

Don't KISS - SMOOCH!

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The KISS principle - "Keep it simple, stupid" - is a very useful managerial rule-of-thumb, reminding us to avoid unnecessary complexity. But some managers promote a rule-of-thumb to a rule-of-life, and apply the rule, unthinkingly, to everything - often with damaging, if not disastrous, results. Have you ever met that manager who demands everything **now**, so that all 'solutions' have to be quick-fixes? Quick-fixes that 'work' for a short period, but create a much bigger mess later? Or the manager who 'solves' his local problem, only to cause a much bigger problem elsewhere in the organisation? Both of these managers will justify their actions by invoking the KISS principle, claiming that the subsequent disasters were attributable to 'unforeseen circumstances'.

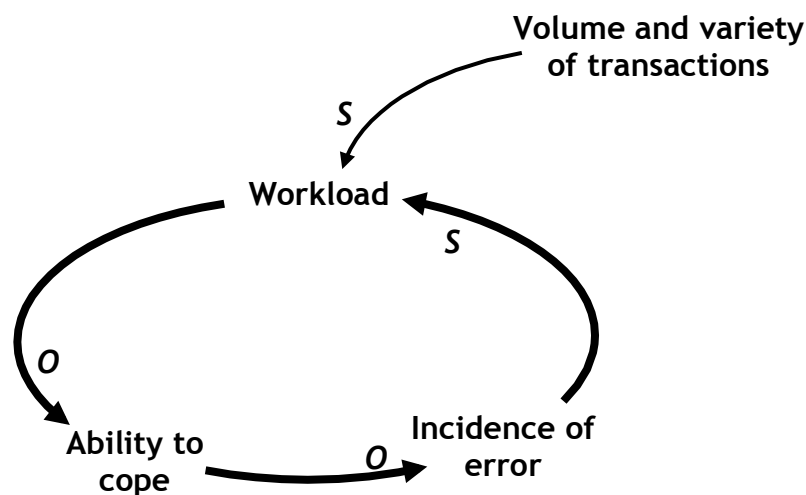
To me, there are no 'unforeseen circumstances'. But I've heard lots of excuses for being too lazy to think it all through. For the fact of the matter is that much of business and organisational life is inherently complex. And in a complex world, blindly attempting to keep things simple is indeed stupid: smart managers do not seek simplicity foolishly - rather, they seek to tame the complexity of the real world wisely. They think things through, and take decisions only in the context of understanding what the consequences are likely to be; they don't leap to quick-fixes which backfire; and they are never surprised by 'unforeseen circumstances' - even when the future unfolds in a way which they don't particularly like.

Some people can do this quite intuitively, and we are all awed by their wisdom. But if you don't happen to possess the wisdom of King Solomon, some well-crafted tools and techniques can really help. And there is a very powerful tool-kit available now for turbo-charging your personal wisdom, a toolkit known as 'systems thinking'.

Systems thinking helps you tame the complexity of the real world by encouraging all those involved with a problem or an issue to form a complete, in-the-round, holistic picture of how the various component parts of the overall 'system' of interest are linked together. Seeing the complete picture helps us escape from a narrow, parochial silo mentality, and the linking of *all* the relevant components enables us to anticipate *all* the possible consequences of action. There's been a lot of talk of 'joined-up thinking' recently - systems thinking is precisely that.

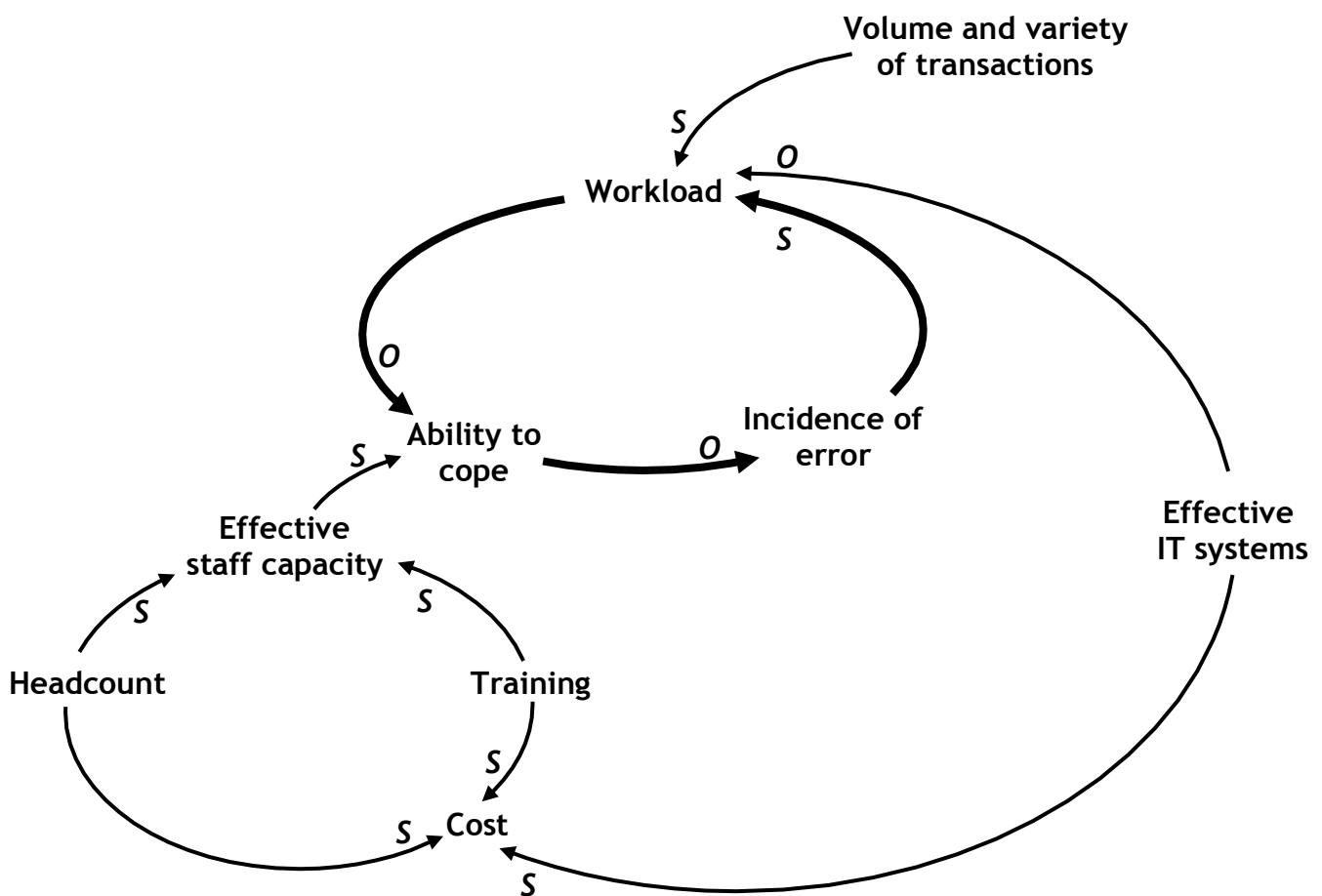
To make this real, let me give an example based on the back office of an investment bank. This, of course, is the archetypal macho environment, where only the very fittest survive. Under relentless pressure to process all those transactions, and to hold costs to the barest minimum, the life of the back office manager is indeed tough. And these tough cookies demand the utmost of the junior staff, who work long hours in the hope, one day, of getting those big bonuses. But however tough the people, sooner or later, there is a workload that stretches the department's ability to cope, at which point, the incidence of mistake and error increases sharply. This, of course, is a double whammy, for not only does the department have to cope with the daily volume of new transactions, but it has to cope additionally with fixing the errors, and all the re-work that this involves.

This is how systems thinking captures this very real situation:-



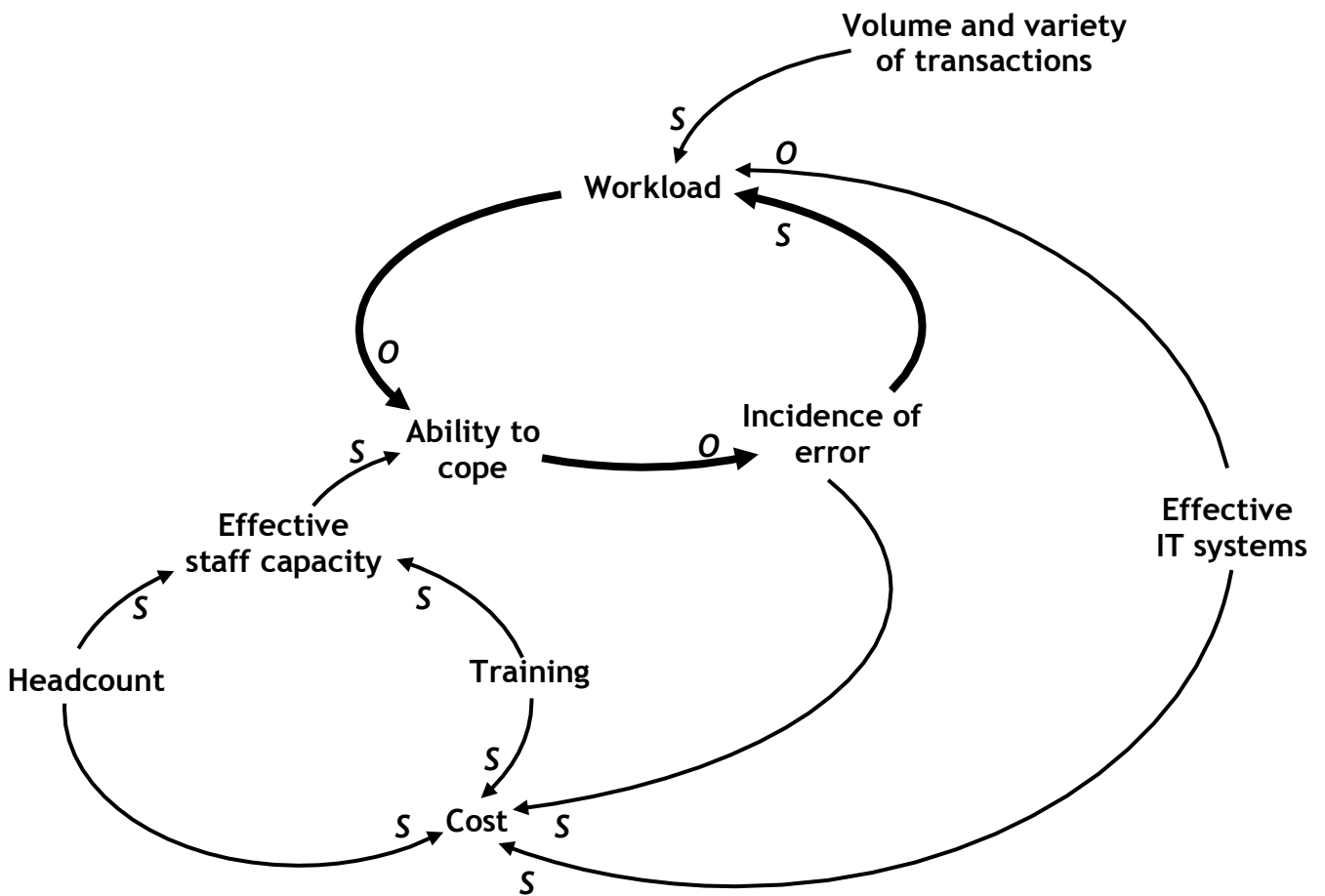
In this diagram, the *volume and variety of transactions* is shown as the driver of the departmental *workload*, and the symbol *S* indicates that these move in the same direction: as the *volume and variety of transactions* increases, so does the *workload*. The *workload* itself is the driver of the department's *ability to cope*, and as the *workload* increases, the department's *ability to cope* decreases. In this instance, the two connected items are moving in opposite directions, and this is represented by the *O*. As the department's *ability to cope* continues to decrease, the *incidence of error* steadily increases (another *O*), which in turn increases the *workload* even more (because the *workload* increases as the *incidence of error* increases, that's an *S*). Oh dear. What a nasty vicious circle. No wonder the job of a back office manager isn't easy.

How can this situation be alleviated? Primarily in two ways. Good systems decrease the *workload*, for good systems enable transactions to be processed faster, and with less manual intervention. Likewise, having the right level of good, trained staff enhances the department's *ability to cope*, for the headcount should reflect the volume of work that needs to be done, and good training means that the staff can actually do the work first-time-right. Well, that all makes sense, but let's remember that good systems, good staff and good training are not free goods - they all cost money. These new features are additional aspects of the situation, and can be incorporated into the diagram like this:-



This more complex diagram captures a more complete reality, and highlights the dilemma that all back offices face. The 'good things' of good systems, good people and good training all increase cost. And in times of cost reduction - and even in the more benign times of tight cost control - this means that the training budget gets cut first, then the people budget, and then the IT budget. But as this diagram shows, screwing down the costs of training, people and systems, sooner or later, must have an impact on that oh-so-important *ability to cope*. And when that happens, the *incidence of error* will increase.

What happens when the *incidence of error* increases? We have already seen that this increases the *workload*, making that vicious circle spin even faster. But is this the only effect? No. It isn't. As the *incidence of error* increases, something else increases too. The *cost*. Errors - especially in investment banks - cost real money. So there is something missing from our last diagram. A link - in fact a very important link - connecting *incidence of error* to *cost*:-



Now we have the complete, holistic picture. If cost reduction is pushed too far, in terms of keeping the headcount at or below the barest minimum, cutting back on training, and skimping on investment on IT, costs don't go down, they go *up*. That's what the *S* means on the link from *incidence of error* to *cost*. So unthoughtful cost cutting, as a quick-fix, can backfire badly.

More constructively, the diagram also shows that there is a trade-off - a trade-off between investing in people, training and systems, or throwing money down the drain by incurring too high an error rate. So that means that the organisation can start taking wise, not quick-fix, actions. It can measure the cost of error as incurred in the past, and decide whether or not some, if not all, of that money might have been invested more wisely. And, in the future, it can set targets for what cost of error is bearable, and invest in people, training and systems accordingly, monitoring the success of this policy as time evolves.

If you're thinking "well, that's all blindingly obvious - any fool can see that!", then this diagram has done its job. Wisdom - just like a good idea - is 'obvious' with hindsight. But life isn't so easy 'from the front' - if it was, none of us would ever regret decisions we had made in the past, none of us would ever plead 'unforeseen circumstances'. For it is a fact of organisational life that we see things through our silo-bound eyes, that we are driven by our parochial performance measures, that we are under huge pressures to act on those quick-fixes. No-one below the chief executive has the organisational remit to take a truly holistic view - and she is too busy to micromanage everything. But - as my example shows - everything is connected to everything else, and it is this connectedness that underpins complexity. Systems thinking helps tame that complexity, and can encourage you and your colleagues to take a corporate, holistic view. Yes, *Smart Managers Overcome Organisational Complexity Holistically*. They don't KISS, they SMOOCH.

To find out more about systems thinking, try my latest book *Seeing the Forest for the Trees - A manager's guide to applying systems thinking*, published in September 2002 by Nicholas Brealey Publishing, or contact me at dennis@silverbulletmachine.com.