<table>
<thead>
<tr>
<th>Contents</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>About this report</td>
<td>2</td>
</tr>
<tr>
<td>Introduction</td>
<td>3</td>
</tr>
<tr>
<td>Where complexity lurks</td>
<td>4</td>
</tr>
<tr>
<td>Complexity’s sources and effects</td>
<td>5</td>
</tr>
<tr>
<td>Trying to tame the complexity beast</td>
<td>7</td>
</tr>
<tr>
<td>Conclusion: Embracing the fight</td>
<td>11</td>
</tr>
<tr>
<td>Appendix: survey results</td>
<td>12</td>
</tr>
</tbody>
</table>
About this report

*Taming organisational complexity—start at the top* examines the sources of complexity, its effects and the efforts companies have undertaken to reduce it. The report is written by The Economist Intelligence Unit (EIU) and sponsored by SAP.

The work is based on a survey of 331 executives conducted in July and August, 2015. Respondents were drawn from a range of industries, including 13% from financial services and 11% from each of IT and manufacturing. Thirty-two percent were from companies with annual revenue of $10b or more; 19% from companies with annual revenue of $5b-$10b; 31% from companies with annual revenue of $1b-$5b; and 18% from companies with annual revenue of $500m to $1b. On a regional basis, 16% of respondents were from China; 20% from the rest of Asia; 33% from Europe and the Middle East; 15% from North America; and 16% from Latin America.

Our thanks are due to the following experts for their time and insights during the in-depth interviews (listed alphabetically):
- Jacques Kemp, former CEO and former vice chairman of ING Insurance Asia/Pacific, now CEO of the Netherlands-based ToBecome consultancy
- Torsten Lichtenau, partner at Bain & Company in London
- Michael Wade, professor of innovation and strategy at the International Institute for Management Development in Lausanne, Switzerland

This report was written by Scott Leff and Rodd Zolkos and edited by Josselyn Simpson.
Introduction
Taming organisational complexity—start at the top

Complexity is a serious threat to organisations around the world. It stems from a variety of sources, is challenging to address, and hinders companies’ ability to bring products to market in timely fashion, to serve customers effectively and to attract and retain employees. Ultimately, it’s a threat to the bottom line, but just how costly is complexity and what can be done to counter it?

In a recent survey of executives at large companies around the world conducted by the Economist Intelligence Unit (EIU), more than half say complexity has cut into their profits. Furthermore, 38% of all respondents report that managing complexity occupied 16-25% of their time—time that could have been spent on more productive pursuits—and 17% spent a whopping 26-50% of their workday dealing with complexity. That translates into at least 8.6m hours a week that could be spent more productively by executives in the US alone—or 45 minutes for every executive every day1.

Executives indicate that the sources of complexity vary widely. It’s easy to think of complexity as simply a natural offshoot of growth, whether in size, product lines or geography, but that’s not necessarily and needn’t be the case. “I don’t use the phrase ‘Too big to manage’ because there are some small companies that are too complex,” says Jacques Kemp, former CEO and vice chairman of ING Insurance Asia/Pacific, now CEO of the Netherlands-based ToBecome consultancy where he coaches businesses on issues including reducing complexity. “I use the phrase ‘Too complex to manage.’”

The survey also shows how companies are trying to reduce complexity’s impact, with many taking a number of steps to address it, with none being more than moderately successful. Remarkably, 8% of respondents say their company has gone as far as deliberately slowing growth in an effort to reduce complexity.

Of course, not all efforts to reduce complexity are successful. Of those surveyed, 9% report that none of their efforts to reduce complexity succeeded. “Often people don’t realise they have a complexity issue. They think they have a cost issue,” says Torsten Lichtenau, a partner at Bain & Company in London. “Often they confuse complexity with cost.” That often results in short-term cost-cutting measures like lay-offs, rather than taking steps that fundamentally address complexity.

---

1 Based on a weighted average of responses to the EIU survey question “About what percentage of your own time do you spend managing complexity that you could spend more productively?” and US Bureau of Labor statistics on average hours worked by all US workers on private, non-farm payrolls in July 2015 (http://www.bls.gov/news.release/empsit.t18.htm) and on the number of “top executives” in the US (http://www.bls.gov/ooh/management/top-executives.htm).
Where complexity lurks

To understand the causes of and solutions to organisational complexity, the EIU surveyed 331 executives from companies in all regions of the world, all with annual revenue greater than $500m and representing a variety of industries. The survey, sponsored by SAP, was in the field in July and August 2015.

The survey’s findings reveal that complexity is a common feature among large companies, with 55% of respondents saying that their organisational structure is extremely or very complex. (Only 1% of respondents indicate that their organisational structure is not complex at all.) However, a slightly smaller percentage of respondents (44%) say that their company is very or extremely complex and that it is very or somewhat difficult to get things done.

Complexity was evident across various types of organisational structures, but none more so than organisations based on hierarchies in business units that report to regional headquarters that, in turn, report to global headquarters—with functions managed regionally. Fully 100% of executives in organisations with such structures describe their organisations as somewhat, very or extremely complex.

Not surprisingly, that level of complexity makes getting things done difficult. Of organisations with hierarchies in business units reporting to regional headquarters that, in turn, report to global headquarters (regardless of whether functions were managed regionally or globally), 64% of executives report that it is somewhat or very difficult to get things done.

Looking at the issue of complexity regionally, 77% of respondents in Germany describe their organisation as somewhat or very complex, while 66% of respondents in the rest of Europe describe their organisation as such. Of North American executives surveyed, 62% describe their organisation as complex, as do 49% in Asia excluding China, 44% in Latin America and 40% in China.

Although size is not inevitably linked to complexity, as Mr Kemp notes, the survey suggests a frequent link. Sixty-eight percent of respondents at companies with more than $5bn in annual revenue describe their organisation as extremely or very complex, compared with 42% of those at companies with revenue of less than $5bn.

Geographic scope is another common factor, with 67% of respondents who work at companies with operations in 50 or more countries describing their organisation as extremely or very complex, compared with 41% of those operating in 5 or fewer countries.

Among industries, respondents in the IT and technology industry more often than others describe their organisation as extremely or very complex.

<table>
<thead>
<tr>
<th>Degree of complexity and difficulty of getting things done</th>
<th>Very or extremely complex</th>
<th>Not very complex or not complex</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very or somewhat difficult to get things done</td>
<td>44%</td>
<td>2%</td>
</tr>
<tr>
<td>Somewhat or very easy to get things done</td>
<td>5%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Source: Economist Intelligence Unit survey, 2015
Complexity’s sources and effects

The sources of complexity executives cite vary widely. The causes most often mentioned are decision-making processes (12%) and organisational structure (9%). Five other sources of complexity were each chosen by 8% of respondents.

“When I talk to executives, many of them are frustrated by the symptoms of complexity. They do feel and they do worry there is this underlying root cause that’s creating it, but they struggle to put their finger on it,” said Mr Lichtenau.

Regardless of the source, complexity has a direct impact on the bottom line, survey respondents say. Fifty-five percent of respondents indicate that over the past three years complexity has cut into their organisation’s profits, with 5% saying it has affected profits significantly. Complexity also takes a significant toll on productivity, with nearly half of respondents saying their organisation would be up to 25% more productive if they could cut organisational complexity in half, and nearly 19% reporting that they would expect their organisation to be up to 50% more productive were complexity to be halved.

Areas of the organisation most negatively affected by complexity, respondents say, include general management (29%), employee relations (23%), customer service (21%), governance and compliance (19%) and product development (18%). It’s notable that the two areas most frequently cited are not externally facing, perhaps suggesting one reason that addressing complexity can be (and seems often to be) put on a back burner.

Indeed, Michael Wade, professor of innovation and strategy at the International Institute for Management Development in Lausanne, Switzerland, suggests that while many executives

What is the primary source of complexity in your organisation today?

Select one.

(% respondents)

<table>
<thead>
<tr>
<th>Source</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decision-making processes</td>
<td>12</td>
</tr>
<tr>
<td>Organisational structure</td>
<td>9</td>
</tr>
<tr>
<td>Overall size</td>
<td>8</td>
</tr>
<tr>
<td>Pace of innovation required to compete</td>
<td>8</td>
</tr>
<tr>
<td>Amount of data or information to manage</td>
<td>8</td>
</tr>
<tr>
<td>Senior leaders not making reducing complexity a priority</td>
<td>8</td>
</tr>
<tr>
<td>Culture</td>
<td>8</td>
</tr>
<tr>
<td>Technology tools or infrastructure</td>
<td>7</td>
</tr>
<tr>
<td>Mergers and acquisitions</td>
<td>5</td>
</tr>
<tr>
<td>Overall number of product or service offerings</td>
<td>5</td>
</tr>
<tr>
<td>Number of locations</td>
<td>4</td>
</tr>
<tr>
<td>Entering new markets</td>
<td>4</td>
</tr>
<tr>
<td>Lack of incentives to collaborate</td>
<td>4</td>
</tr>
<tr>
<td>Supply-chain or logistics infrastructure</td>
<td>4</td>
</tr>
<tr>
<td>Distribution of locations</td>
<td>2</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
</tr>
<tr>
<td>My organisation is not complex today</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Economist Intelligence Unit survey, 2015
recognise complexity and its pitfalls, the many other competing demands for their attention often push complexity reduction to the side. “Complexity is not in your face like shareholders are or boards of directors are or customers are,” he says. “They recognise the importance of it, but there’s always some more pressing demand. So, yes, they see it, but it often gets pushed back.”

In addition to complexity itself, a large number of respondents also describe aspects of their organisation as siloed rather than collaborative: 37% say their company is somewhat or very siloed by region, 27% by function and 26% among business units. Interestingly, C-level executives more often report higher levels of collaboration at their company compared with other respondents: 60% compared with 37% say their regions are very or somewhat collaborative; 62% compared with 45% say the same about functions; and 64% compared with 47% say the same about business units.

These perceptions may be part of the reason why—although minimal differences exist in the degree of organisational complexity C-level and non-C-level respondents report (54% of C-levels say their company is very or extremely complex, compared with 57% of other respondents)—far more C-level executives say that they find it easy to get things done (24% compared with 9%).

Digging deeper, the survey reveals the wide range of specific ways complexity puts organisations at a competitive disadvantage. Among respondents who say that general management is the area most negatively affected by complexity, for example, 55% also say it forces executives to spend more time on coordination than the company can spare. At companies where product development is the main area affected, 51% of respondents indicate that complexity causes their organisation to take longer to bring new products to market compared with competitors. And among those most concerned about employee relations, 43% indicate that complexity damages morale and interferes with collaboration.

Respondents in human resources seem particularly sensitive to complexity’s impact on employee relations. Of that group, 50% say complexity makes retaining employees more difficult and that complexity interferes with employees’ understanding of the organisation’s strategy. In addition, 40% say complexity has a negative impact on employee morale, hinders employees’ ability to collaborate across the organisation and makes training employees more difficult.

Then there’s the toll on individual executives, 22% of whom say they’re spending at least one-quarter of their time managing complexity instead of on more productive tasks. In the US,
cutting the time wasted by all executives in half would mean reducing wasted time for each private-company executive each week from at least 7.5 hours to 3.7. That translates into at least 8.8m hours a week that could be spent more productively by executives in the US alone—or 447m hours a year.

**Trying to tame the complexity beast**

In hopes of mitigating complexity’s impact, companies surveyed report taking a variety of steps. Among the most common are promoting a culture of collaboration (39%) and implementing new technology tools or infrastructure (33%); creating cross-functional roles to facilitate collaboration, implementing new decision-making processes and improving leadership skills were each chosen by 30% of respondents. A notable 8% say that their company deliberately slowed its growth to reduce complexity.

Of the steps taken to reduce complexity, respondents whose companies used each one indicated that the most frequently successful is creating cross-functional roles to promote collaboration, followed by implementing new decision-making processes and implementing new technological tools or infrastructure. Notably, the highest share of respondents citing success with any tactic is 56%, suggesting that companies have a long way to go.

The most common benefits of efforts to reduce complexity include more efficient decision-making, increased collaboration, improved customer satisfaction, less time spent finding needed information and improved employee retention. Those benefits make sense to Mr Lichtenau. Complexity’s impact on decision-making is “almost worse than (its impact on) cost”, he says. Meanwhile, in a complex environment, “You also start to get demotivated and disengaged people”, Mr Lichtenau says. If the company can’t reduce complexity, it might find itself losing good

---

**Most helpful steps to reduce complexity**

(Percentage of respondents who chose each step and said that step was most helpful)

<table>
<thead>
<tr>
<th>Step</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Created cross-functional roles to facilitate collaboration</td>
<td>56</td>
</tr>
<tr>
<td>Implemented new decision making processes</td>
<td>54</td>
</tr>
<tr>
<td>Implemented new technological tools or infrastructure</td>
<td>54</td>
</tr>
<tr>
<td>Restructured to flatten our hierarchy</td>
<td>51</td>
</tr>
<tr>
<td>Changed incentives to promote collaboration</td>
<td>51</td>
</tr>
<tr>
<td>Restructured to reduce the number of business units and/or functions</td>
<td>47</td>
</tr>
<tr>
<td>Promoted a culture of collaboration</td>
<td>43</td>
</tr>
<tr>
<td>Changed the mix of regions in which we do business</td>
<td>28</td>
</tr>
<tr>
<td>Deliberately slowed our growth</td>
<td>28</td>
</tr>
<tr>
<td>Reduced the overall number of our product or service offerings</td>
<td>26</td>
</tr>
<tr>
<td>Improved leadership skills</td>
<td>25</td>
</tr>
<tr>
<td>Reduced the organisation’s size (eg by selling business units)</td>
<td>24</td>
</tr>
</tbody>
</table>

Source: Economist Intelligence Unit survey, 2015
employees and “left with people who like the coziness of the complexity”.

At organisations where none of their efforts to reduce complexity worked, poor management of the changes was most often cited as the problem (44%). Lack of buy-in across the organisation, a culture that slowed or prevented change and still having too much data to manage were each cited as major obstacles by nearly 30% of those whose complexity-reduction efforts failed, while a new structure that failed to support or reflect the business was a problem for 26%.

Mr Lichtenau distilled an effective strategy for combatting complexity into six steps:
1) Taking a holistic approach;
2) Focusing on the interfaces between business units and functions;
3) Eliminating wasteful activity;
4) Driving the effort from the top;
5) Measuring the value produced by complexity-reduction efforts; and
6) Changing mindsets and behaviours to create a long-term awareness of complexity.

“When organisations are really agile and really simple, it’s being displayed in very simple behaviour,” Mr Lichtenau says. “If you go to a meeting and there are 15 people someone might say ‘Why do we have 15 people? We only need five.’ Or people are questioning requests for information that don’t make sense. But it takes a while to get there.”

Mr Kemp suggests a “framework” for addressing complexity that involves identifying and categorising all the “dots”—the who, what and how—of processes, operation or functions. The result is not unlike a restaurant’s menu, he says, which organises offerings into such groups as beverages, appetizers, entrees, desserts and the
like. “A restaurant would increase complexity not reduce complexity if they didn’t use a menu,” Mr Kemp says.

If efforts to combat complexity are to succeed, it’s also necessary to have a means of measuring complexity and the success of efforts to reduce it. “Unless it’s explicitly measured and assessed and incentivised, not much is going to change,” says Mr Wade. “If you don’t have the metrics and the processes and the systems in place, it just comes back.”

Commonly used metrics, according to the survey, include efficiency (38%), productivity (37%), number of layers of hierarchy (24%), and number of different technology systems in use (20%). Examining these against the survey’s findings of the steps companies have taken to reduce complexity, as in the exhibit below, suggests even greater emphasis should be placed on metrics involving the number of technology systems and employee collaboration.

For the metrics to be useful, they must be relevant and aligned with the organisation’s goals for reducing complexity—tracking the wrong data won’t help a company understand its complexity or whether its efforts to reduce it are succeeding. Mr Wade suggests counting steps in processes, the number of products or the number of IT systems as possibly useful metrics for measuring and for fighting complexity.

### Why were none of the tactics your company used to reduce complexity helpful?

Select all that apply.

(% respondents)

<table>
<thead>
<tr>
<th>Metric</th>
<th>(% respondents)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor management of the changes</td>
<td>44</td>
</tr>
<tr>
<td>Lack of buy-in across the organisation</td>
<td>30</td>
</tr>
<tr>
<td>Culture slowed or prevented change</td>
<td>30</td>
</tr>
<tr>
<td>Still too much data or information to manage</td>
<td>30</td>
</tr>
<tr>
<td>New structure still did not reflect or support the business</td>
<td>26</td>
</tr>
<tr>
<td>Still no incentive to collaborate</td>
<td>22</td>
</tr>
<tr>
<td>External factors (ie regulations, pace of change, financial market uncertainty)</td>
<td>22</td>
</tr>
<tr>
<td>Senior leaders were not committed to change</td>
<td>19</td>
</tr>
<tr>
<td>New decision-making processes were more cumbersome</td>
<td>15</td>
</tr>
<tr>
<td>Technology infrastructure slowed or prevented change</td>
<td>11</td>
</tr>
<tr>
<td>Growing too fast</td>
<td>7</td>
</tr>
<tr>
<td>Pace of innovation required to compete too fast</td>
<td>7</td>
</tr>
<tr>
<td>Other</td>
<td>7</td>
</tr>
<tr>
<td>None of these</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Economist Intelligence Unit survey, 2015
In total, the findings suggest that leadership decisions, effective change management and follow-through are key to reducing complexity and that a failure of leadership or role-modelling likely lies behind many unsuccessful efforts to reduce complexity—as it does in unsuccessful efforts to manage change of any kind. Given C-level executives’ different perceptions of how hard it is to get things done, they may not focus on reducing complexity quite as much as their companies require unless they are truly desperate.

What steps, if any, has your organisation taken to reduce complexity in the past three years?  
Select all that apply.  
(% respondents)

Promoted a culture of collaboration 39
Implemented new technological tools or infrastructure 30
Created cross-functional roles to facilitate collaboration 30
Implemented new decision-making processes 30
Improved leadership skills 30
Restructured to reduce the number of business units and/or functions 29
Restructured to flatten our hierarchy 27
Changed incentives to promote collaboration 21
Reduced the organisation’s size (eg by selling business units) 19
Changed the mix of regions in which we do business 13
Reduced the overall number of our product or service offerings 12
Deliberately slowed our growth 8
Other 2
My organisation has not taken any steps to reduce complexity 8

What metrics, if any, does your company use to set specific goals for reducing complexity?  
Select all that apply.  
(% respondents)

Efficiency 38
Productivity 37
Number of layers of hierarchy 26
Number of different technology systems in use 20
We don’t set goals for reducing complexity 18
Share of time managers spend collaborating with other managers 17
Share of time employees spend collaborating outside their department 14
We have goals but don’t use specific metrics 8
Other 1

Source: Economist Intelligence Unit survey, 2015
Conclusion

Embracing the fight

Experts and the survey data suggest that not only is complexity costly, it’s an insidious foe and a continuous threat to even the most efficient companies. Combatting it, then, requires thoughtful, committed leadership combined with a culture geared to identifying and reducing complexity and employing effective means of measuring the impact of complexity-reduction efforts.

“The thing about complexity is it’s created by us,” says Mr Wade. “There is complexity in the environment, but when there’s complexity in organisations we’ve created it. So management has a role in that.” Few organisations have “simplification officers” or some other specified function meant to identify complexity and lead in its reduction, he says.

“If you want to tackle complexity, it’s probably a multi-year journey,” Mr Lichtenau says. “You won’t squeeze out all unnecessary complexity in six months. You might see some substantial progress in six months, though.”

The survey results make clear the impact complexity has on organisations and the challenges associated with addressing it, highlighting a clear need for leaders to make reducing complexity a priority—a point reinforced by the perspective and wide-ranging experience of the experts interviewed for this report. To succeed, the effort to squeeze out complexity must be driven from the top down, with executives leading by example in promoting a culture that favours collaboration and by providing the tools and technologies that enable such efforts.

No effort can be successful without measuring impact, so leaders must also determine the metrics that are appropriate for their organisation.

Finally, leaders need to ensure that reducing complexity remains a priority for everyone and that sound change management ensures that initial efforts to reduce complexity take root and produce the increased productivity, better time management and greater profits those who truly control complexity can gain.
## Appendix: survey results

Percentages may not add to 100% owing to rounding or the ability of respondents to choose multiple responses.

### Which of the following best describes the complexity of your company’s organisational structure?
Select one.
(\% respondents)

<table>
<thead>
<tr>
<th>Complexity</th>
<th>% Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely complex</td>
<td>21</td>
</tr>
<tr>
<td>Very complex</td>
<td>34</td>
</tr>
<tr>
<td>Somewhat complex</td>
<td>33</td>
</tr>
<tr>
<td>Not very complex</td>
<td>11</td>
</tr>
<tr>
<td>Not complex at all</td>
<td>1</td>
</tr>
</tbody>
</table>

### In general, how easy or difficult is it to get things done in your organisation?
Select one.
(\% respondents)

<table>
<thead>
<tr>
<th>Difficulty</th>
<th>% Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very difficult</td>
<td>17</td>
</tr>
<tr>
<td>Somewhat difficult</td>
<td>47</td>
</tr>
<tr>
<td>Neither easy nor difficult</td>
<td>21</td>
</tr>
<tr>
<td>Somewhat easy</td>
<td>13</td>
</tr>
<tr>
<td>Very easy</td>
<td>4</td>
</tr>
</tbody>
</table>
Which of the options below best describes your organisation’s current structure?
Select one. (% respondents)

A single hierarchy 7
Hierarchies in each business unit reporting into a single headquarters with functions managed at the business-unit level 28
Hierarchies in each business unit reporting into a single headquarters with functions managed globally 16
Hierarchies in each region reporting into a single headquarters with functions managed regionally 8
Hierarchies in each region reporting into a single headquarters with functions managed globally 16
Hierarchies in business units reporting into regional headquarters, which report into a global headquarters, and functions managed regionally 9
Hierarchies in business units reporting into regional headquarters, which report into a global headquarters, and functions managed globally 8
A matrix structure with business-unit and functional reporting at the regional level, reporting into a single headquarters 8
A matrix structure with business-unit and functional reporting at the global level 7
Other 1

To what extent does your organisation’s current structure reflect and support your current operational needs?
Select one. (% respondents)

Not at all 3
Slightly 15
Somewhat 34
Adequately 38
 Entirely 10

How would you rate the level of collaboration among regions, functions, and business units in your organisation?
Select one in each row. (% respondents)

Very siloed Somewhat siloed Neither siloed nor collaborative Somewhat collaborative Very collaborative Don’t know
Among regions 14 24 13 31 18 1
Among functions 9 19 19 27 26 1
Among business units 8 17 18 33 22 1
Within your own department 6 9 12 27 46 1
To what extent does your organisation’s current technology infrastructure reflect and support your current operational needs?
Select one.
(\% respondents)

- Not at all: 4
- Slightly: 15
- Somewhat: 35
- Adequately: 37
- Entirely: 8

Do your organisation’s incentives more often support company-wide goals or more focused functional, regional, or business-unit goals?
Select one.
(\% respondents)

- Entirely company-wide goals: 11
- Mostly company-wide goals: 33
- A balance of company-wide and more focused goals: 34
- Mostly focused goals: 20
- Entirely focused goals: 17
- Don’t know: 2

How do your company’s incentives support company-wide goals?
Select all that apply.
(\% respondents)

- Bonuses are based in part on how well business units or functions worked together to create results: 49
- Bonuses are based in part on meeting targets to increase efficiency: 40
- Bonuses are based only on company-wide results, not those of smaller units: 31
- Bonuses are based in part on innovating to increase efficiency: 20
- Promotions and/or bonuses are based in part based on how well individuals work across company boundaries: 15
- Other: 3
- Don’t know: 1
What steps, if any, has your organisation taken to reduce complexity in the past three years?
Select all that apply. (% respondents)

- Promoted a culture of collaboration 39
- Implemented new technological tools or infrastructure 33
- Created cross-functional roles to facilitate collaboration 30
- Implemented new decision making processes 30
- Improved leadership skills 30
- Restructured to reduce the number of business units and/or functions 29
- Restructured to flatten our hierarchy 27
- Changed incentives to promote collaboration 21
- Reduced the organisation’s size (e.g., by selling business units) 19
- Changed the mix of regions in which we do business 13
- Reduced the overall number of our product or service offerings 12
- Deliberately slowed our growth 8
- Other 2

My organisation has not taken any steps to reduce complexity 8
Among the steps taken, which, if any, were the two most helpful in reducing complexity?
Select up to two.
(\% respondents)

- Implemented new technological tools or infrastructure 19
- Created cross-functional roles to facilitate collaboration 18
- Implemented new decision making processes 18
- Promoted a culture of collaboration 18
- Restructured to flatten our hierarchy 15
- Restructured to reduce the number of business units and/or functions 15
- Changed incentives to promote collaboration 11
- Improved leadership skills 8
- Reduced the organisation’s size (eg, by selling business units) 5
- Changed the mix of regions in which we do business 4
- Reduced the overall number of our product or service offerings 3
- Deliberately slowed our growth 2
- Other 1
- None was helpful 9

What improvements have you seen because of those steps?
Select all that apply.
(\% respondents)

- More efficient decision making 51
- More collaboration 48
- Improved customer satisfaction 30
- Less time spent finding needed information 29
- Improved employee retention 27
- More efficient supply chain or logistics 22
- Greater ability to manage external factors (eg, regulations, pace of change, financial market uncertainty) 22
- Able to bring new products or services to market faster 20
- Able to grow faster 18
- Other 0
- None of these 3
Why were none of the tactics your company used to reduce complexity helpful?
Select all that apply.
(% respondents)

<table>
<thead>
<tr>
<th>Reason</th>
<th>% Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor management of the changes</td>
<td>44</td>
</tr>
<tr>
<td>Lack of buy-in across the organisation</td>
<td>30</td>
</tr>
<tr>
<td>Culture slowed or prevented change</td>
<td>30</td>
</tr>
<tr>
<td>Still too much data or information to manage</td>
<td>30</td>
</tr>
<tr>
<td>New structure still did not reflect or support the business</td>
<td>26</td>
</tr>
<tr>
<td>Still no incentive to collaborate</td>
<td>22</td>
</tr>
<tr>
<td>External factors (i.e., regulations, pace of change, financial market uncertainty)</td>
<td>22</td>
</tr>
<tr>
<td>Senior leaders were not committed to change</td>
<td>19</td>
</tr>
<tr>
<td>New decision making processes were more cumbersome</td>
<td>15</td>
</tr>
<tr>
<td>Technology infrastructure slowed or prevented change</td>
<td>11</td>
</tr>
<tr>
<td>Growing too fast</td>
<td>7</td>
</tr>
<tr>
<td>Pace of innovation required to compete too fast</td>
<td>7</td>
</tr>
<tr>
<td>Other</td>
<td>7</td>
</tr>
<tr>
<td>None of these</td>
<td>0</td>
</tr>
</tbody>
</table>

Due to the limited base size, this data should be viewed as directional in nature.
What is the primary source of complexity in your organisation today?
Select one.
(\% respondents)

<table>
<thead>
<tr>
<th>Complexity Source</th>
<th>% Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decision making processes</td>
<td>12</td>
</tr>
<tr>
<td>Organisational structure</td>
<td>9</td>
</tr>
<tr>
<td>Overall size</td>
<td>8</td>
</tr>
<tr>
<td>Pace of innovation required to compete</td>
<td>8</td>
</tr>
<tr>
<td>Amount of data or information to manage</td>
<td>8</td>
</tr>
<tr>
<td>Senior leaders not making reducing complexity a priority</td>
<td>8</td>
</tr>
<tr>
<td>Culture</td>
<td>8</td>
</tr>
<tr>
<td>Technology tools or infrastructure</td>
<td>7</td>
</tr>
<tr>
<td>Mergers and acquisitions</td>
<td>5</td>
</tr>
<tr>
<td>Overall number of product or service offerings</td>
<td>5</td>
</tr>
<tr>
<td>Number of locations</td>
<td>4</td>
</tr>
<tr>
<td>Entering new markets</td>
<td>4</td>
</tr>
<tr>
<td>Lack of incentives to collaborate</td>
<td>4</td>
</tr>
<tr>
<td>Supply chain or logistics infrastructure</td>
<td>4</td>
</tr>
<tr>
<td>Distribution of locations</td>
<td>2</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
</tr>
<tr>
<td>My organisation is not complex today</td>
<td>2</td>
</tr>
</tbody>
</table>

What parts of your operations does the current degree of complexity affect most negatively?
Select up to two where the effects are most negative.
(\% respondents)

<table>
<thead>
<tr>
<th>Operational Area</th>
<th>% Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>General management</td>
<td>29</td>
</tr>
<tr>
<td>Employee relations</td>
<td>23</td>
</tr>
<tr>
<td>Customer service</td>
<td>21</td>
</tr>
<tr>
<td>Product development</td>
<td>18</td>
</tr>
<tr>
<td>Governance and compliance</td>
<td>18</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>15</td>
</tr>
<tr>
<td>Growth</td>
<td>15</td>
</tr>
<tr>
<td>Supply chain or logistics infrastructure</td>
<td>14</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
</tr>
<tr>
<td>None of these</td>
<td>2</td>
</tr>
</tbody>
</table>
How does complexity negatively affect your supply chain or logistics?
Select all that apply. (% respondents)

- More employees needed to manage supply chain or logistics than competitors 39
- More expensive inputs compared with competitors 33
- Miss production targets due to late or missing inputs (parts, raw materials) more often than competitors 30
- Miss customer deliveries more often than competitors 30
- Expense and delays because of exposure to more regulatory regimes than competitors 24
- Other 0

How does complexity negatively affect your sales and marketing?
Select all that apply. (% respondents)

- Unable to respond effectively to competitors’ moves in the marketplace 46
- Unable to reduce costs by sharing resources across sales and marketing efforts 38
- Unable to assess the effectiveness of promotions because data is hard to manage 29
- Unable to share best practices across the company 27
- Unable to market consistently across the company 23
- Unable to offer promotions because of uncertain or irregular product availability 15
- Other 2

How does complexity negatively affect your product development?
Select all that apply. (% respondents)

- Take longer to bring new products or services to market than our competitors 51
- Bring fewer successful new products or services to market than competitors 35
- Less able to collaborate successfully across organisational boundaries to drive innovation than our competitors 33
- Lack of coherence across our product or service offerings 32
- Less able to collaborate successfully with customers or outside firms to drive innovation than our competitors 32
- Spend more on R&D than competitors 21
- Other 0

Due to the limited base size, this data should be viewed as directional in nature.
### How does complexity negatively affect your employee relations?

Select all that apply.

(% respondents)

- **Employees are demoralised**: 43
- **Employees are unable to collaborate across organisational boundaries**: 43
- **Harder to conduct effective training for employees**: 32
- **Employees don’t understand our strategy**: 31
- **Lower retention rate than competitors**: 30
- **Harder to hire than competitors**: 18
- **Harder to find qualified managers than competitors**: 18
- **Other**: 3

### How does complexity negatively affect your governance and compliance?

Select all that apply.

(% respondents)

- **More executive time spent on governance and compliance than the company can spare**: 45
- **More employees needed to manage governance and compliance than competitors**: 38
- **More mistakes made in managing governance and compliance than competitors**: 38
- **More spending on governance and compliance than competitors**: 30
- **Other**: 3

### How does complexity negatively affect your overall management?

Select all that apply.

(% respondents)

- **More executive time is spent on coordination than the company can spare**: 55
- **The company develops conflicting priorities**: 46
- **Miss business opportunities because we move more slowly than competitors**: 37
- **More executive time is spent on post-merger integration than the company can spare**: 29
- **Miss hiring opportunities because we move more slowly than competitors**: 23
- **Other**: 1

Due to the limited base size, this data should be viewed as directional in nature.
How does complexity negatively affect your customer service?
Select all that apply.
(\% respondents)

- Takes longer for customers to resolve problems than at competitors: 49
- Customers complain publicly about it being hard to do business with us: 47
- Higher costs to resolve customer problems than competitors: 43
- More late deliveries than competitors: 22
- Lower share of repeat customers than competitors: 21
- Other: 0

How does complexity negatively affect your growth?
Select all that apply.
(\% respondents)

- Miss opportunities because we are unable to respond quickly enough: 53
- Miss opportunities because we are unable to respond with the resources of the whole company: 53
- Lose market share because we don’t respond effectively to competitors’ moves: 45
- Other: 2

What effect, if any, has your organisation’s current degree of complexity had on your profits over the past three years?
Select one.
(\% respondents)

- Reduced profits significantly: 5
- Reduced profits somewhat: 21
- Reduced profits a little: 28
- No effect: 26
- Increased profits: 13
- Don’t know: 7

Due to the limited base size, data on the first two questions on this page should be viewed as directional in nature.
Taming organisational complexity—start at the top

Please estimate how much more productive your company could be overall if you were able to cut your organisational complexity by half.
Select one. (% respondents)

- Less than 10% more productive: 16
- 11-25% more productive: 52
- 26-50% more productive: 19
- More than 50% more productive: 5
- Don’t know: 8

About what percentage of your own time do you spend managing complexity that you could spend more productively?
Select one. (% respondents)

- Less than 5%: 8
- 6-15%: 31
- 16-25%: 38
- 26-50%: 17
- More than 50%: 5
- Don’t know: 1

What metrics, if any, does your company use to set specific goals for reducing complexity?
Select all that apply. (% respondents)

- Efficiency: 38
- Productivity: 37
- Number of layers of hierarchy: 24
- Number of different technology systems in use: 20
- We don’t set goals for reducing complexity: 18
- Share of time managers spend collaborating with other managers: 17
- Share of time employees spend collaborating outside their department: 14
- We have goals but don’t use specific metrics: 13
- Other: 1
Please rank the following initiatives your organisation may be pursuing in order of their importance to meeting your company’s goals, with 1 being the most important and 7 being the least important.

(\% respondents)

<table>
<thead>
<tr>
<th>Initiative</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reducing complexity</td>
<td>14</td>
<td>11</td>
<td>14</td>
<td>13</td>
<td>16</td>
<td>19</td>
<td>14</td>
</tr>
<tr>
<td>Increasing market share</td>
<td>17</td>
<td>15</td>
<td>18</td>
<td>14</td>
<td>13</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Reducing expenses</td>
<td>16</td>
<td>19</td>
<td>18</td>
<td>12</td>
<td>8</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Increasing profit</td>
<td>25</td>
<td>21</td>
<td>14</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>7</td>
</tr>
<tr>
<td>Improving employee retention</td>
<td>11</td>
<td>10</td>
<td>13</td>
<td>15</td>
<td>18</td>
<td>22</td>
<td>14</td>
</tr>
<tr>
<td>Improving customer satisfaction</td>
<td>18</td>
<td>19</td>
<td>19</td>
<td>18</td>
<td>11</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Reducing emissions and/or waste in our operations</td>
<td>6</td>
<td>7</td>
<td>5</td>
<td>10</td>
<td>17</td>
<td>19</td>
<td>35</td>
</tr>
</tbody>
</table>

Compared with other initiatives how important is reducing complexity to your company’s senior leaders?
Select one.
(\% respondents)

<table>
<thead>
<tr>
<th>Importance</th>
<th>% Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Much less important</td>
<td>11</td>
</tr>
<tr>
<td>Somewhat less important</td>
<td>22</td>
</tr>
<tr>
<td>About as important</td>
<td>33</td>
</tr>
<tr>
<td>Somewhat more important</td>
<td>20</td>
</tr>
<tr>
<td>Much more important</td>
<td>9</td>
</tr>
<tr>
<td>Don’t know</td>
<td>4</td>
</tr>
</tbody>
</table>
In which region are you personally located? (% respondents)

- Asia excluding China 21
- Germany, Austria, Switzerland, Central & Eastern Europe 17
- China 16
- Latin America 16
- Western Europe 16
- North America 15
- Middle East 0

What are your organisation’s global annual revenues in US dollars? Select one. (% respondents)

- $500m to $1bn 18
- $1bn to $5bn 31
- $5bn to $10bn 19
- $10bn or more 32

In how many countries does your company operate? Select one. (% respondents)

- 1 to 5 34
- 6 to 10 19
- 11 to 20 10
- 21 to 30 15
- 31 to 50 5
- More than 50 21
- Don’t know 5

What is your company’s primary industry? Select one. (% respondents)

- Financial services 13
- IT and technology 13
- Manufacturing 13
- Healthcare, pharmaceuticals and biotechnology 11
- Energy and natural resources 6
- Retailing 6
- Transportation, travel and tourism 5
- Consumer goods 4
- Government/Public sector 4
- Professional services 4
- Automotive 3
- Chemicals 3
- Construction and real estate 3
- Telecoms 3
- Aerospace and defence 2
- Entertainment, media and publishing 2
- Logistics and distribution 2
- Agriculture and agribusiness 1
- Education 1
- Other 8

Which of the following best describes your title? Select one. (% respondents)

- Board member 2
- CEO/President/Managing director 15
- CFO/Treasurer/Comptroller 6
- CIO/Technology director 16
- Other C-level executive 9
- SVP/VP/Director 17
- Head of Business Unit 4
- Head of Department 7
- Manager 18
- Other 5
What is your main functional role?
Select one.
(% respondents)

<table>
<thead>
<tr>
<th>Functional Role</th>
<th>% Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT</td>
<td>22</td>
</tr>
<tr>
<td>Human resources</td>
<td>19</td>
</tr>
<tr>
<td>General management</td>
<td>14</td>
</tr>
<tr>
<td>Finance</td>
<td>10</td>
</tr>
<tr>
<td>Marketing and sales</td>
<td>8</td>
</tr>
<tr>
<td>Operations and production</td>
<td>8</td>
</tr>
<tr>
<td>Strategy and business development</td>
<td>6</td>
</tr>
<tr>
<td>Customer service</td>
<td>4</td>
</tr>
<tr>
<td>Risk</td>
<td>4</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>3</td>
</tr>
<tr>
<td>Supply chain management</td>
<td>3</td>
</tr>
<tr>
<td>Legal</td>
<td>1</td>
</tr>
<tr>
<td>Procurement</td>
<td>1</td>
</tr>
<tr>
<td>Information and research</td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
</tr>
</tbody>
</table>
Whilst every effort has been taken to verify the accuracy of this information, neither The Economist Intelligence Unit Ltd. nor the sponsor of this report can accept any responsibility or liability for reliance by any person on this white paper or any of the information, opinions or conclusions set out in the white paper.
London
20 Cabot Square
London
E14 4QW
United Kingdom
Tel: (44.20) 7576 8000
Fax: (44.20) 7576 8476
E-mail: london@eiu.com

New York
750 Third Avenue
5th Floor
New York, NY 10017
United States
Tel: (1.212) 554 0600
Fax: (1.212) 586 0248
E-mail: newyork@eiu.com

Hong Kong
1301 Cityplaza Four
12 Taikoo Wan Road
Taikoo Shing
Hong Kong
Tel: (852) 2585 3888
Fax: (852) 2802 7638
E-mail: hongkong@eiu.com

Geneva
Boulevard des
Tranchées 16
1206 Geneva
Switzerland
Tel: (41) 22 566 2470
Fax: (41) 22 346 93 47
E-mail: geneva@eiu.com