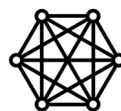




Wilson Perumal
& Company



THE COMPLEXITY
SUMMIT REPORT



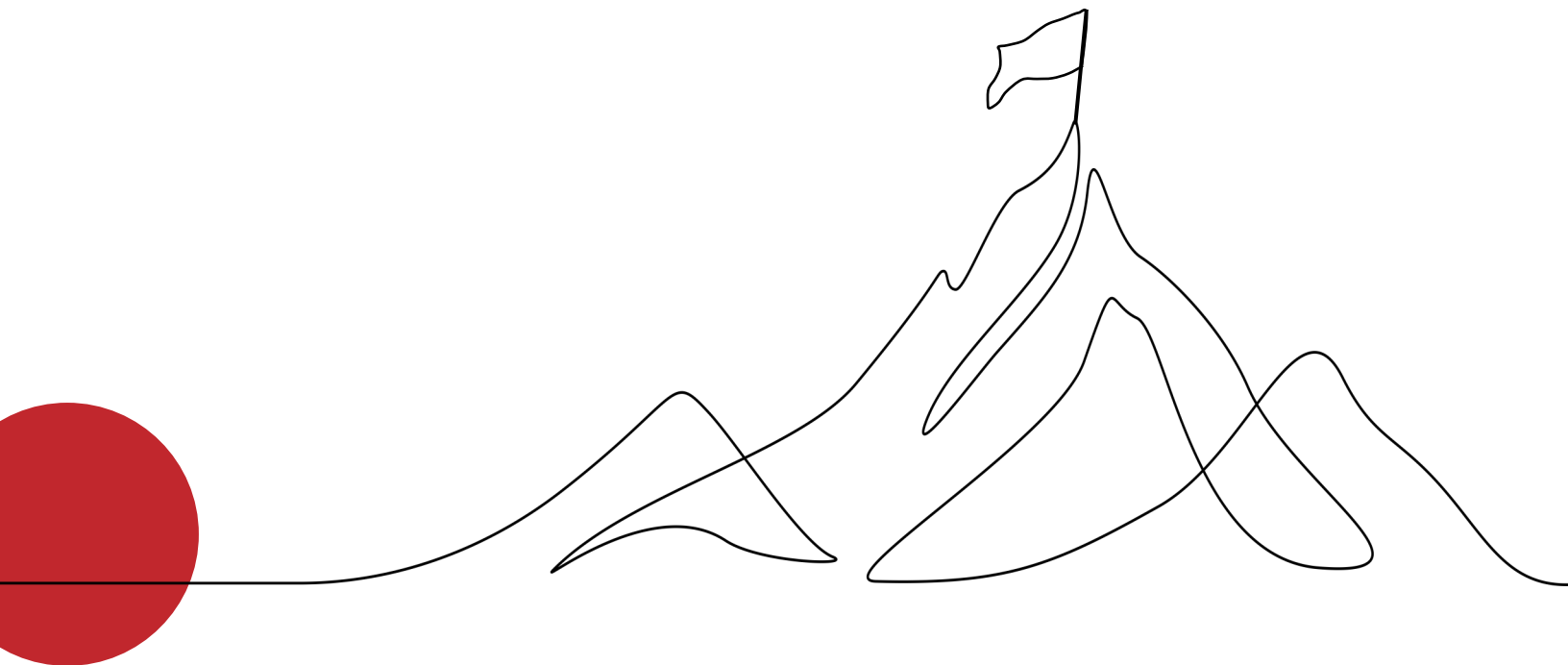
POST-PANDEMIC PRIORITIES

An Executive Discussion on Growth
& Resilience in the Post-COVID Era

VOLUME 1

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FOREWORD

Exploring what it takes to compete in today's shifting, complex world

After a long hiatus, it was fantastic to recently reconnect with clients and colleagues in West Palm Beach for our first Complexity Summit since 2019. The summits are an opportunity for corporate, private equity, and government executives to come together, share experiences, learn from other industries, and engage in vibrant conversation on how to best tackle their toughest challenges.

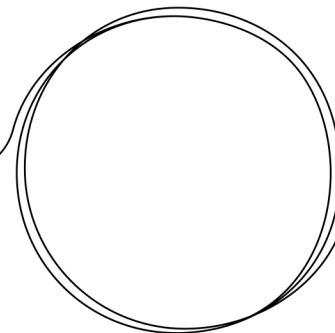
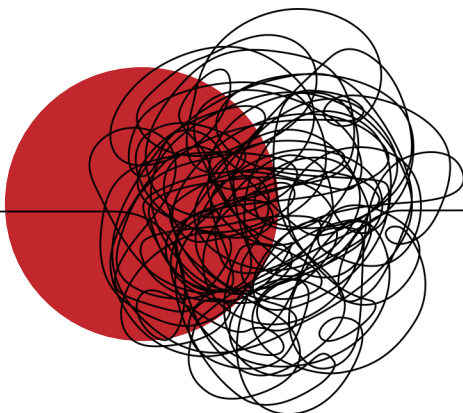
The theme for Palm Beach, perhaps not surprisingly, was: Post-Pandemic Priorities. As so much has shifted in the last few years, this was a chance to recalibrate with peers on how they are approaching growth & resiliency in the post-COVID era. Key themes included digital transformation, supply chain, innovation & growth, and the changing nature of the workforce.

Our thanks to John Rossman, a former executive at Amazon and WP&C Senior Advisor, who opened with a keynote address on how the drive to 'digital' often adds tremendous complexity to organizations, and failure to acknowledge this is a leading cause of faltering digital transformations. Our thanks to our summit participants for their rich contributions and input, and for making the event a great success!

Future events will focus on specific topics, all relating to how better to compete in a complex world. We look forward to further collaborations and exchanges at future summits.



Stephen Wilson & Andrei Perumal





INNOVATION

Knowing when to (and when not to)
innovate to create an engine for growth

After rebounding from COVID, the race is on for revenue growth. Markets (both private and public) are emphasizing top-line expansion, and companies are reassessing their innovation engines.

The easy year-over-year comparisons to the COVID era of depressed demand and sales is over for most companies and delivering on growth expectations is getting more challenging. Private equity and corporate participants pointed to the pressure they feel to drive sales growth and innovative new products.

There is a recognition of the challenges that a growing portfolio creates—more moving parts in the supply chain, limited manufacturing capacity and tight labor markets, product design and maintenance, as well as cannibalization of existing demand. It is not a given that the high costs of additional innovation will deliver a commensurate uplift in sales and executives

expressed serious concerns about being able to sustainably grow sales and profit.

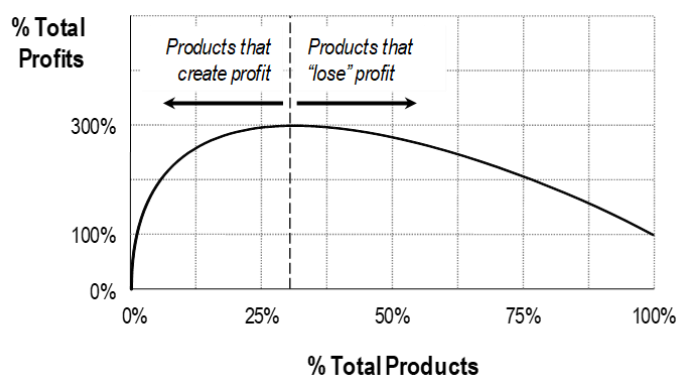
The definition of innovation was a topic of debate—is a ‘new’ product really innovation? Or does true innovation include a differentiated design able to generate incremental demand that did not previously exist? To most Complexity Summit participants, there was a consensus that many new products were not meeting the incremental demand threshold.

Executives also highlighted a resistance by management and sales teams to prune the portfolio, fearing a potential loss of revenue regardless of the impact on overall profitability. There is no relief from the added pressure of expanding portfolios and the challenges that come with it. The belief that ‘bigger is more profitable’ still permeates many executive suites—a belief that can lead to product proliferation and lower profitability. Nearly all participants

pointed to how a sprawling portfolio was adding cost and destroying value within the business, in terms of diluting focus, impairing profitability, or introducing supply chain complexity.

WP&C's perspective is that portfolios require regular pruning. One participant, a leader of a large agricultural supply manufacturer, argued that it should be standard practice for all companies to take a deep look at the portfolio every five years to eliminate the complexity that crept in. "Companies have innovation teams, but not obsolescence teams," he said. "The result is an ever-expanding portfolio of products, most of which add little value."

What we have found is that typically, profit is concentrated in a small percentage of a product portfolio. Often the most profitable 20% to 30% of a product portfolio generates more than 300% of a company's profitability.



Participant consensus was that revenue growth for the sake of growth, without an understanding of cost and profitability, was harmful. Yet, as the economy slows down, there will be a push for even more innovation and revenue growth, which may only add cost and additional complexity.

According to WP&C Managing Partner Andrei Perumal, revenue growth must outpace complexity growth for a company to become sustainably more profitable. "If complexity outpaces revenue growth, companies will only become less profitable," Perumal said.



EXECUTIVE PERSPECTIVE: INNOVATION

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We have innovation teams, but we **don't have obsolescence teams**—we don't kill anything.

Executive Vice President
Agriculture

“

If you launch something new **you need to kill 10 things, not just 1 thing.**

VP International Expansion
Consumer Durables

“

Growth is growth—it's still \$10M in my hand.

Division Director, Private Equity





SUPPLY CHAIN

Supply chain agility and strategy
matters more now than ever before

If COVID taught us anything, it was this: our extended, complex supply chains are incredibly fragile. They work well to deliver products quickly and efficiently when everything is ‘going right,’ but disruptions have significant, widespread impact.

Some participant companies pushed to offshore production while others acquired new companies and supply chains. In most cases, they were victims of complex, unresponsive networks, vulnerable to even the smallest of market influences.

Many attendees reported that they are in the process of reshoring parts of their supply chain and manufacturing organizations to simplify and increase responsiveness. While there are key labor arbitrage opportunities with offshore production, the costs of complexity and inflexibility may outweigh the benefits.

Indeed, attendees reported multiple points of failure witnessed first-hand over the last few years. Repatriating production onshore, however, is not without real challenges. Much of the domestic manufacturing and frontline leadership talent has been lost during the years since production went offshore, and is not easily replaced. That shortage is compounded by broader labor issues being faced everywhere.

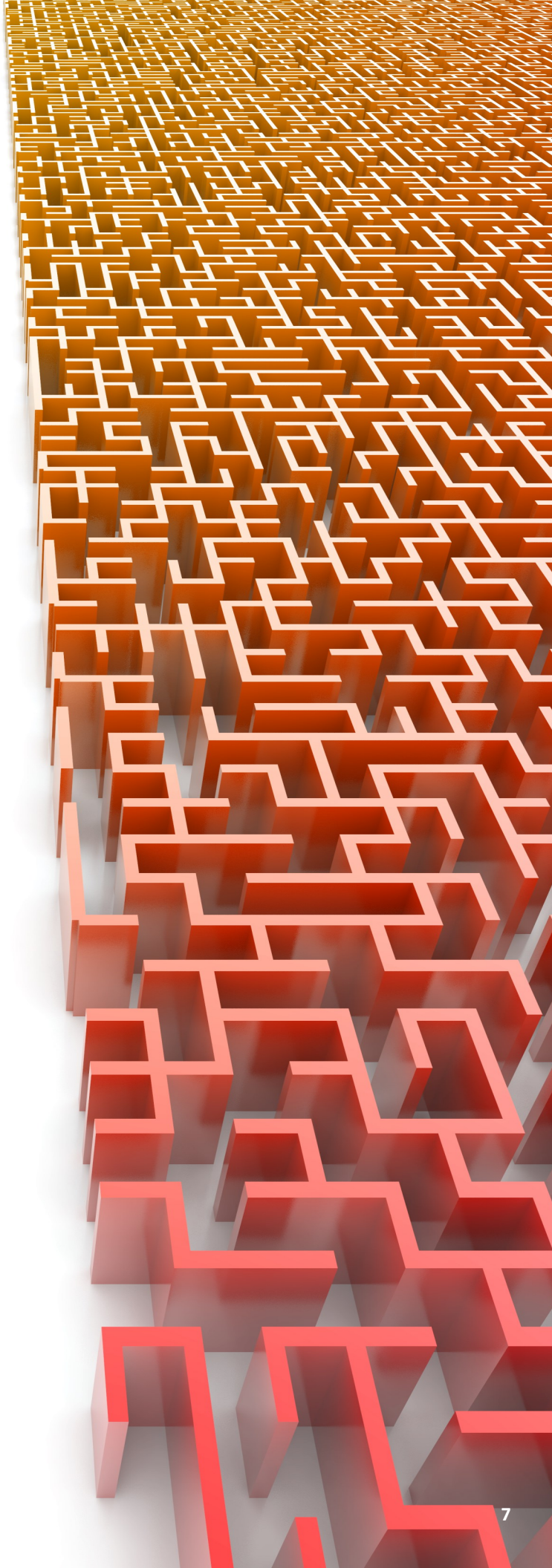
Yet, executives saw these challenging times as an opportunity to retool and address complexity issues in order to improve performance. Flexibility is key now in supply chains, even if it means sacrificing some cost and speed. A supply chain will not survive if it can’t react to and keep functioning in the face of the current economy’s shifting bottlenecks, lack of availability, fluctuating commodity prices, and dramatic shifts in demand.

EXECUTIVE PERSPECTIVE: SUPPLY CHAIN

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When other people are paralyzed, it's a good time to **be agile and gain a competitive advantage.**

Executive Vice President
Agriculture





WORK FORCE

Adjusting to post-pandemic worker expectations and motivations

The nature of work has changed post-COVID—the flavor and degree of the challenge vary by industry, function, and level, but there are common threads impacting everyone.

Complexity Summit participants all see an extremely competitive labor market, emboldening candidates to reassess priorities and expect more flexibility and better compensation. The “Great Resignation” resulted in significant losses of both workforce and institutional knowledge. Key priorities remain: finding candidates with the right skills/capabilities, keeping the workforce engaged, retaining talent, and dealing with the trend of ‘quiet quitting.’

A primary concern Complexity Summit participants voiced is the lack of human connection in the new paradigm of remote work. Without face-to-face communication, resulting gaps in culture and connection impair innovation and performance, and increase employee turnover. Lack of

connection reduces loyalty to employers.

The consensus was that remote work can be successful, but only under the right circumstances, for example, when human connection is already established. Or when a hybrid schedule provides employees with the flexibility they have grown accustomed to without sacrificing the innovation and solutioning best done in person.

All of this points to the necessity of better workforce solutions, from hiring and retention to worker and leadership training, automation, outsourcing, and process engineering. In our view, this starts with culture. High-performing companies are deliberate about their culture—understanding it is at least as great a competitive advantage as a product or process. They better navigate remote work, protect institutional knowledge, are more resilient, and constantly improve by learning from mistakes.

EXECUTIVE PERSPECTIVE: WORKFORCE



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You can get a lot done with remote work, but where is the brainstorming? **Where is the water cooler chat that leads to innovation?**

Executive Vice President
Agriculture

“

This new generation has a different understanding of communication and culture, and connection—they have real connections with people virtually. **The technology will evolve as we redefine culture.**

Division Director
Private Equity



DIGITAL TRANSFORMATION

Avoiding pitfalls that cause the failure of many digital transformation efforts

John Rossman, a former executive at Amazon and WP&C Senior Advisor, gave the Complexity Summit keynote address on innovation and digital transformation. The participant feedback was clear—while digital transformation is a hot topic for investors and boardrooms, there is no clear definition of what constitutes “digital transformation,” what the outcomes should be, and what it takes to plan and execute a successful digital transformation.

Often, digital transformations are costly and superficial. They focus on the frontend interface and ignore underlying technology, systems, and processes. But the often-overlooked technology and process drive transformational results in efficiency, speed, and profitability.

In WP&C’s experience and the experience of the Complexity Summit attendees, what constitutes a “digital transformation” is often

defined by technology vendors, with their obvious bias, as opposed to business leaders. Do not outsource the vision and strategy for digital transformation.

Prior to choosing any underlying technology or system, companies must have a clear vision of their overall enterprise strategy and goals so that digital and technological requirements can be defined. This impacts a company’s operating model and is necessary to implement and manage the transformation.

Finally, a successful plan requires the alignment of functional areas and business units to ensure buy-in and operational efficiency. All points on this transformation roadmap, from process to product and technology, are potential points of complexity that can either aid or impair the transformation.

“

The goal of a lot of digital transformations is to minimize complexity, **but what they actually do is add tremendous complexity.**

Chief Technology Officer
Management Consulting

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You have to focus on the future, **the ‘to’ not the ‘from.’**

Managing Partner
Technology

Vice

Maximizing Human Capital and Workforce Productivity in Today's Complex Environment

The Changing Nature and Future of Work

From remote work, to the “Great Resignation,” and now “quiet quitting,” the nature of work is rapidly evolving. Whether a new normal or a temporary condition, companies are struggling to adapt as they face questions of when to bring the workforce back into the office, how to build a cohesive culture in remote and hybrid work environments, and how to engage all generations of workers effectively.

Workforce Strategy

Labor has become a critical constraint as companies face unprecedented challenges filling positions at all levels, with many companies forced to reduce output, hours, and services, or sacrifice quality, due to labor shortages. In this challenging labor environment, what can companies do to most effectively source, recruit, and retain workers to meet their labor needs?

Workforce Capabilities and Productivity

Never has it been more important to ensure you are making the most of the workforce you have. With so much experience having recently left the workforce, how can companies optimally build workforce skills and capabilities with a more junior and less experienced workforce? And given the complexity of our organizations today, how can organizations ensure that complexity doesn't erode the productivity of these workers?

Leadership and Accountability

Dynamic times require effective leadership at all levels. Yet, newer leaders in their roles may be ill-equipped, find themselves without a roadmap, and be uncertain of how to lead in this time of flux. How can companies make the most of the leaders they have while quickly growing a new cadre of effective leaders? What should companies require of their leaders and how can leaders drive accountability throughout the company in this time of delicate workforce relationships?

ABOUT WILSON PERUMAL & COMPANY

Wilson Perumal & Company (WP&C) is a premier strategy consultancy that helps clients navigate an increasingly complex business environment. For the last decade, WP&C has served multinational corporations, private equity firms, and government entities, supporting their growth agendas.

Our focus is helping these organizations develop and execute strategies for successfully competing in the Age of Complexity. We are laser-focused on client value and results—our projects often yield a 20–40% improvement in EBITDA.

Co-founded by experienced consultants and bestselling authors Stephen Wilson and Andrei Perumal, we are not only practitioners but also thought leaders.

We have published [two books](#) on competing in a complex world: *Waging War on Complexity Costs* and *Growth in the Age of Complexity* (McGraw-Hill).

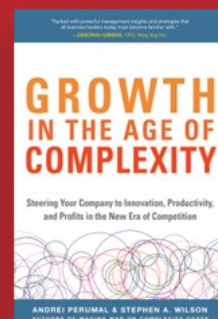
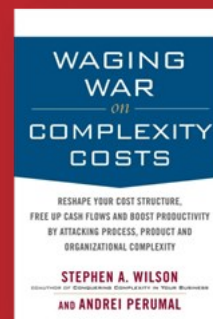
Our services range from growth strategy to business simplification—whether that be your portfolio or your business operations—to organizational transformation. Our work is informed by a distinct perspective and supported with unique methodologies.

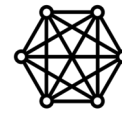
Given our focus on complexity, our employees have deeper knowledge and more experience on this topic than any other consultancy. This translates into faster insights, and ultimately better results.

Learn how we can help you:
info@wilsonperumal.com

“Perumal and Wilson offer a nuanced and evidence-based analysis of the paradox of complex growth, but they move beyond description to offer practical and field-tested advice on how to avoid the traps they identify.”

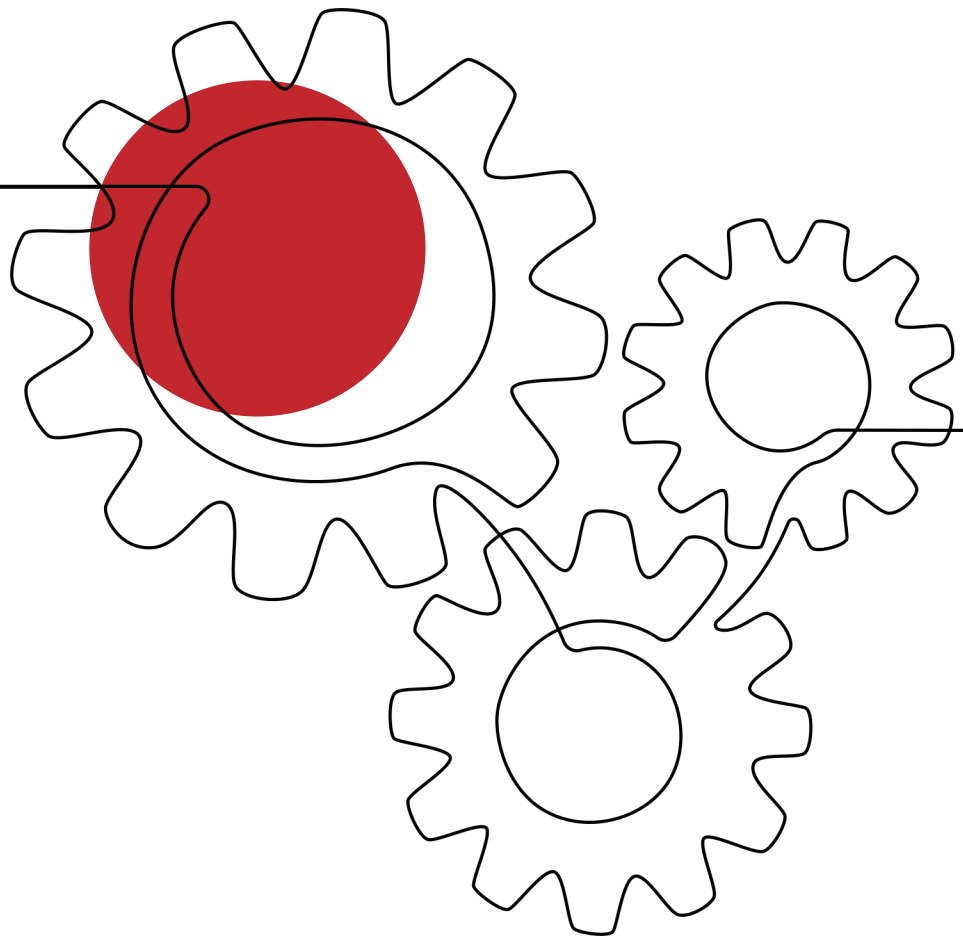
**Don Sull, Senior Lecturer
MIT SLOAN SCHOOL**





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