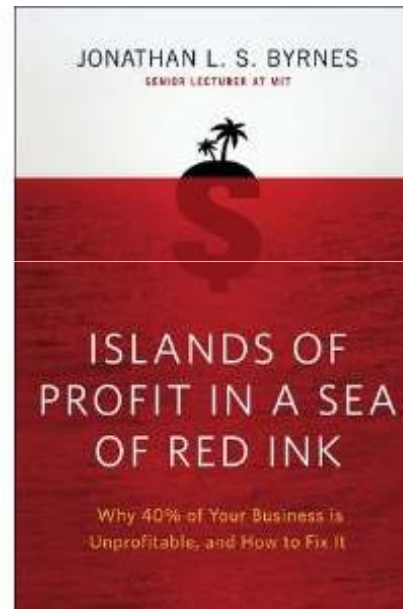


# Managing for Profit: Five Building Blocks of Success



Jonathan L.S. Byrnes  
jlbyrnes@mit.edu  
[www.islandsofprofit.com](http://www.islandsofprofit.com)

Copyright © 2012 Jonathan L.S. Byrnes



## Today's Menu

- 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



# The Profit Opportunity

---

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

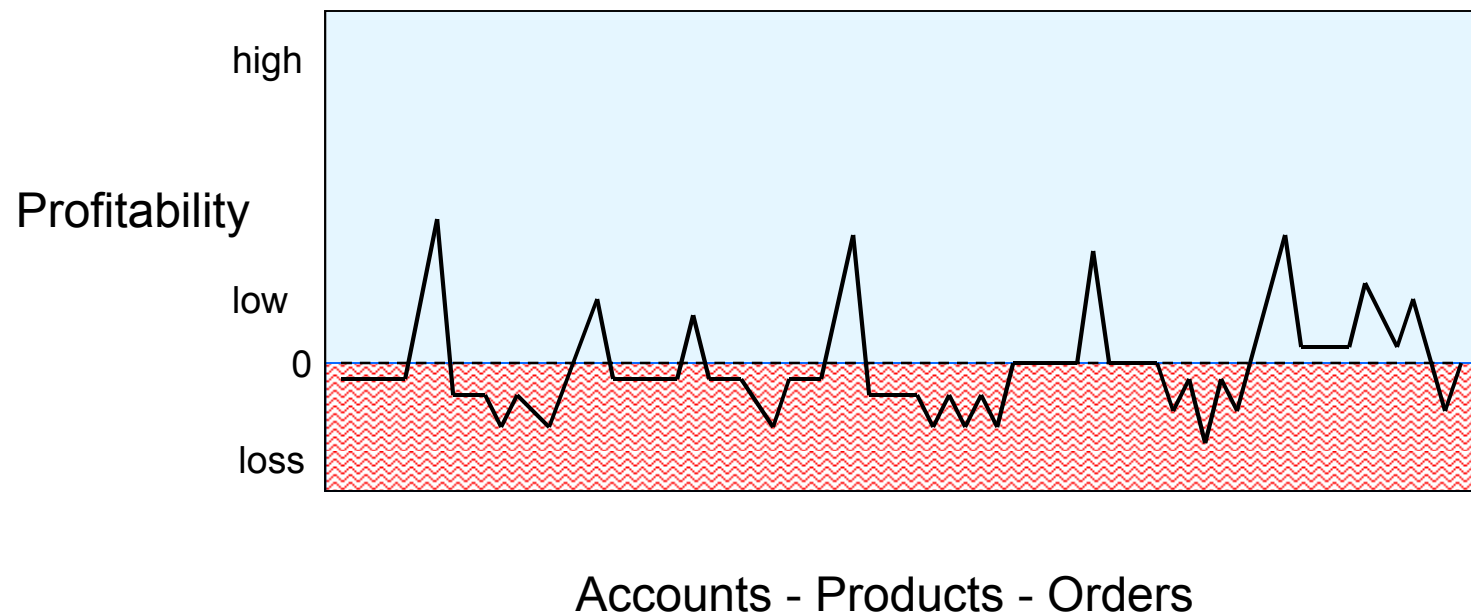
---

- 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

---

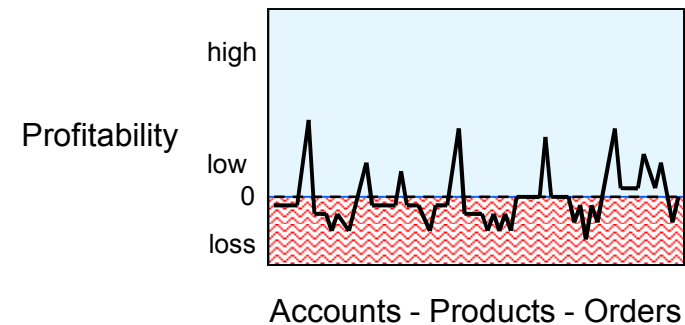


# Islands of Profit in a Sea of Red Ink

---

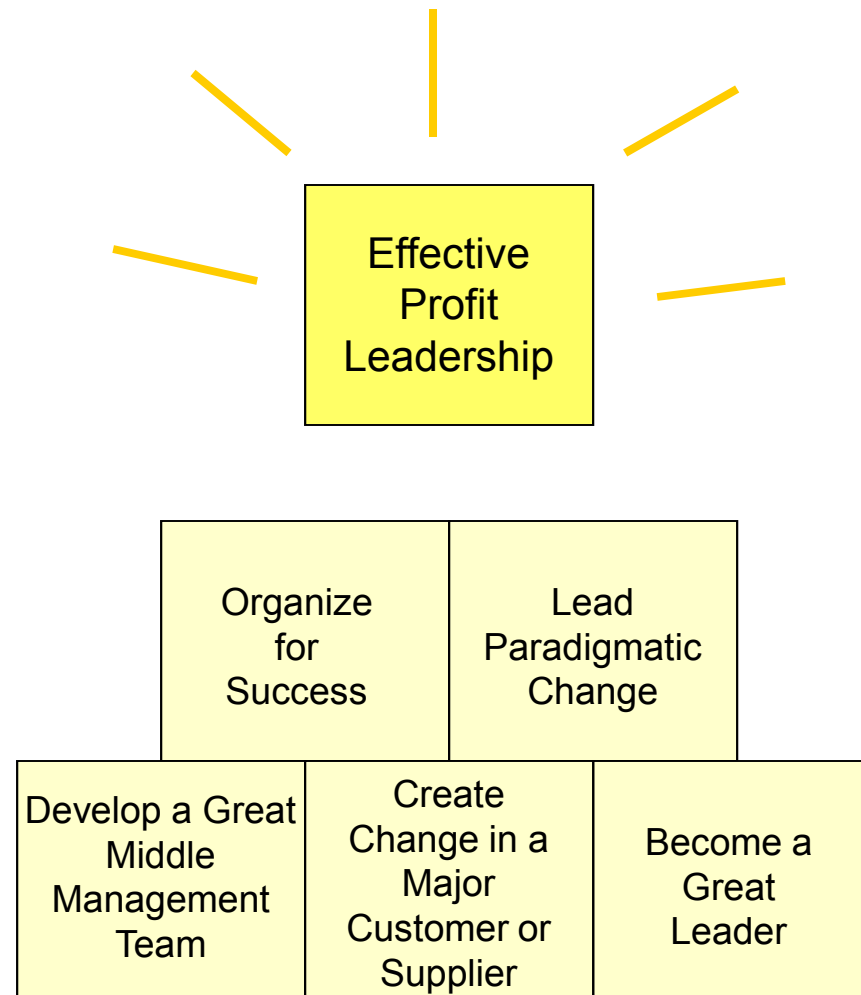
Same picture in leading companies in over a dozen industries, including:

- Laboratory supplies
- Steel
- Transportation
- Food and beverage
- High tech
- Financial services
- Healthcare
- Telecom
- Retail



# The Five Building Blocks of Success

---

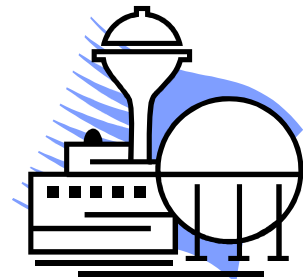


# Organize for Success

---

Are You a Brewery...

... or a Plastics Company?





# Organize for Success

---

## Why Invest in Yesterday?

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



# Lead Paradigmatic Change

---

## 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



# 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



# 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***

