

Leadership **■** Vision

## Viable Vision

*Net your current sales.*



by **Eliyahu M. Goldratt**

WHEN I ANALYZE A company, I am somewhat satisfied only when I clearly see how it is possible to bring the company to have, within four years, annual net profit equal to its current total sales. That's what I mean by a "viable vision."

I'm careful when sharing this expectation with the top management; I expose the reasons why I believe this vision is viable. I share my diagnosis of what is blocking performance. Using logic, I deduce the steps that will remove that block. Then I detail the steps to take to capitalize on that breakthrough. In this way, the reaction of top managers is: "This is common sense. Why aren't we doing it?"

Any complex system is based on inherent simplicity. Capitalizing on the inherent simplicity enables incredible improvements within a short time.

The more data needed to fully describe a system, the more complex it is.

How complex is the system you manage? How many pages are needed to describe every process and the relationships with each client? Most companies, even small ones, are complex and thus difficult to manage.

We manage a complex system by dissecting it into subsystems that are less complex. However, this can lead to miss-synchronization, harmful local optima, and the silo mentality. Since our systems are complex, we might think that all we can do is to improve synchronization and foster collaboration between the subsystems. If this is the only option we consider, we'll believe that achieving a major jump in profit within a short time is a rarity. We'll think that creating net profit equal to current total sales in less than four years is unrealistic.

To see the potential of a company, we need to realize that the thing that makes our system difficult to manage

is that what is done in one place has ramifications in other places; the cause-and-effect relationships turn our system into a maze. But that fact also provides the key to the solution.

Examine a system and ask, what is the minimum number of points we must impact to impact the whole system? If the answer is "10 points," this is a difficult system to manage because it has too many degrees of freedom. But, if the answer is "one point," this system is easy to manage.

Now, the more interdependencies between the components of the system, the fewer degrees of freedom the system has. Considering the complexity of your system, only a few elements govern the entire system. The more complex the system, the more profound is its inherent simplicity.

To capitalize on the inherent simplicity, we must identify those few elements that govern the system. And, if we



clarify the cause-and-effect relationships among all elements of the system, we can manage the system to achieve higher performance.

The few elements dictating the performance of the system are the constraints or leverage points—the Theory of Constraints (TOC).

About 20 years ago I demonstrated the TOC approach on production systems in my book *The Goal*, and then on project-based systems in *Critical Chain*. The marketing and strategy of companies is in *It's Not Luck*. If you read these books, you'll agree that the conclusions are common sense, even though they fly in the face of common practice. Moreover, if you put it into practice, you experience impressive improvements in a short time.

Is a viable vision possible for your company? Is it feasible to have, within four years, yearly net profit equal to its current yearly sales? The obstacles are daunting. For example, such profitability is impossible without a huge increase in sales, and this is doable only if you have a remarkable new offer accepted by your markets. Can such an offer exist? Can you deliver on such an offer? What investments will be needed? And, is your team capable of implementing such a change?

Yes, if you follow my proposal. LE

Eliyahu M. Goldratt is an educator, scientist, philosopher, business leader, and author of *The Goal*. [www.goldratt.com](http://www.goldratt.com).

**ACTION:** Create a viable vision.

303.909.334

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