

16: Description and definition of each decision and decision process in The Profit Chain™

1. Decisions concerning “business constraints”

The concept of “business constraints” is defined as **“the unchangeable constraints the manager is facing - both from the outside and the inside of the company and the constraints the manager chooses as the unchangeable basis for the next planning period”**.

To define these constraints, the manager has to make decisions concerning “premises”, “ambitions” and “success requirements”.

The decision concerning “premises”

The concept of “premises” refers to the fact that constraints are often present ex ante, that is, before we act. To be precise, everything that has happened until the date when we start the new plan (i.e. the beginning of the next planning period) belongs to the premises.

The concept of “premises” is defined as **“things that we cannot or do not want to do anything about with the decisions we are now planning”**.

Everything which has happened in the past will have influence on the decisions we are going to make. We cannot change the past! Examples are the customers we had in earlier planning periods (measured by our “market share”), existing products we are certain we will try to sell in the next period, the target groups that we are sure we will try to sell to, the parts of our production processes that we will never change in the next period, the employees we would never think of laying off, the organizational structure we would not dream of changing.

As you can infer from this, successful, old or rich companies (maybe they are all three!) will probably have a set of premises that allow very little room for change, and so these premises will take up a lot of space both mentally and physically in the planning process.

As a consequence, the manager will have very little room for any change or, in The Profit Chain™ language, “little freedom for potential action”.

On the other hand, in a new company the manager could have a very high degree of freedom to decide and act, since the new company has no history to protect or defend.

Another important part of the premises is all the existing or expected laws and regulations that the company has to abide by. Another part is all the assumptions the manager makes about the coming planning period.

The essence in understanding what is meant by “premises” is that **“premises” are something the manager decides cannot or will not be changed in the planning period by his decisions**.

Another word for “premise” could have been “business foundation”, since they represent the foundations on which the manager builds the business.

The decision concerning our “achievements”

The concept of “achievements” is defined as **“what the managers will use their energy and resources on”**.

By expressing achievements as specifically as we define them here, managers reveal their motivations, their feelings and identify what will make them take personal responsibility.

As a consequence of this definition, “achievements” are what make the manager capable of distinguishing between causes and effects and results.

1: BUSINESS CONSTRAINTS

Premises

Achievement

Success requirements

The definition of premises are **“things that we cannot or do not want to do anything about with the decisions we are now planning”**.

Achievements are defined as **“what the managers will use their energy and resources on”**.

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“In Search of PROFIT
- from value chain
to profit chain”.

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