SOS
TO
ROI

A Strategic Approach to Conquer the Complexity Monster and Accelerate Results

LARRY HAAS

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Dedication

To Dad.
Thank you for showing me how to be *all in*, and all in *with heart*.
I'll look for you along the trout stream
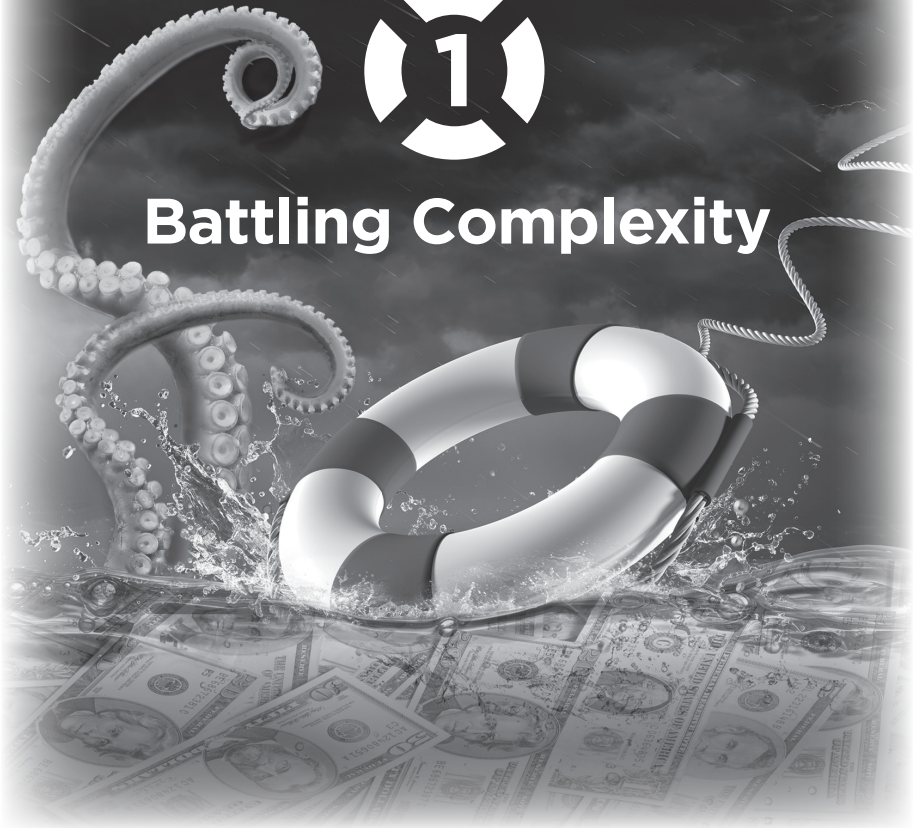or in the workshop near the master carpenter.

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Battling Complexity

CHAPTER 1

The Complexity Monster

Anthony[1] was having an SOS moment.

A likable and seasoned executive, who worked for a large defense firm, Anthony found himself in a precarious spot. His multibillion-dollar military program was not only over budget but also behind schedule, and his customers were beyond livid.

Of the potential performance incentives in the contract, he was receiving exactly none. That is right; zero percent. Things had not been going well for more than a year, and the government was threatening to shut him and his project down, potentially costing billions of dollars in revenue and more than one hundred million dollars in profits for his parent company.

Stressed out, Anthony faced mounting pressure from his bosses and felt micromanaged by his customers. It became increasingly apparent that Anthony's program was in serious need of a rebirth.

The worst day was when Anthony, his bosses, and his entire leadership team were summoned to the Pentagon. Their chief customer, the general, after a stern thirty-minute lecture, exclaimed, "I need to know you care about this program as much as I do. I need to see this mission coursing through every vein in your body—day in and day out—before I can trust you again!"

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[1] All the stories in this book are inspired by true events. The names and some details have been changed to protect confidentiality.

That's precisely when Anthony experienced what we call an SOS moment.

In 1906, SOS was adopted as the international Morse Code distress signal and is represented by three dots (for *S*), then three dashes (for *O*), followed by another three dots. Although not formally an acronym, SOS in popular usage refers to *Save Our Ship* or *Save Our Souls*, among others.

An SOS moment is a specific instant of keen awareness (understatement coming) that something is fundamentally *not* as it should be.

The next day, Anthony and his bosses asked for assistance from my strategic change management firm. Our team is dedicated to helping companies face these situations, slice through complexity, and forge a path and a plan to accelerate results.

Within hours, and a bit disheveled from their experience, Anthony's team handed over hundreds of documented negative comments from formal feedback reports. They came from members of various related customer entities, along with demands and ideas about how to fix this and that. Over the previous months, his team had been responsive and had tried to act on each item; however, the negativity had kept building. But why?

Working with the program team, we encouraged them to step back and look at the big picture. Instead of reacting to each negative statement, we treated it as a clue to the true root cause of the angst. Working together over a three-month period, we built a twelve-stage plan dubbed the "Path to Excellence."

Initially, the customer team was skeptical. But over time, as

Anthony's team brought them into the process, they recognized that they each (Anthony's team, the parent company, and the customer) had contributed to a negative dynamic, which hampered leadership, stifled productivity, and constrained problem-solving.

Like it or not, they all needed to work together to get out of the mess, not simply blame the problems on Anthony and his team. Embracing the approach, they each committed to implementing their part of the twelve-stage plan as a team under Anthony's leadership.

Within a year, the program was back on track, the customer was thrilled, and was routinely advertising the plan to their bosses. Soon, profits leapt to 70 percent, then 85 percent, and eventually to 100 percent of their contract potential.

Anthony reflected: "Sometimes you need to step back, look above the complexity, and solve the few simple problems that take care of everything else. I'm glad we finally did that."

Enter the Complexity Monster

It is no surprise that modern business and life is complex, and quickly becoming increasingly more so. The financial system is increasingly connected, the geopolitical environment is becoming more tightly coupled, and regulation is an ever-expanding moving target. Moreover, trends in customization, specialization, and personalization are fueling exponential increases in the variety of choices available for purchase (as well as where and how), forcing leaders to scramble.

As a result, public and private institutions are facing an increasingly powerful and growing Complexity Monster that threatens to disrupt the business of getting work done, staying competitive, and

thriving. More and more of our organizational systems have gone beyond being just complicated (often detailed yet ultimately predictable); they have become truly complex (often unpredictable).

Like it or not, the Complexity Monster is here to stay. As leaders and managers of increasingly complex organizational and business systems, we need to face that reality head on. And while some advocate merely *coping* with complexity, this book is about *conquering* it. If we don't find a way to conquer the Complexity Monster, it will conquer us.

At the same time, the Complexity Monster is increasing in strength. In their *Harvard Business Review* piece, "Learning to Live with Complexity," Gokce Sargut and Rita McGrath posit that the growth in complexity has largely "resulted from the information technology revolution of the past few decades. Systems that used

Like it or not, the Complexity Monster is here to stay.

to be separate are now interconnected and interdependent, which means that they are, by definition, more complex." They go on to describe three properties that determine the complexity of an environment. "The first, *multiplicity*, refers to the number of potentially interacting elements (in that environment). The second, *interdependence*, relates to how connected those elements are. The third, *diversity*, has to do with the degree of heterogeneity (or sameness of the elements). Thus, the greater (these factors), the greater the complexity."[2]

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[2] Sargut, Gokce, and Rita McGrath. "Learning to Live with Complexity." *Harvard Business Review*. October 07, 2014. Accessed December 23, 2016. https://hbr.org/2011/09/learning-to-live-with-complexity.

So, What's the Problem?

Complex systems and particularly complex organizations can struggle. The Complexity Monster poses some difficult challenges:

- **The Complexity Monster is difficult to see.** The complex organization or business system is difficult to perceive and extremely difficult, if not impossible, to model. "It's a vantage point problem," describe Sargut and McGrath, wherein no single individual can visualize the entire business system. Experts have applied numerous theories to get around this, which have yielded a degree of success. Chaos theory, complexity theory, biological complex adaptive systems (CAS), and other modern theories and frameworks are shedding light on how to both describe and model the Complexity Monster.

- **It's difficult to predict the Complexity Monster's next move.** By definition, the Complexity Monster is constantly changing, and if it can't be fully comprehended, it is difficult to predict its next move. Often, rare events like SOS moments provide valuable insight into the functioning of the Complexity Monster and force leaders to adapt. Also, when leading complex organizations, experts tell us that unintended consequences are often a key challenge. Because the Complexity Monster does not respond in the way the leader envisioned, the system may react in unintended ways. These can be either positive or negative.

- **It's difficult to know what moves will succeed when the Complexity Monster is around.** If one can neither see it nor predict its next move, it becomes increasingly

difficult to take definitive action, with confidence, to combat the Complexity Monster successfully while operating, much less transforming, the organization. Traditional management techniques based on the assumption that the boss knows all, and that the organization is linear in nature and predictable, no longer work. According to David J. Snowden and Mary E. Boone in their *Harvard Business Review* article, "A Leader's Framework for Decision-making": "Leaders who try to impose order in a complex context will fail, but those who set the stage, step back a bit, allow patterns to emerge, and determine which ones are desirable will succeed."[3]

Long-term planning cycles, traditional predictive techniques, a preponderance of lagging data, top-down command and control structures, as well as centralized decision-making are increasingly falling on their face amidst this growing complexity phenomenon.

Conquering the Complexity Monster

So, given the Complexity Monster is difficult to see, predict, and plan for, it must be conquered somehow lest it wreak havoc on the leader's organization and results. For a clue about how to handle these challenges, the complexity conqueror would do well to study one of the greatest conquerors ever.

Alexander III of Macedon, better known as Alexander the Great (356 BCE–323 BCE), was notorious for conquering most of the known world in his day. And while in some conquests the battle was bloody, like against the stubborn city of Tyre, many others

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[3] Snowdon, David J., and Mary E. Boone. "A Leader's Framework for Decision Making." *Harvard Business Review*. December 07, 2015. Accessed December 23, 2016. https://hbr.org/2007/11/a-leaders-framework-for-decision-making.

were handled diplomatically or without resistance, such as the conquest of the oft-heralded intellectual and cultural city of Susa.

To the people he conquered, Alexander was often seen more as a liberator from previous harsh rule than as a dictator. Part of his genius, it appears, was to apply a mix of strategies to his conquering quest and then to leverage the assets of the conquered to strengthen his base of power, be it physical infrastructure, tax revenue, or access to supplies and supply lines. Many historians view him as "the great" both for his military genius and his diplomatic skills in handling the various populaces of the regions

Often, rare events like SOS moments provide valuable insight into the functioning of the Complexity Monster and force leaders to adapt.

he conquered. We want to conquer the Complexity Monster in much the same way by employing a variety of techniques based on situation presented. Here are some choices.

▶ REMOVE

Some complexity can be easily identified, and if it isn't value-added, it should be eliminated or destroyed. Even when a process or organization or system is set up simply at the outset, in the infinite quest for clarity, organizations often default to defining things down to the ant's backside, resulting in increased detail and bureaucracy.

If the second law of thermodynamics (conditions naturally devolve from order to chaos) applies to something as simple as this author's teenage sons' bedroom, it most certainly applies

to organizations. But a word of warning: when eradicating complexity, like any typical monster or villain, may not really be dead; it might be like Westley in *The Princess Bride*, only "mostly dead." So, make sure to fire an extra shot where it counts and totally destroy the Complexity Monster. Simplify wherever possible, especially in areas where complexity provides no value.

> **We want to conquer the Complexity Monster in much the same way by employing a variety of techniques based on the situation presented.**

To illustrate this concept: on Anthony's program, we stopped all improvement actions that did not directly support the twelve-stage plan. This significantly reduced the number of such efforts marching in parallel, reduced uncertainty and stress, and freed up time to focus on the most critical enhancements. As a result, the improvement efforts progressed quickly.

REMOVE: *AN AUTOMOTIVE INDUSTRY EXAMPLE*

How often does someone buy a car because of the shape of the muffler? The sound or the look or the performance, yes perhaps, but the shape? Quite unlikely. Yet, if I'm an automotive manufacturer and keep a muffler research and development team fully staffed and funded, that team might invent an array of mufflers where perhaps just one or two different types would suffice. Just because it *can* be created doesn't mean it *should* be. In recent years, automotive manufacturers including Ford, Toyota, Volkswagen, and Fiat-Chrysler have realized they can reduce complexity through standardizing parts and part families that can be

designed into their entire fleets. Everything from drivetrain components to airbags to turn signals is up for grabs, and most often opportunities exist in places where customers aren't picky (e.g., mufflers). This significantly reduces complexity.

These and similar moves in other industries have led to serious economic advantages, higher quality, and less costly rework. Yet in parallel, these firms have often maintained the complexity of aesthetics for both vehicle interiors and exteriors as well as the features and functions of the differentiating technology—those things the customer truly values. That leads us to the second option for conquering complexity.

How often does someone buy a car because of the shape of the muffler?

▶ RESTRAIN

While some complexity is within the leader's control and should be removed, other complexity is simply required as part of the business. In these cases, the goal is to lock up the complexity so it doesn't escape and expand beyond its required use. Like a well-tended garden, the issue calls for regular attention. Some firms operate in highly regulated industries where many decision-makers govern the environment. Also, supply-chain structures, product-mix strategies, and the diversity of the organization regarding geographies, reporting structures, and local regulations might require complexity as a necessary evil. The quandary, in these cases, is to decide how much complexity can be tolerated and consciously determine whether to create more complexity in a valuable area of your business. Sometimes, as in the automotive

space, a degree of complexity is OK, if not required.

While working on Anthony's program, because we couldn't (by design) reduce the number of organizations (university partners, military customers, suppliers, vendors, etc.), we focused on containing (restraining) the negative impact of this diverse group. One effort emphasized the consistency of program communications in which countless reporting formats are typically used, each customized to a specific organization. Instead, we developed (jointly with the customer) a standard weekly program-tracking briefing that everyone used in the exact same way. Although Anthony's team created it, each program group used it to report vital status to bosses and gain approval for decisions, such as changes to the program technology, investment, or timing. This stemmed the proliferation of innumerable reporting methods and formats and provided the entire team with one *accurate* and *authoritative* status each week.

▶ REINFORCE

The third major option to conquer the Complexity Monster acknowledges that some complexity can be valuable, such as informal structures that exist between employees. Frequently, organizations ignore this value and leap immediately to "let's just change the organization structure" to alleviate a single difficult issue without considering the benefits of the interdependent relationships and mysterious but effective patterns that exist within the current structure.

This "good complexity" exists in great sports teams as well. If one describes a streamlined professional basketball or football offense, much of the excellence is contained in subtle interactions

and complexities that exist to enable the no-look pass, the audible, the confidence between quarterback and receiver. They call it "jelling" or "chemistry," and it takes time to develop. As the Irish proverb from the 1500s says,

Some complexity can be valuable, such as informal structures that exist between employees.

"better the devil you know than the devil you don't know." Leaders need to realize that sometimes the Complexity Monster is working for them and take care not to upset the ecosystem producing genuine value.

The complexity in Anthony's program, while a challenge, was also harnessed as a strength. During the initial three-month planning period, we not only worked on the details of the twelve-stage plan, but also on focusing everyone's mindset to be less about typical "police-the-contract" concerns, in which Anthony's team was continually on trial, to more of a focus on "lead together to fulfill the *mission*." This shift fundamentally altered the tone of the daily dialog, nurtured mutual accountability, and cultivated a fresh and broad-based advocacy across the vast program team. As a result, the program's reputation improved, and everyone, regardless of role (soldier, customer, supplier, Anthony's team and parent company, etc.) started winning.

So, in a very real way, the Complexity Monster poses quite a conundrum. While complexity is becoming vastly more prevalent in organizations today, not all of it is bad. As a matter of fact, some complexity can be the source of strength and should be supported.

The Conqueror's Arsenal

The following modern tactics and techniques, which are both prevalent in research and which will be amplified in this book, increase the odds that your organization will be able to succeed in conquering the Complexity Monster, regardless of the method of conquering.

▶ SHORTER PLANNING CYCLES

The days of the ten-year, 100-page strategic plan are fading fast. Plans now span months, or quarters, or even up to a year or two, and should be regularly challenged to see what is working; what assumptions, both internal and external, might be changing; and where adjustments to the plan might be needed. Planning remains critical, but the reliable horizon has changed.

▶ EXPERIMENTATION

Because it's impossible to predict exactly how the Complexity Monster will react, experimentation that is low-cost and high-learning is critical. In their *Harvard Business Review* article, "Experiment with Organizational Change Before Going All In," John Beshears and Francesca Gino expand on the concept of experimentation. They say, "by forcing organizations to articulate their goals clearly and then to rigorously judge their decisions by those metrics, experimental tests can help managers avoid costly mistakes and can open up the consideration of other possible solutions."[4]

▶ COMPLEXITY AS PART OF DECISION CRITERIA

Instead of simply looking at financial and time-based merits of a decision, complexity and its challenges must be put into the mix so managers can take the impact of complexity into

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[4] Beshears, John, and Francesca Gino. "Experiment with Organizational Change Before Going All In." *Harvard Business Review*. November 06, 2014. Accessed December 28, 2016. https://hbr.org/2014/10/experiment-with-organizational-change-before-going-all-in.

account. If one decides to add complexity, it should be on purpose and for a good reason.

▶ ROUTINE CHALLENGING OF YESTERDAY'S ASSUMPTIONS

The way things work today may or may not be valid tomorrow. Often, assumptions that contribute to a decision are obsolete before the decision is implemented fully. Many recall real-life examples of perfect products designed for yesterday's trends.

▶ DIVERSITY AND COLLABORATION

Like instant replay in sports, a diverse set of eyes and camera angles can yield a much more complete picture of the situation. In organizations, diversity can broadly be seen as the product of experience, cultural background, level in the organization, personality style, thinking skills, or even the ability to perceive, tolerate, and adapt to ambiguity. As a practical matter, taking advantage of the power of this diversity often includes ensuring broad audiences are involved in decision-making, including customers, suppliers, and front-line managers, so the quality of the logic can be maximized. This, of course, requires that the members of the group are confident their perspectives will be heard and that the information they contribute isn't filtered before it gets to the leader. (That is a cultural issue. Much more in the pages ahead.) Done successfully, it can increase the chances of the leader making the right call.

Learning and Adaptability Is Vital

With rapid change and increasing complexity, organizations need to learn how to learn and learn how to adapt. A key mechanism for this is in answering the questions, "What do I need to change?"

and "How do I make that change?" They're not new questions; however, it's in the context of complexity that we want to spend time on them in this book. We believe that by understanding the Complexity Monster and applying the conqueror's arsenal, leaders in today's organizations will be able to confront the challenges punctuated by SOS moments and learn and adapt in a way that can yield a true competitive advantage.

Let's begin the journey.

Chapter 1 Complexity Conqueror's Tactics

- **Face the reality that the Complexity Monster is lurking in your organization and is increasing in strength. You will eventually (if not soon) need to conquer this monster.**

- **Identify areas where organizational complexity exists, is optional, and is not adding any value. Create a plan to reduce or eliminate this complexity (Remove).**

- **Take stock of those aspects of complexity that are simply part of the business. Then simply acknowledge that's the reality, but don't allow it to expand (Restrain).**

- **Consider areas where complexity is adding value to the business. Embrace these areas and be careful not to upset the ecosystem that is encouraging that value (Reinforce).**

- **Continue to expand reliance on the diverse perspectives of those inside and outside your organization who, collectively, may see the complex system much more completely than you. Create a safe environment and culture where those unfiltered perspectives are increasingly accepted, allowing a more complete and accurate picture to form.**