQ-QLD's management team on just those critical issues for success". The past Chairman Mr Mike Harris commented "The Simpler Business approach to developing an organisation's strategy is very straight forward, logical and leads the participants through a process that encourages them to think freely and outside the square. This results in a strategy that is not restricted by preconceptions and in the most part has some innovative elements that normally would not be the result of the organisation's typical strategic development process. The results from our session are not just restricted to our strategy but also our operations and therefore can be used as the impetus for change in the organisation. Definitely well worth trying."

As a parting thought, consider the following quote from the McKinsey book Simplicity Wins... "Achieving simplicity... is far more valuable... than delivering the capability to manage complexity."

If you'd like to learn how the strategy of business simplification can deliver performance boosts to your business, visit The Simpler Business Institute at [www.simplerbusiness.com](http://www.simplerbusiness.com). In addition to the free papers and information about

removing business complexity, you might like to take advantage of the service to calculate the resilience or fragility of your business in the face of extreme events such as labour, economic or environmental crises.

Next month we'll look at the typical things that businesses simplify as well as a couple of Simpler Business tools to boost performance and profits.

For more information, go to [www.pbinsitute.net/dover.htm](http://www.pbinsitute.net/dover.htm).



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[www.aqo.org.au/AuditorTrain.htm](http://www.aqo.org.au/AuditorTrain.htm)

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29 August-01 September 2011 Brisbane

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30-31 August 2011 Brisbane

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29 August-02 September 2011 Brisbane

Becoming a Skilled Environmental Management Systems Auditor. RABQSA Competency Units QM, AU, EM and TL

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Systems Auditor. RABQSA Competency Units EM (for those with prerequisites)

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QM Systems for Managers – half day course

### LEAN SIX SIGMA TRAINING

[www.aqo.org.au/LeanSixSSTrain.htm](http://www.aqo.org.au/LeanSixSSTrain.htm)

Brisbane 01-03 August 2011

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### COURSES/CERTIFICATIONS -

American Society for Quality Certificates

• CQA • CQM • CQE • CQT • CITE • RCE

New Zealand Organisation for Quality

• CQA via Distance Learning

### CONFERENCES

TBA 2012

AgedCare

([www.pbinsitute.net/AgedCare2012.htm](http://www.pbinsitute.net/AgedCare2012.htm))

23 August 2011

Energy Summit 2011

([www.pbinsitute.net/EnergySummit2011.htm](http://www.pbinsitute.net/EnergySummit2011.htm))

23-24 April 2012

LeanSixSigma 2011

([www.pbinsitue.net/LeanSixSigma2012.htm](http://www.pbinsitue.net/LeanSixSigma2012.htm))

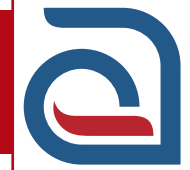
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- ▲ **Higher performance and profits**
- ▲ **Refreshed and focused staff**
- ▲ **Resilient sustainable business**

To find out how, download the Simpler Business Institute's free white paper on removing unnecessary complexity and adopting the common sense strategy of business simplification!

Visit [www.simplerbusiness.com](http://www.simplerbusiness.com) or contact  
Ian Dover MEng PhD CMP FAICD  
[ian@simplerbusiness.com](mailto:ian@simplerbusiness.com)

# Call for Papers / Presentations / Case Studies / Seminars

The Progressing Business Institute conferences for 2012

The logo for Lean Six Sigma 2012 features the text "Lean Six Sigma 2012" in a green, 3D-style font with a slight shadow effect, slanted upwards from left to right.

## **LeanSixSigma2012**

**23-24 April 2012**

*Theme:*

Strategic Insights from Research and Practice in Lean Six Sigma

*Streams:* Deployment, Project Delivery

*Type of Presentation:*

Research, Practice, Case Study

*Technology:*

Lean, Six Sigma, Lean Six Sigma

*Closing Date for Abstracts:*

31 January 2012

[www.pb institute.net/LeanSixSigma2012.htm](http://www.pb institute.net/LeanSixSigma2012.htm)



## **AgedCare2012**

**May 2012**

*Theme:*

Optimising Knowledge Transfer Through Effective Management Systems

*Streams:*

Management Systems, Quality, Auditing, Management Training, Lean, Six Sigma

*Type of Presentation:*

Research, Practice, Case Study

*Closing Date for Abstracts:*

28 February 2012

[www.pb institute.net/AgedCare2012.htm](http://www.pb institute.net/AgedCare2012.htm)

The logo for Pharma 2012 features the text "Pharma 2012" in a bold, gold, 3D-style font with a slight shadow effect, slanted upwards from left to right.

## **Pharma2012**

**July 2012**

*Theme:*

Improved Management Structures for Delivery of Bottom Line

*Streams:*

Management Systems, Quality, Auditing, Management Training, Lean, Six Sigma

*Type of Presentation:*

Research, Practice, Case Study

*Closing Date for Abstracts:*

30 April 2012

[www.pb institute.net/Pharma2012.htm](http://www.pb institute.net/Pharma2012.htm)



## **EnergySummit2012**

**August 2012**

*Streams:*

TBA

[www.pb institute.net/EnergySummit2012.htm](http://www.pb institute.net/EnergySummit2012.htm)

## **BusImprove2012**

**September 2012**

*Theme:*

Getting the Most Out of Your Management System

[www.pb institute.net/BusImprove2012.htm](http://www.pb institute.net/BusImprove2012.htm)



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