Entropy Busters™ Series

Rationalizing the Enterprise

Article after article has been written about the advantages of complexity reduction and what should be done. However, too often there is little focus on the root cause of entropy creeping into the enterprise.

A recent **Forbes article outlines the seven steps to reduce complexity**. Each step mentioned addresses the symptoms of the illness and not the disease.

We are not doing a good enough job of asking, "Do we really need so many exceptions?" or "That's a really stupid rule".

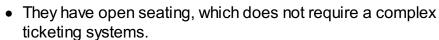Rather, we need to be asking, "What's driving and creating such complexity?"
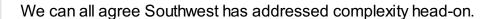
The Elegance of Simplicity

Why are there stupid rules,

why do we need a multi-million dollar ERP, CRM, MRP...?

Looking at Southwest Airlines;

- They have 706 aircraft; 98.2% of those are two Boeing models, the 737-300 and 737-800.
- Both aircraft only use one engine type, the CFM56.
- They have open seating, which does not require a complex ticketing systems.

We can all agree Southwest has addressed complexity head-on.

What if I were to tell you that every business I've completed the following analysis for had this outcome?

Class %	Demand %	Part Numbers
"A"	80%	5-15%
"B"	15%	10-20%
"C"	4%	10-25%
"D"	1%	40-55%

MYTH, "If you focus on the 80%: the results will come". In the short-term you can make the argument that this is correct. However, in the long-term the results are not sustainable, because the last 1% is draining the teams resources. We must shift the paradigm and focus on eliminating the drivers for the last 1% or 50% of the complexity.

We allow entropy to creep into our organizations.
en · tro · py /ˈentrəpē/ noun.
Lack of order or predictability; gradual decline into disorder.

What would your business look like if complexity was cut in half? Would you need a complex ERP, CRM, and MRP? My premise is that the reason we need such complex processes and operations that require exception after exception and tribal knowledge is the sheer scope of our product offerings and parts required to support.

Over the past 20-30 years much has been written and accomplished in all areas of business satisfying customer expectations. We keep adding more and more offerings, functionality and larger sizes, in many cases without the processes to support such variety. Let's take a hard look at ourselves and agree there is a tipping point and exceptions to this line of thought. Again, look at Southwest Airlines and Apple. One firm is a discount air carrier and the other is high-end consumer electronics manufacturer. Both are excellent examples of operating complex equipment with a simple business design, model and product offering. Surely your business can be designed without the last 1% of demand or 50% of complexity?

Stop thinking of a process, a committee or new initiative for complexity

reduction. Tell the team and customer you're eliminating the last 1% of demand. Blow up the current model. The latest business buzz-word is "Disruptive". Be disruptive! Be an Entropy Busters™! What would this mean to your business design, organization, supply and customer base?

Your Supply Chain, Your Supply Change, Your Leadership.™

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Thanks in advance for your time. As always, thanks for being a loyal client. Looking forward to helping you and your team again soon.

Carpe diem,

Art Koch
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