



Complexity
Management

ATKEARNEY

Study on: Complexity Management – Chances amid the crisis

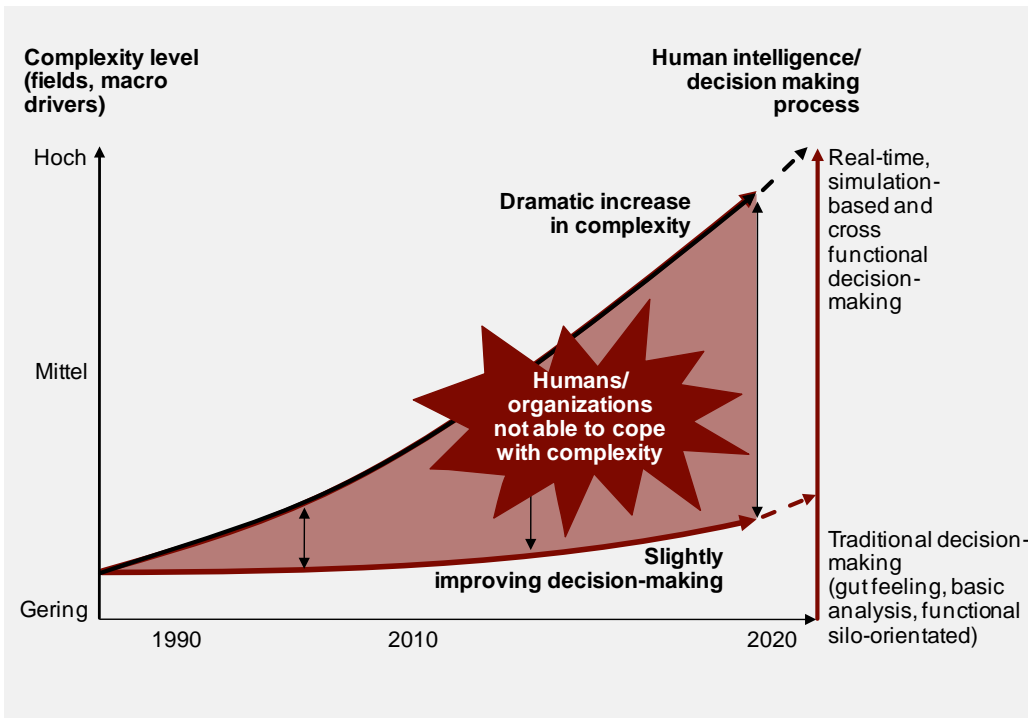
Summary of study results

November 2009

ATKEARNEY

Complexity management is a top issue today.

Why Complexity Management?



- Complexity has swung up drastically over the last few years and people are now having a really tough time getting it under control.
- Professional complexity management that minimizes value-destroying complexity and efficiently controls value-adding complexity is therefore becoming a critical differentiator in the competitive landscape.
- The current economic crisis is moreover cranking up cost and revenue pressure on companies around the globe.

Complexity management is increasingly becoming essential as a differentiator to boost profitability.

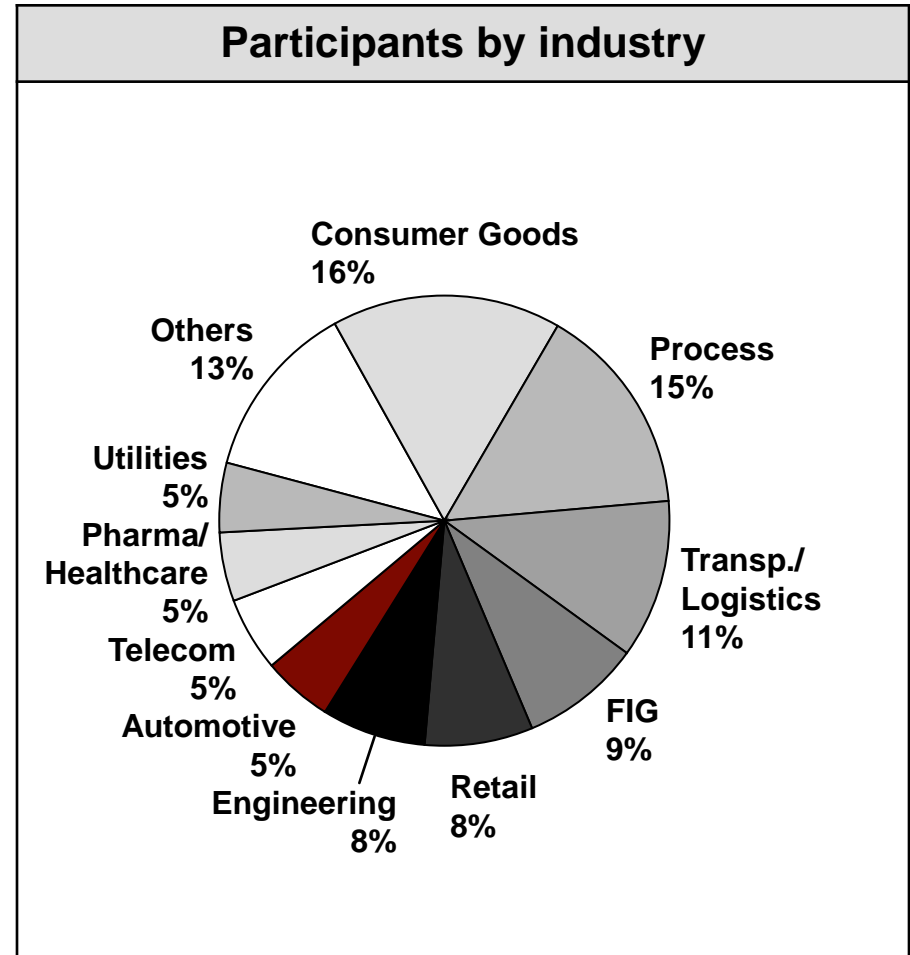
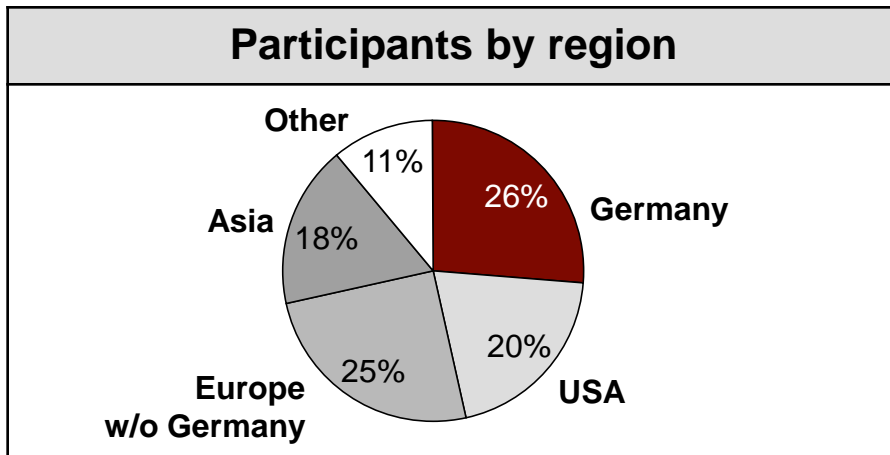
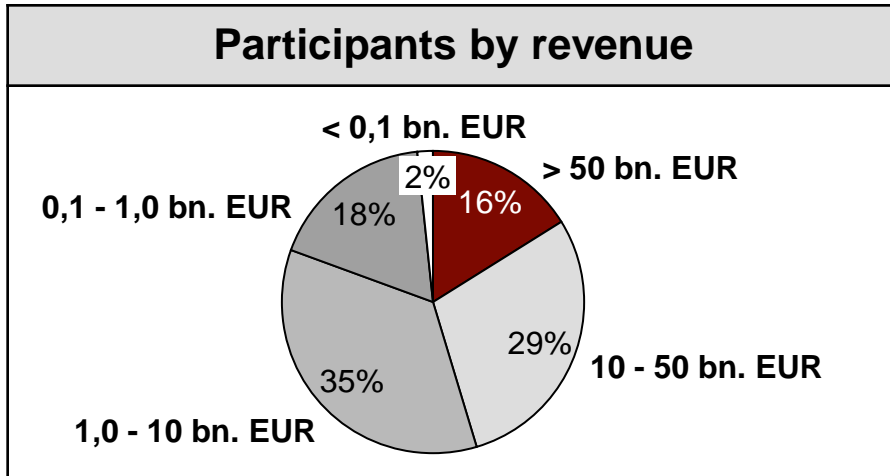
Our study is tailored around the A.T. Kearney’s 4-pillar complexity management philosophy.

Assignment of questions to the A.T. Kearney’s 4-pillar philosophy

	Question	4-pillar model
Relevance of complexity for the company	1. Relevance of complexity as a cost driver	Basic relevance of complexity for a company
	2. Relevance of complexity as a differentiator	
Strategy	3. Firmly embedding complexity management in the corporate strategy and corporate culture	Understand complexity’s strategic role for business success in the given business model/ competition
Transparency	4. Creation of transparency over complexity costs on product level and 5. customer level	Ensure transparency over complexity costs, structure and consumer switching
Value Chain	6. Leveraging of complexity controlling to cut costs along the value chain	Actively manage complexity trade-offs across the whole value chain
Sustainability	7. Provision of sufficient tools and systems to ensure continuous monitoring and controlling of complexity	Set up the right complexity control regime that ensures complexity controlling on an ongoing basis

Over 100 companies from more than ten industries participated in our study.

Overview of study participants



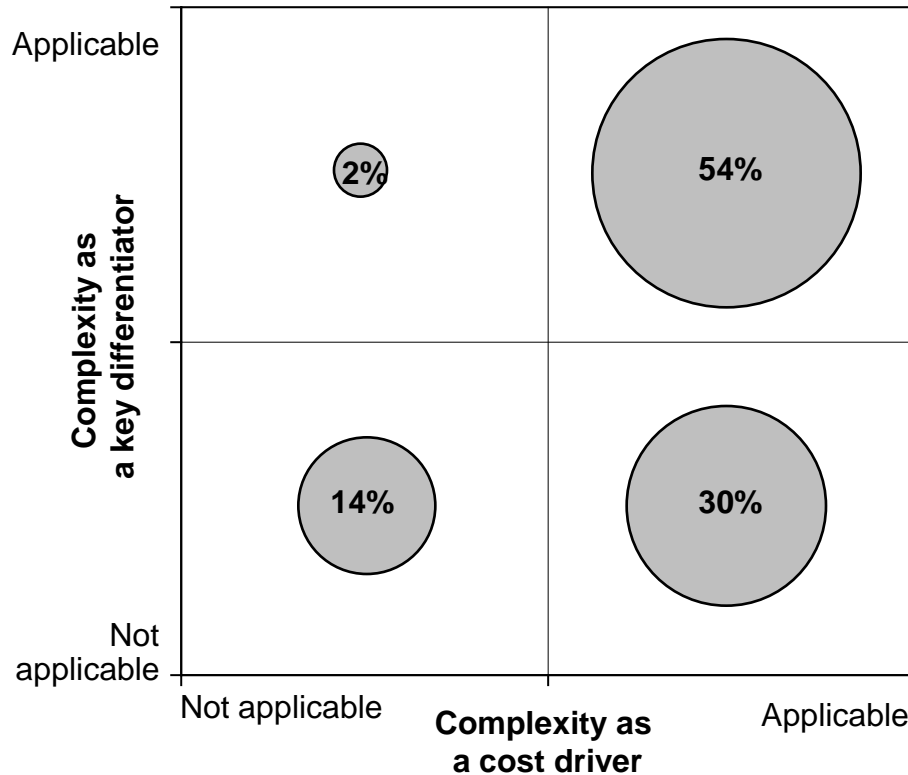
Most companies place tremendous importance on complexity, however, it is not managed efficiently enough.

Management summary

- Complexity is a key cost driver for 84% of the companies and a key differentiating factor in the competitive landscape for 56% of all companies that participated in our study.
- Albeit its tremendous importance, companies assess their own competence in complexity management as insufficient.
- Missing transparency over complexity costs constrains efficient complexity management.
- In a relative industry comparison, the automotive industry is the best-performing industry; the pharmaceuticals, telecommunications and consumer goods sectors are trailing behind.
- Even industries for which complexity is critical for success on the market are not positioned sufficiently enough with regard to its optimization – this especially holds true for the consumer goods industry, which creates substantial complexity due to marketing-driven activities, but which does not control complexity consistently.

Complexity is key cost driver for 84% of all participated companies and a key differentiator for 56%.

Relevance of complexity in competition



- Complexity is a key cost driver across all industries for 84% of the participating companies.
- For the majority (56%) of all companies, complexity is also a key differentiator in the competitive landscape.
- Complexity is both a cost driver as well as a differentiating factor for 54% of all companies.

1) The size of the bubbles corresponds to the number of the companies within the respective category.

Albeit its tremendous importance, companies assess their own competence in complexity mgmt. as insufficient.

Overall performance in complexity management

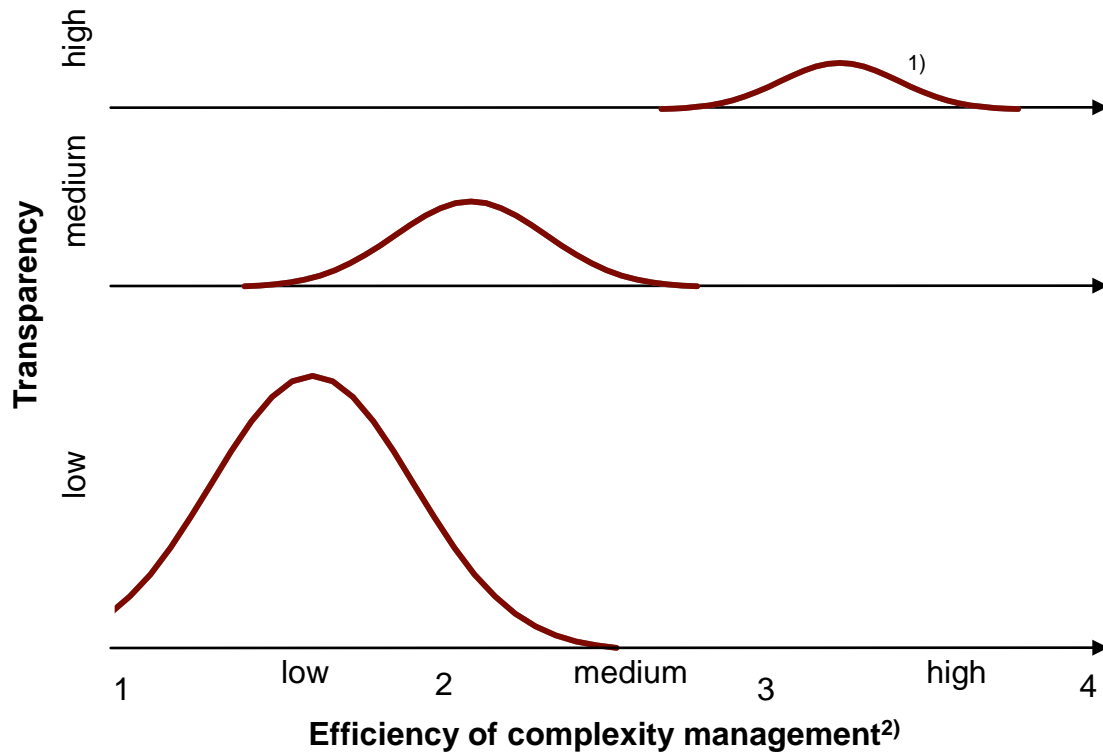
	Question	Answer	
		More inapplicable 1 2	More applicable 3 4
Relevance of complexity for the company	1. Relevance of complexity as a cost driver		●
	2. Relevance of complexity as a differentiator		●
Strategy	3. Firmly embedding complexity management in the corporate strategy and corporate culture	●	
Transparency	4. Creation of transparency over complexity costs on product level and 5. customer level	●	
Value Chain	6. Leveraging of complexity controlling to cut costs along the value chain	●	
Sustainability	7. Provision of sufficient tools and systems to ensure continuous monitoring and controlling of complexity	●	

● Total average

Missing transparency over complexity costs constrains efficient complexity management.

Complexity management efficiency vs. transparency

Schematical

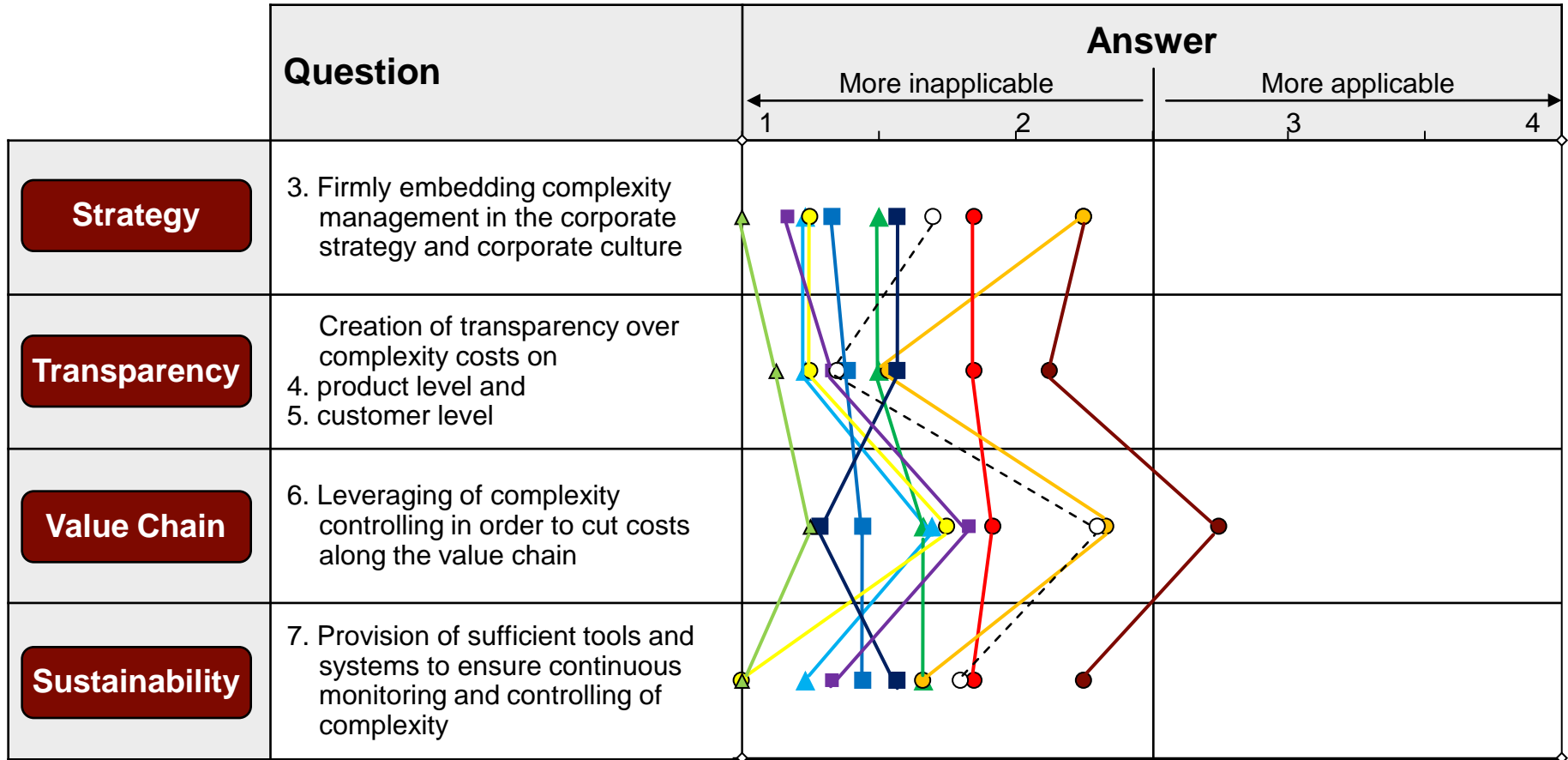


- Positive correlation between transparency and strategy, value chain and sustainability – the more transparency in place, the better the companies' overall performance.
- 75% of the companies have low transparency combined with low efficiency in complexity management.

1) The bell-shaped curves represent the frequency distribution and are partly extrapolated. The area size inside the curves represents the number of companies within the respective category.
 2) Complexity management's efficiency is calculated based on the average values of strategy, value chain and sustainability.

Automotive is the best-performing industry – pharma, telecommunications and consumer goods lag behind.

Implementation of complexity management – industry comparison



Even industries for which complexity is critical for success on the market are not positioned sufficiently.

Complexity management – industries for which complexity is highly relevant

