



A New Framework for Understanding Complexity

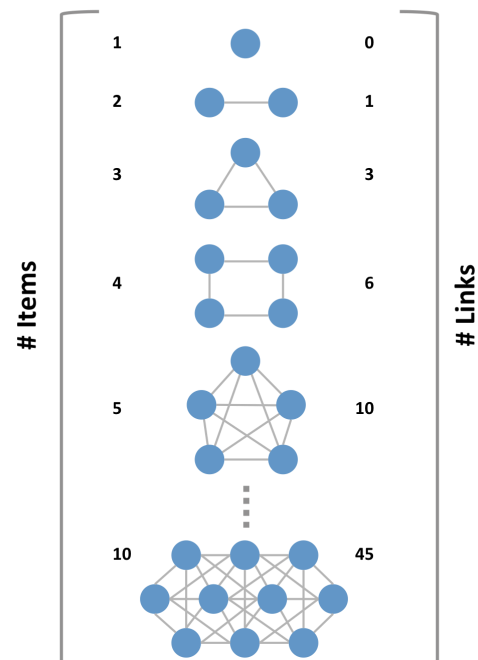
Identifying and tackling the complexity that slows organizations down and adds tremendous costs and risk begins with a systemic view across three dimensions

During the Industrial Age, businesses centralized to capture economies of scale. Work shifted to be procedure-based, innovation came from the top-down, controls were used to monitor adherence and prevent failures, and business systems were integrated. Managing these developments was relatively simple in the early days of the Industrial Revolution, when companies offered only a limited number of products or services to regional customers.

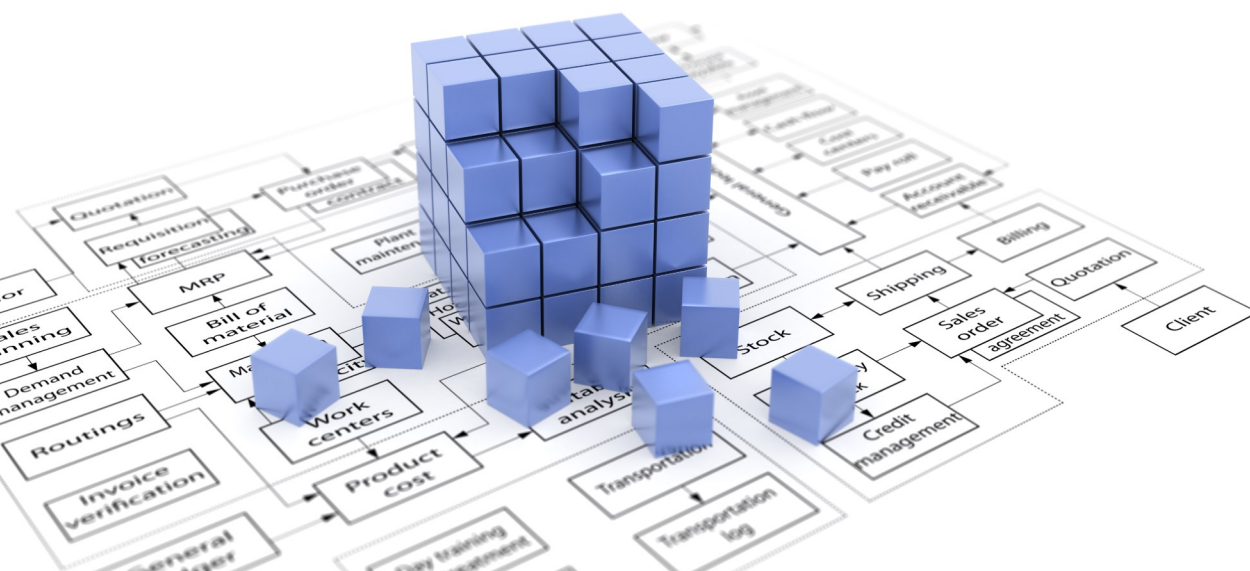
Fast forward 200 years and we have entered an Age of Complexity, where companies offer thousands of products to customers across the globe, creating a highly complex business environment.

Consider Ford, which began utilizing its first assembly line in 1913. At that time, the company offered only the Model T. For many years, in order to drive plant efficiency, the Model T was only offered in one color—black. As of 2022, Ford offers 38 models in the United States alone, with thousands of trim and variant combinations.

Ford is not unique. Most companies have more products, customers, suppliers, and facilities than ever before. Each element is linked to other elements, and as the number of links increase, it becomes harder to execute.



100 ITEMS = ~5,000 LINKS



Companies face 3 types of complexity

1. **Product & Service Complexity:** the variety of products/services offered to customers
2. **Process Complexity:** the number of processes, steps, and handoffs needed to deliver products
3. **Organizational Complexity:** the assets, functional groups, and systems required to execute processes

These types of complexity can be thought of as dimensions that interact on the Complexity Cube. Not all complexity is bad, but it is often non-value add. In highly complex businesses, decision-making processes are more challenging and risks and uncertainties are more significant.

Complexity introduces actual and opportunity costs. Analyzing symptoms can point to complexity that exists along the faces of the complexity cube.

How to take action

Effectively managing complexity requires a strategic approach—analyzing links between parts of the organization to support informed decision making. WP&C helps clients to manage complexity through:

- **Customer and Product Profitability:** our proprietary Square Root Costing identifies true product and customer profit
- **Portfolio Optimization:** our holistic approach ensures the right products and services are offered to the right customers to maximize profit
- **Operating Model Redesign:** our 3-phase approach optimizes how your company goes to market, how it operates, and how the back-office supports it

START THE CONVERSATION WITH WP&C >

INTERACTION

Product-Process

Where Complexity Arises

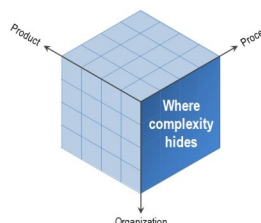
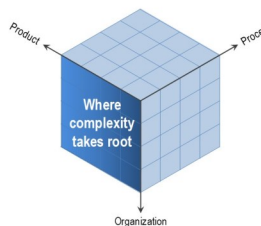
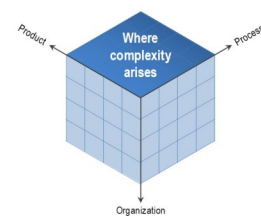
Organization-Product

Where Complexity Takes Root

Process-Organization

Where Complexity Hides

THE COMPLEXITY CUBE



SYMPTOMS

- Hard to maintain shelf availability
- Many “exceptions” in processes
- Pricing inconsistency
- Assortment shortages/surpluses
- Customer confusion/ordering mistakes
- High # of suppliers
- Inability to leverage scale or technology
- Multiple faces to the customer
- Difficulty executing change projects
- Requirement for specialized sales/support
- Poor space utilization, need for extra space
- Lots of activity, but not much outcome
- High cost of IT and complex systems
- Long decision-making cycles
- Too much SG&A (\$, people)
- Low levels of process automation
- Too many locations, offices, facilities