Taking Charge of Business Simplification
Why Simplification Initiatives Succeed Only When Executives Lead
Faced with increasingly complex business operations, networks, and processes, business leaders talk often about the need to simplify. And why not? Embracing simplicity does seem like a path to greater efficiency, customer satisfaction, and profitability. However, if this is truly the case, why are business processes and decision making getting more complex? And who is responsible for making the dream of simplicity a reality?
RECOGNIZING THE STRATEGIC VALUE OF SIMPLIFICATION

Simplification is a key goal for businesses of all sizes, in various industries, and in countries around the world. With increasingly global operations, diverse workforces, longer supply chains, shorter product cycles, integrated technology solutions, and empowered customers, they are facing the most complex environments in history. Higher complexity increases costs, reduces productivity, and inhibits organizations from meeting their business goals.

Senior business leaders clearly recognize the need for simplicity. In the recent survey “Simplifying the Future of Work Study,” by Knowledge@Wharton and SAP, 51% of senior business leaders said that business simplification is of significant strategic importance to their organizations today. Approximately 67% indicated that simplification will be strategically important within the next three years.

Yet, recognizing the need for simplicity isn’t sufficient to make progress on simplification efforts. How many executives have stood up in front of their employees, quarter after quarter, extolling the virtues of simplification – only to make no progress in reducing complexity? It isn’t enough to just recognize or talk about simplicity: achieving this goal requires true leadership.

MATCHING PRIORITIES WITH ACTIONS

Rhetoric about complexity without any related action creates a cycle of disengagement and learned helplessness. Believing that simplification is established as a priority, senior leaders struggle to understand why processes and decision making are increasingly more complex. Employees fail to see a way out when they encounter complexity. As a result, complexity increases, rhetoric intensifies, and the program begins to lose credibility. Complexity comes to be viewed as an intractable problem – something that everyone knows is there, but no one dares to touch.

Leadership offers the best way to overcome the complexity cycle. It’s time for executives to take ownership of conveying the importance of simplification, planning effective programs, measuring success, and rewarding progress.
For employees, this gap creates a cycle of disengagement. The Knowledge@Wharton survey revealed that only 27% of respondents believe the day-to-day actions of senior leaders are strongly aligned with the stated importance of business simplification. However, within their own teams, there appears to be more progress. Approximately 34% indicate that the daily actions of their immediate team are strongly aligned with the stated importance of simplification. Leadership of simplification appears to be easier at smaller scale.

Faith in the success of corporate simplification efforts is also limited. Only 17% of respondents think business simplification efforts to date have been very effective. And they aren’t hopeful for the future either: Only 42% believe that simplification efforts will be strongly effective three years from now. (See the figure.)

These results point to a huge gap between what business leaders say about simplification as a business priority and the actions they take to help simplification efforts succeed. In other words, executives are “talking the talk” when it comes to simplification, but they have yet to “walk the walk.” What’s more, executive leadership is failing to motivate employees to make choices and changes that simplify the business.

ASSIGNING RESPONSIBILITY FOR CHANGE

Complexity often creates inertia and a sense of powerlessness within organizations. Executives are frustrated, while employees want to see action. So who is responsible for simplifying highly complex organizations, processes, and decision making?

There is no question that change must come from the top. Leadership offers the best way to overcome the complexity cycle. For simplification efforts to succeed, senior leaders must change the way they approach the simplification challenge. It’s time for executives to take ownership of conveying the importance of simplification, planning effective programs, measuring success, and rewarding progress.

Employees have ideas too. When asked what business leaders need to do to increase the effectiveness of their business simplification efforts, survey respondents suggested several improvements, such as:

- Reduce barriers to change
- Reward efforts to simplify
- Communicate more
- Lead by example
- Be more innovative
GETTING STARTED WITH SIMPLIFICATION

SAP has begun to identify several best practices that support program success:

- **Talk only when you’re ready to act.** To show employees that you are serious about simplifying the business, discuss simplification initiatives only after you have created a plan of action. Executives who introduce the need for simplification without a concrete plan may find that their credibility is compromised.

- **Let simplification stand alone.** Don’t merge simplification plans with other initiatives. Assign your simplification program its own concrete goals, budget, and support. Don’t confuse efforts to simplify with efforts to “improve.” Without clear direction, projects become muddled and ineffective.

- **Do your own company diagnostics.** Find out what people in your organization think. Do employees believe that company leadership accepts and understands the concept of simplification? Do workers trust that executives are taking the appropriate action to support simplification?

By understanding these opinions, you can identify the simplification gaps in your company.

- **Identify and support natural leaders.** Look around and you will spot people in your organization who understand and promote simplification. Find ways to support and champion the efforts of simplification leaders.

- **Learn to quantify simplification and benchmark your progress.** Create a balanced scorecard that establishes the key metrics that stakeholders agree will lead to simplification success. SAP experts are available to help customers create such scorecards, so they can objectively measure progress on simplification.

Global simplification initiatives are still in their early stages, and SAP is helping businesses with their simplification initiatives. By identifying those processes and decision points in the business that embody complexity or offer the greatest opportunity to become simpler, SAP can help customers prioritize simplification initiatives.

SIMPLIFICATION EXPERIENCE IS AVAILABLE

Many employees already have experience supporting simplification efforts. According to the Knowledge@Wharton study:

- **84%** Simplified a business process within their team
- **82%** Simplified a decision within their team
- **52%** Led simplification efforts that reached beyond their team
Simplification isn’t free – and many times, it is difficult to link obvious simplification to quantifiable business value. SAP is linking simplification initiatives to business value so that businesses can justify, fund, and execute the simplification initiatives at scale.

**FIND OUT MORE**
For more information on how to successfully execute business simplification initiatives, visit us at [www.sap.com/Leaders2020](http://www.sap.com/Leaders2020) or join the conversation at #FutureOfWork.