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# INVESTIGATING RELATION BETWEEN COMPLEXITY AND PERFORMANCE: A CASE STUDY IN OPERATIONS

## (EXTENDED ABSTRACT)

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### INTRODUCTION

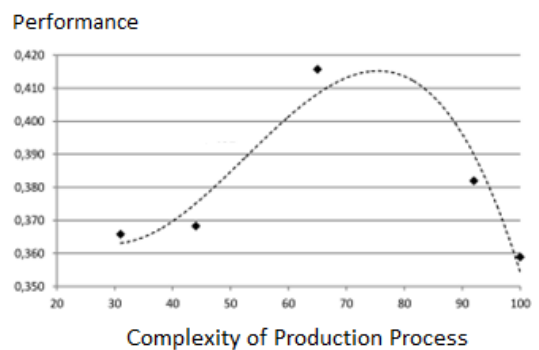
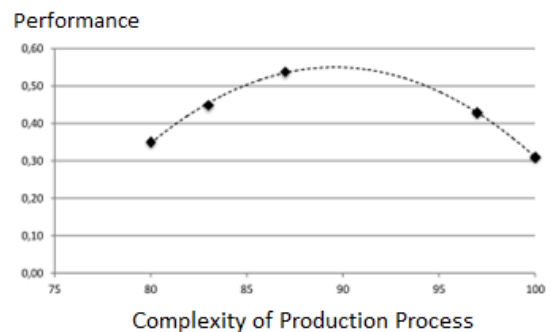
The dynamic competitive environment forces companies to operate beyond their capacity, aiming at conflictive objectives – increasing product differentiation and reaching economies of scale – that require continuous investments, in a spiral of management costs and complexity growth. Thus emerges the need to identify an organisational structure of production process that is consistent with the assessed level of external complexity and flexible enough to reach adequate level of performance.

The understanding of how complexity affects manufacturing performance still lacks of a well-grounded literature support; some authors found an inverted U-shaped relation between total internal complexity and firm performance at strategic-organisational level (Anderson *et al.*, 2006; Collinson, 2011; Collinson and Jay, 2012; Davis *et al.*, 2009; Eisenhardt and Sull, 2001).

Grounding on manufacturing complexity management literature, this paper investigates the shape of the complexity curve in operations, and in particular the production configuration that maximise performance in relation to complexity. The company analysed in the case study is Alf Group Spa, an Italian leader of the furniture industry. From a strategic point of view, the company faced initially the growth of environmental complexity by increasing the variety with different product options, production logics and markets. Aiming to recover internal efficiency, Alf then started a process of internal simplification by reducing the variety (standardisation) and introducing modularity in production flows.

In this paper each production configuration is described by a measure of complexity, defined by coordination between production routings, and a measure of performance, that reflects the fitness of the analysed configuration in relation with general company strategies. The

graphs below, that represent the figures obtained for two different production processes,



demonstrate that also at operations level performance increase as complexity increases till a maximum level, and after that start to decrease, drawing an inverted U-shaped curve.

Figure – Complexity-performance measured relation

### CONCLUSIONS

The analysed case study tested the existence of the complexity curve in operations, as representative relation between internal manufacturing complexity and performance. In front of growing external complexity, these findings are a practical evidence for companies to identify the configuration of production process that maximises performance. It was found that the best organisational configuration is located at an intermediate level of

complexity, between minimum and maximum level of coordination of production routings.

REFERENCES ARE AVAILABLE UPON REQUEST