Managing for Profit:
Five Building Blocks of Success

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• The Profit Opportunity
• The Five Building Blocks of Success
• Organize for Success
• Lead Paradigmatic Change
• Develop a Great Middle Management Team
• Create Major Change in a Customer or Supplier
• Become a Great Leader
• Effective Profit Leadership
In almost every company – even leading ones:

- 30-40% of the business is unprofitable by any measure
- 20-30% is so profitable it provides all the reported earnings and subsidizes the losses
- No one is responsible for managing profitability
- Even if everyone makes budget, the company will still have huge embedded unprofitability

Virtually all top managers agree – but they don’t know how to fix it
Accelerating Profit Growth

- Not particularly difficult
- Very different from day-to-day management and improvement
- Generate cash from the start
- Results come surprisingly quickly
- Systematic pathway to success
Islands of Profit in a Sea of Red Ink

Profitability

high

low

loss

Accounts - Products - Orders
Islands of Profit in a Sea of Red Ink

Same picture in leading companies in over a dozen industries, including:

- Laboratory supplies
- Steel
- Transportation
- Food and beverage
- High tech
- Financial services
- Healthcare
- Telecom
- Retail
The Five Building Blocks of Success

Effective Profit Leadership

Organize for Success

Lead Paradigmatic Change

Develop a Great Middle Management Team

Create Change in a Major Customer or Supplier

Become a Great Leader

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Organize for Success

Are You a Brewery…

… or a Plastics Company?
Why Invest in Yesterday?

- The Big Question
- Two Big Problems
  - Lack of granular profitability information
  - Lack of granular coordination
- Investing in Tomorrow
Types of Change

- A Garden
- A Mountain
- A Sand Castle
- A Plate of Spaghetti
Lead Paradigmatic Change

Managing Paradigmatic Change

• Change Before Crisis

• Change Leadership and Scientific Revolutions

• Key Success Factors
  ➢ Comprehensive case for upcoming disaster
  ➢ Concrete specification of the new paradigm
  ➢ Timing is everything

• Organizational Culture
Lead Paradigmatic Change

Overcoming Silo Indifference

- Turbocharging Customer Service
- Why Not Me?
- The Apple Problem
- How Google Got it Right
- Effective Showcases
  - Just do it
  - Do it all the time
  - Keep doing it
  - Select the most favorable conditions for innovation
  - Involve your counterparts early

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Develop a Great Middle Management Team

Managing at the Right Level

- Managing One Level Too Low
- Managing Effectively
- The Profit Gridlock Problem
- Management-process Quality
- Director: Essential for Profitability Management
- Managing Management Effectiveness
Develop a Great Middle Management Team

Chief Profitability Officer

• A Preposterous Assertion

• Three Essential Steps
  ➢ Profit mapping
  ➢ Priorities and service models
  ➢ Effective compensation

• Turbocharged Middle Management
Create Major Change in a Customer

- Selling Products versus Selling Change
- Developing Non-Zero-Sum Relationships
- The Manager’s Story
- Five Steps to Customer Paradigmatic Change
  - Early relationship building
  - Channel mapping
  - Showcase project
  - Customer roadmap
  - Patience and diversification

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Manage Your Suppliers as a Resource

- Problematic Assumptions
- From Adversary to Partner: Just Say Yes
- Key Success Factors
  - Partner selection
  - Relationship building
  - Contracting
- Hidden Resource
Become a Great Leader

• Great Leadership

• Ambidextrous Leadership

• Effective Change Leadership
  ➢ Capacity for passion
  ➢ Perspective
  ➢ Creativity
  ➢ Organization skills
  ➢ Teamwork
  ➢ Persistence
  ➢ Open mindedness
  ➢ Integrity

• Can Leaders be Developed?
Effective Profit Leadership

Key to…

...Distinctive Competitive Advantage...

...Accelerated Organizational Excellence...

...Sustained Profit Growth