

3: Profit and the unavoidable BIG DECISIONS - how to avoid unintended consequences and increase profits?

We will claim, that any organization is always faced with certain unavoidable decisions that it has to make to create a business and keep it running.

In the following pages of the book you can read the proof behind that claim.

In other words, changing one decision has consequences on all other decisions and how they contribute to profits.

The unavoidable decisions, and how they are made, define at any point in time the operational state of the organization. Therefore they also define where, how and why the organization makes profits or losses (or satisfy other success criteria).

When the state of these decisions change, and a new decision has been made, the operational state of the organization changes, and with it the optimizing relation between the decisions. In other words, changing one decision has consequences on all other decisions and how they contribute to profits. The big question is how can the negative effects of these consequences on profit be predicted and hopefully controlled?

An example: If you decide selling product X, you also have to decide on a price, how to produce, how to advertise etc...The same goes for deciding who you will sell X to, or how you will protect your patent rights to X. If these and other decisions are NOT MADE, there is no business! If these decisions are not made coordinated to optimize profits, the result might end in losses.

Ideally all these necessary decisions have to be made instantly, in the same moment of time, to be coordinated to optimize profits. A startup organization often has time to make these decisions harmonized and not in conflict with each other.



A simple example: If product X costs 200 dollars to produce, probably a startup can avoid selling it for 150 dollars. But as companies grow older, they can easily find themselves selling products for less than what they cost to produce, have excess production capacity, buy too expensive raw materials, be unable to live up to regulations etc.....anyone in a large old company knows that thousands of decisions are not optimized.

In fact often most management effort and time is spend on changing decisions to harmonize and optimize consequences of new decisions. These consequences creates cascading effects of complexity and more pressure on new decisions.

"In Search of PROFIT" offers people in organizations an optimal mindset for optimizing decision making and profit in the organization. In the coming world of BIG DATA, data is not enough. They have to be used with high intelligence to create competitive and profitable sets of decisions.

The Profit Chain™ shows how this can be done. First thing is to understand the mindset, accept that the decisions are unavoidable and always there, and then learn to use this fact as the foundation for how decisions and decision processes are planned and executed in the organization in the future.

This page is from the book "In Search of PROFIT - from value chain to profit chain".

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