

S. O. S.
Simply Optimum Systems
SIMPLE IS GENUINELY BETTER

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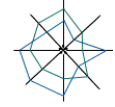
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Abstract:

ITOP is short for "Information (Info Edges) Technique for Optimum Performance." This short paper shows highlights of the comprehensive performance diagrams produced by the automated ITOP methodology. Little or no background, exposure or previous experience is assumed or required.

To our knowledge the successful work exposed here constitutes the largest and most comprehensive business research projects ever undertaken. The task involved locating the business practices, metrics and measures necessary and sufficient to genuinely optimize a business enterprise. The extent of the analysis included approximately two hundred thousand (200,000) corporations spread over one hundred countries. Particular emphasis was placed on "VALUE OF" metrics and measures for "tough" topics such as information systems, learning systems, knowledge systems, core competencies, intellectual capital, best practices, innovation, reengineering, competitive edges and winning strategies. Thus, the value generating capability and actual measure of value was added as a qualifier to each of each of the entities in the previous sentence. Teams of various size and composition were engaged. Co-author Jim Hartnett was a consistent member during the period 1986-1997 and continues the ITOP practices.





1. **Something Said About Simple**

If things were simple everybody could do it!

"KISS - Keep it simple, stupid" is a phrase that everyone knows but few actually practice. This paper explains why so few do it.

The old time philosophers seem to know the answer because they are so frequently quoted.



"Everything is simpler than you think and at the same time more complex than you imagine" said Goethe.

We think what this means among other things is not to let one's imagination and emotion run amuck.

Perhaps there is no advantage to keeping things simple but lets DO IT just for fun.

Two thousand years ago the "master" Sun Tzu expresses it this way.

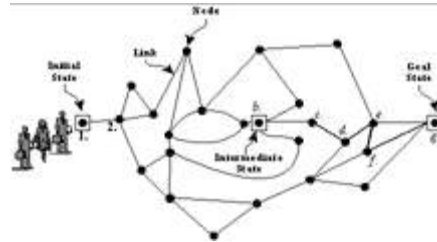


"Therefore I say, 'Know the enemy and know yourself; in a hundred battles you will never be in peril.'"

Sun Tzu - "The Art of War"

I think what he was talking about is the advantage of **knowing what choices the opponents** are going to make ahead of time.

The subject of **choice making** was examined in great depth by "operations reasearch(ers)." They all came up with the same answer as Sun Tzu. Richard Bellman was a spokesperson and expressed it with a path diagram and words.

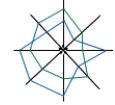


"An optimal goal policy has the property that whatever the initial state and the initial (past) choices are, the remaining (future) choices must constitute an optimal policy with respect to the state resulting from the first choices."

Not much new is added. Bellman says the same thing except that it adds "goal" and the notion that multiple steps along the journey may be required in the journey to the objective. In business this means that if one's objective (goal) is to deliver high worth products and services then the path is clear to do so. What is needed is the target and the current state.

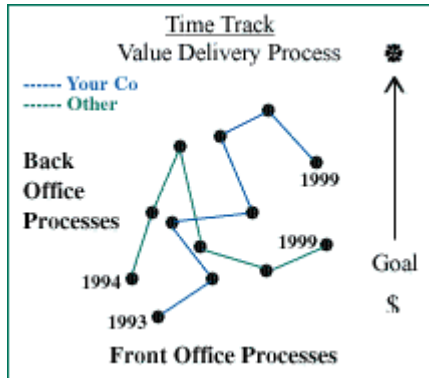
Choices create outcomes for good or bad. Best choices result in best results. If one is not happy with the outcomes it is wise to investigate to process of choice making. Directional actions count.





I.1 Everyone Knows ...

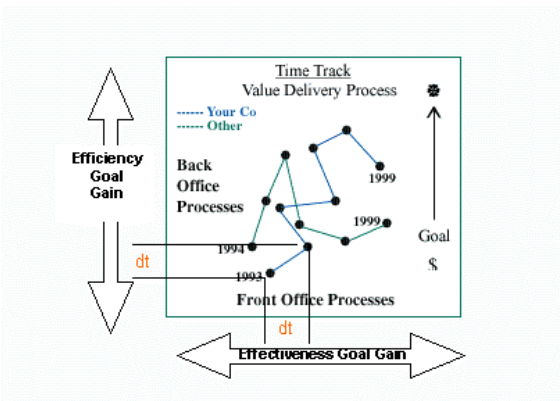
Everyone knows that every business has a front office and a back office.



The back office produces the goods (production) and the front office locates customers that need the offerings (whatever they are).

I.2 Efficiency, Effectiveness and Time

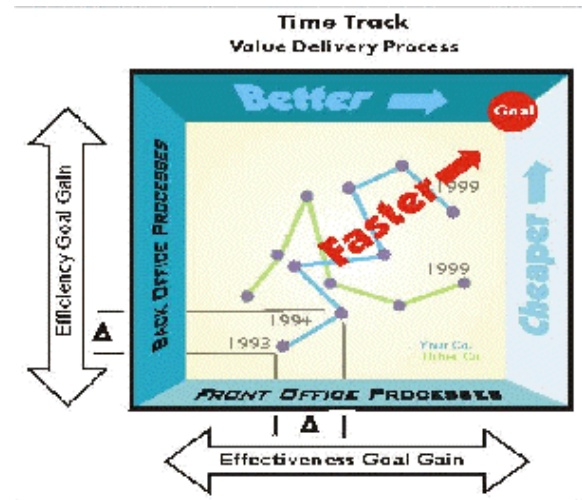
Time is money and if one wants to know where one stands at any point in time, then we should chart the time and the efficiency and the effectiveness. Industrial engineers and business masters know how to do that. When this is accomplished we can see where we have been, where we are and and how far we are away from the goal. More than that, we can see what stands



in our path - competitors!

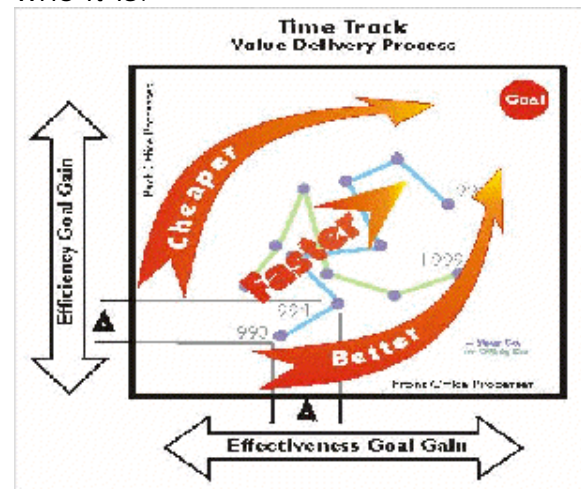
I.3 Easier is BETTER

This could be simpler. What we could

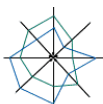


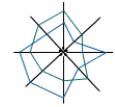
do is to call these BETTER-FASTER-CHEAPER diagrams. Then they would look like these.

All three critical business elements are shown. Anything that is goal important will show no matter what it is. If someone else actually and really has achieved the "Bellman" state of business optimization, we will know who it is.



Best will be evident among those who are contending for the same goal (OUR customers). Winning over our precious goal requires that we keep making the best choices along the

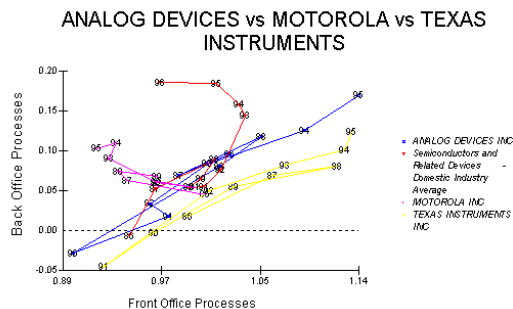




path. Notice in passing that two sets of words now exist for the topic. Timewise Efficient Effectiveness is the same as Faster Cheaper Better. There is no difference except the words.

I.4 That's Cool

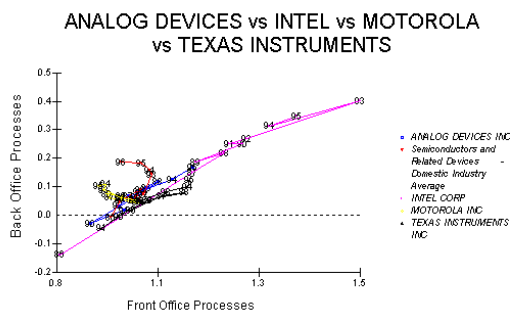
Who really has the best practices has the best odds for winning the race to the goal? Best practices are really competitive edges because they are something that accelerates our success. The competitors are very helpful because by analyzing them we can create the proper scorecard to see where we stand. The industry and each company's' position in it is value



delivery mapped. The status in the chip business looks like this (if we are one of these). Each can see what to do next for the largest goal gain.

It's simple.

The stronger steal the show and cause the others to shrink away.



In chips, Intel showed up. Notice how the others shrunk. This is power!

II How Do We Know - Where?

Everybody knows how to find where the "best" improvement can be had. The biggest goal gain will always be located in solving the largest gap between the current state and the respective goal. The largest gap will always be located in the area of the greatest uncertainty (lack of knowledge).

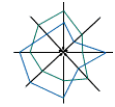
II.1 The SOS Approach

SOS stands for Stamp out Stupid. But in this politically correct world we live in such words are judged to be unkind. We will rename the topic to be "Goal Challenged." Oops! This is a negative view. Ugly exists so that beauty glows brighter. Cancel SOS! Instead, substitute "Who is responsible for success?" Let us identify the value creators. They are the more cherished anyway. We need to locate and nourish these people and groups.

II.2 Mapping the Best Performances

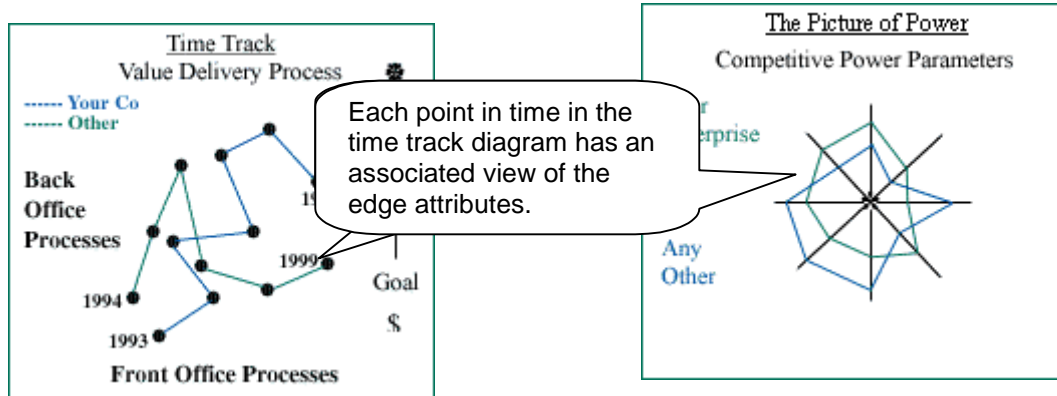
With a bit of ingenuity we can map the specific value creators in any business right down to the names and functions. The Internet allows us to see farther, faster and better than ever before in history. It makes one wonder how those old time gurus mentioned earlier ever figured it out. Though this can be done for everyone in the world, it is best that we not do so here. It would be too long. Here is a real example case. The vintage is 1995/1996.





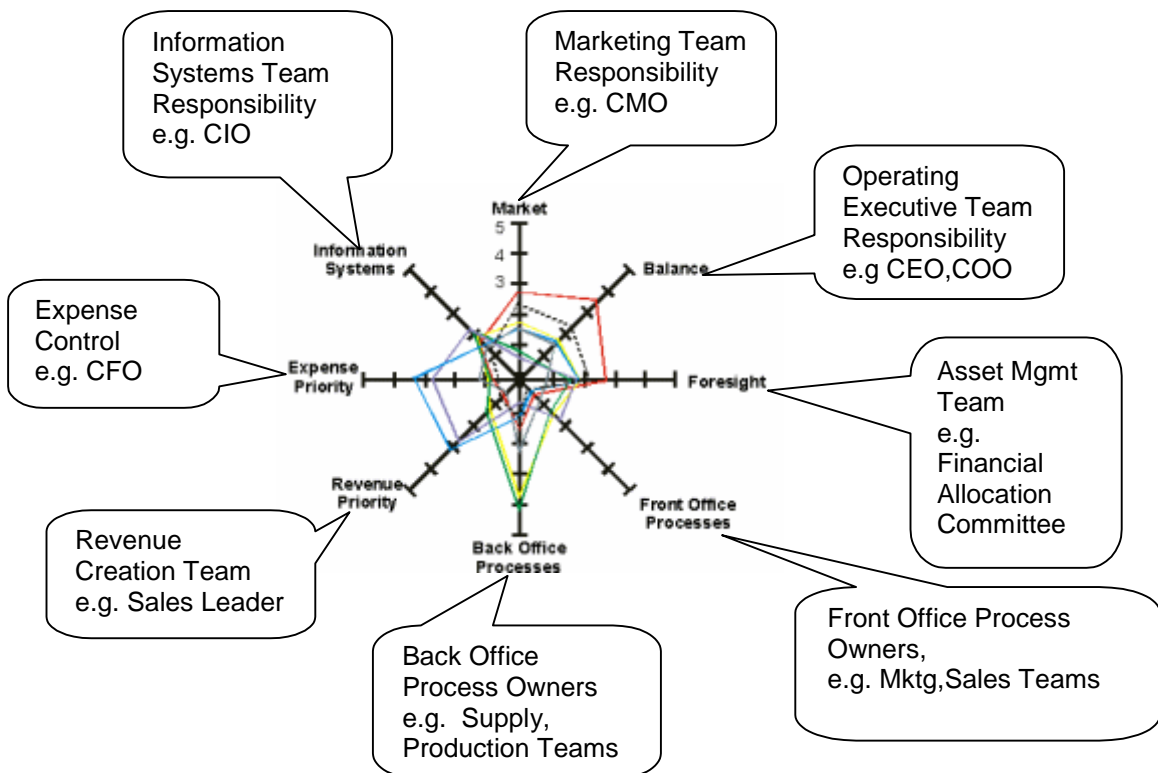
II.3 Finding Exactly WHO and WHERE Value is Created in the Corporation

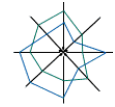
As shown in the diagrams below, a corporation carries along with it a set of edges (practices) that it uses to compete in its chosen marketplace. Recall that it is each corporation's choice to compete with their skills and competencies.



Explanation of Selected Rays in the Sun-ray Views

The choices of each company's practices and edges provide a map that relates to organizational functions and responsibilities as shown in the following real case example of measured, scaled, corporations in the petroleum refining industry.

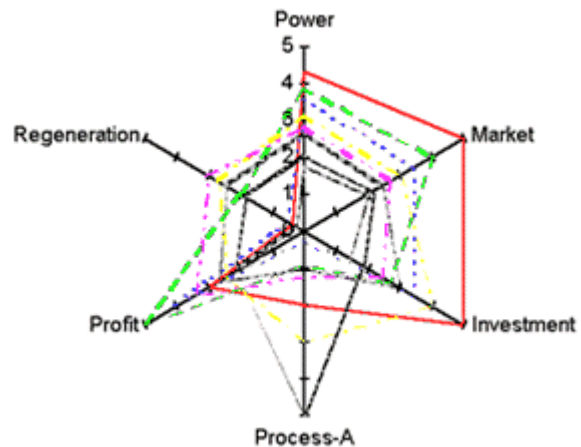




Continued-More responsibilities

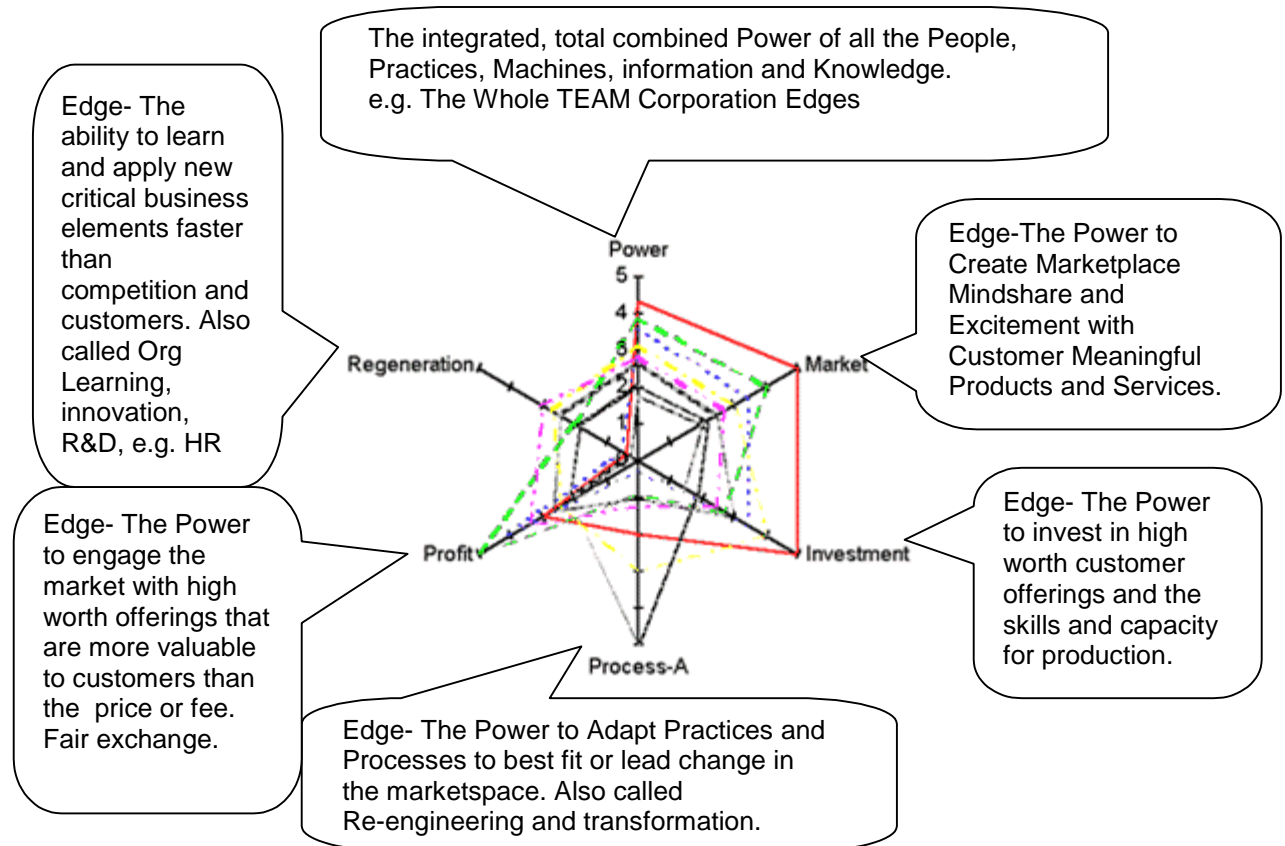
III.1 Value Accumulates Upward

The value of the respective corporations can be accumulated to higher or more refined (as shown earlier). This particular view is the most elevated view recommended because to collapse the view beyond this point will result in loss of completeness.



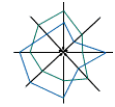
The interpretation for this viewpoint is described in the illustration below.

Several more teams are exposed including the "re-engineering" team, Human Resources (organizational learning) and so on.



Notice that these are value views. Some of the topics have been extremely difficult to measure in the past.

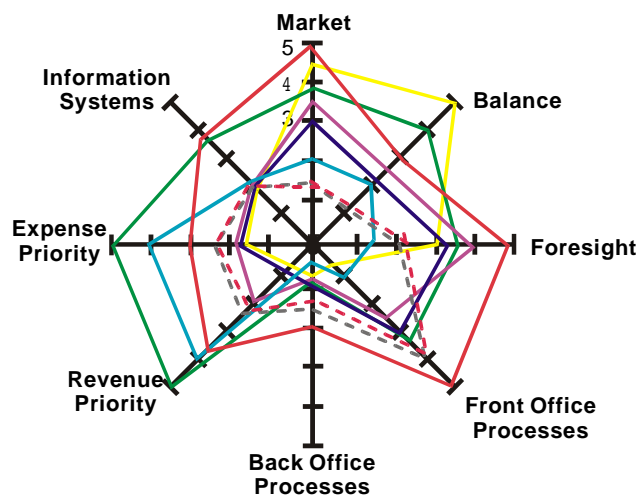




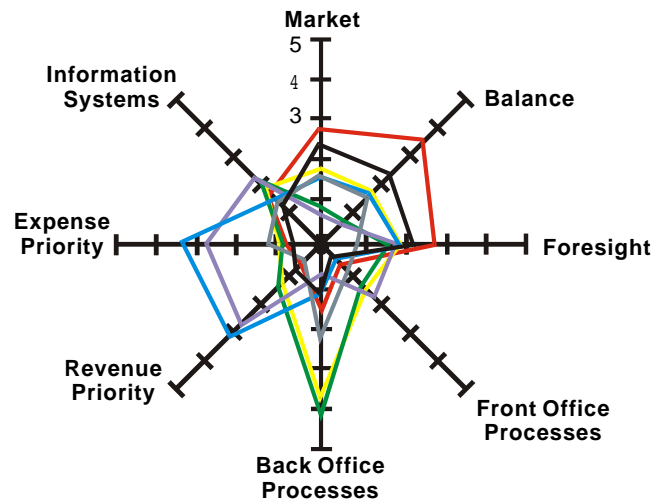
III.2 Head-to-Head Comparisons - the Common View

Strategist Dr. Gary Hamel exclaims, "Global competition pits leadership team against leadership team." Knowing the players down to the name makes it simple to see. Performance comparisons and value delivery comparisons become very meaningful when the full set of corporation edges are exposed. What one discovers is that each corporation is unique in the size and composition of best practices and competitive edges. Excellence in efficient operations is rewarded as is excellence in effectiveness. Time wise excellence (faster to market, innovation) is another large advantage. Few can achieve the combination of time-wise efficient effectiveness. When an if such a condition happens, watch out. This means the corporation has achieved the triple threat of **"Faster-AND-Better-AND-Cheaper!"** That is the optimum and whomever that company is, is likely to become dominant. Refer to the previous Intel chip diagram.

Note: The diagrams in this paper are purposely not current. These are 1995/1996 edge diagrams. For use as instruction and illustration only. Do not use for action or decisions regarding these corporations. Things have changed since these were effective.

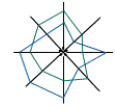


Lyondell Petrochemical
EI DuPont DeMours
Mapco Inc
Amoco Corp (Amoco)
Holly Corp
Shell Oil
Diamond Shamrock Inc
Tosco



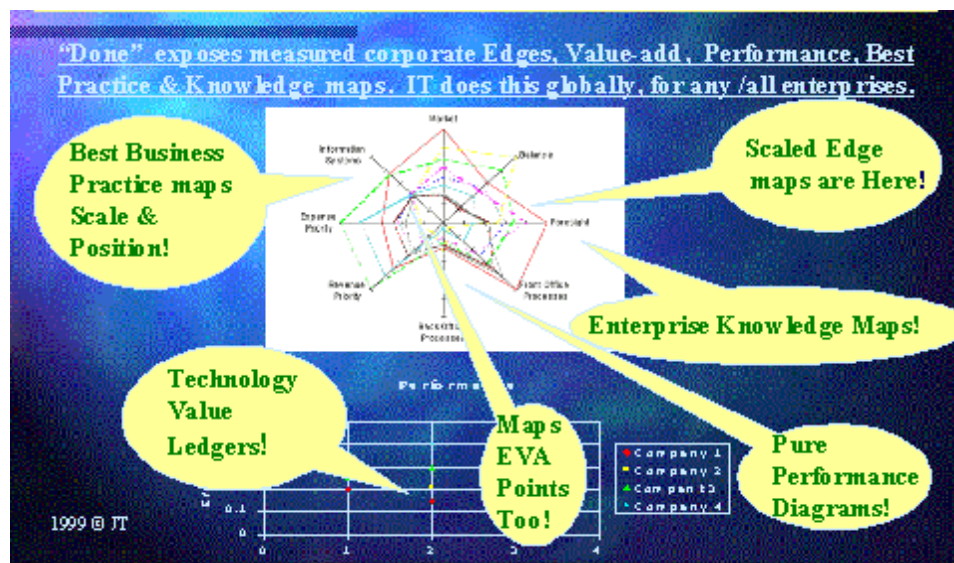
Chevron Corp
PDV America Inc
Coastal Corp
Valero Energy Corp (Valero)
Ashland Oil Inc
Amerada Hess Corp
Phillips Petroleum Co
Murphy Oil Corp





III.3 The Marketing Dream Come True

The hard task of marketing is simplified. If one switches the thinking to the view that these are prospects and customers, the gaps become **product and service gaps**. Because whole industries can be canvassed at once, the largest combined gaps can be located. Entry into new products and services within the same industry can be assessed ahead of time to fit into the largest need topic, function or group. Moreover, the gaps in completely different industries are illuminated.



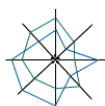
The analysis and the resulting diagrams are now available for any or all corporations of your choice. The diagnosis determines precisely where the highest value products and services are needed for each prospect. The product voids are assured. Competitors are not yet there else the voids will not exist. Product development investment can be maximized.

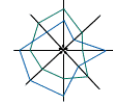
Perhaps one of the old timers again said it best.



"Now an army may be likened to water, for just as flowing water avoids the heights and hastens to the lowlands, so an army avoids strength and strikes weakness." Sun Tzu

The best, most valuable, highest return "NEXT" products and services will be those that serve the greatest next need for customers to satisfy THEIR goal. The ITOP methodology identifies the high need/ maximum value prospect and customer gaps and does so whether or not they can see them. In marketing terms this is called "picking the low hanging fruit!" It's simple. Focus your product and service strengths against the customer weaknesses and **help them win their battles in their market**. The best part of this story is the fact that all this is accomplished remotely with the internet and brought directly to the browser.





IV Summary

Notice that most of the really powerful things in life are really quite simple. Now, business life can be simpler too.

If commerce is made complex, it cannot be performed by those that need to do it every day!

Simple always defeats difficult!

Simple is Faster and Better and Less Expensive than the alternatives - really.

It won't pay to be late to this party. "Turn out the lights,, the party's over." Thrive and die each depends on choices. Choices dictate destinations - simple choices.



Visit these sites for more about ITOP.

<http://www.edges.net/>

<http://www.global-edges.com/>

<http://biz.onramp.net/valuinfo/>

<http://www.e-edges.com/>

p.s. Who exactly is it that has made business complex and difficult? Here is a clue. Beware of those that cannot actually measure what they are proposing and talking about. They do not know of what they speak.

