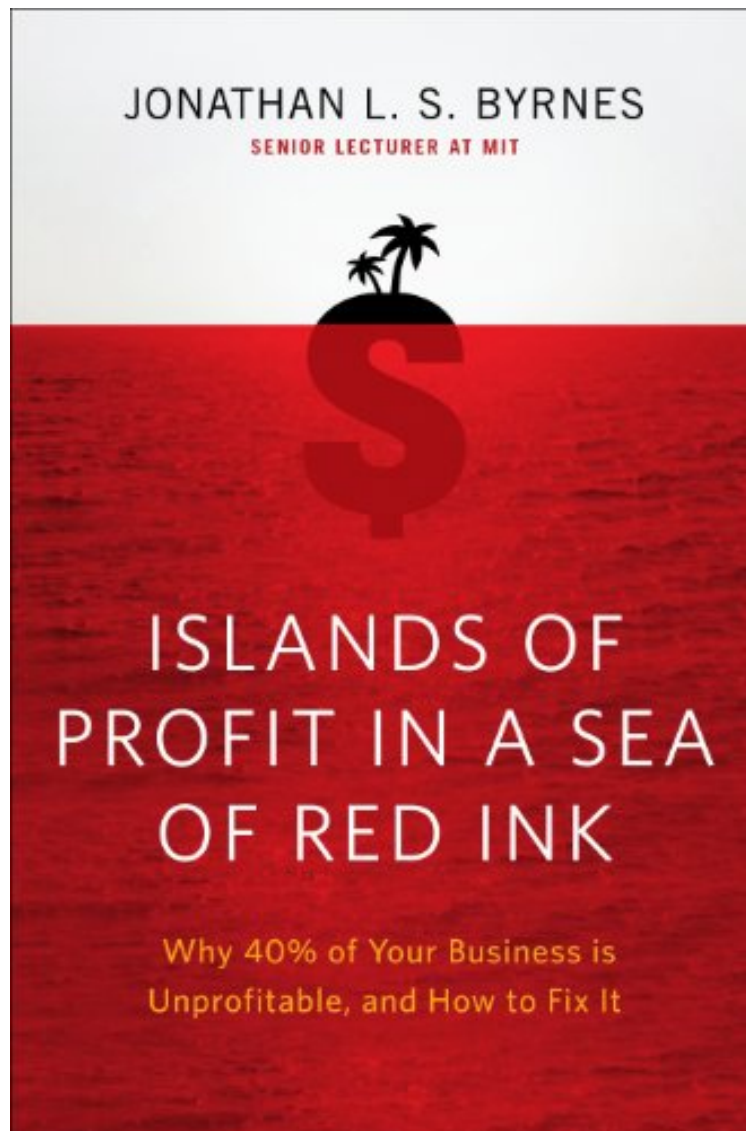


[PDF] Islands of Profit in a Sea of Red Ink: Why 40 Percent of Your Business Is Unprofitable and How to Fix It

Islands of Profit in a Sea of Red Ink: Why 40 Percent of Your Business Is Unprofitable and How to Fix It

Jonathan L. S. Byrnes

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Jonathan L. S. Byrnes : Islands of Profit in a Sea of Red Ink: Why 40 Percent of Your Business Is Unprofitable and How to Fix It before purchasing it in order to gauge whether or not it would be worth my time, and all praised Islands of Profit in a Sea of Red Ink: Why 40 Percent of Your Business Is Unprofitable and How to Fix It:

1 of 1 people found the following review helpful. Addition to the 80/20 Principle By K. Newcomer I started the book and had a hard time getting into it. I am not a top executive so I also not the target audience of the book. This book is

developed from Executive training courses at MIT and mostly aimed at the CIO, CEO, CFO, President, and others in the executive suite. With that being said I enjoyed some discussions on the customer service side and supply side of the business. I do have a hard time thinking this book is "revolutionary" or "opened someone's eyes" at the executive level who found this information to be new. The 80/20 rule applies to profit as well as revenue when you talk about customers and what they bring to your business. From a front line manager and individual contributor level the example of a profit map was most helpful. This helps to determine profit levers or the operating profit of an order. This part of the book is the sweet spot and where most will recognize the value of the book. This process of profit mapping can be applied to any size company really in any industry (examples in the book are from a wide range of industries). The Service Differentiation Matrix is a good resource as well. This involves four customer types broken out into strategic accounts, integrated accounts, emerging accounts, and stable accounts. This helps to categorize customers and understand what type of customization, innovation, and alignment to create. Nice way to organize customers and get your mind around how to improve customer service while also improving profitability. Overall a good read for business owners and the executive suite of any size company. Improving REAL profit is the key to any company along with managing customers and providing "out of the box" customer service. I would have loved an appendix with some more examples and maybe a few templates, but would have been a bonus and not required.

1 of 1 people found the following review helpful. Wonderful book. Eric Peabody - President
By Eric Peabody I have ordered over 3 dozen copies of this book since I first saw Jonathan Byrnes speak at an NAW convention. I have given them to my entire management team and also to a number of key customers and suppliers in an effort to get us all on the same level of understanding and to provide some common language for the issues affecting performance in wholesale distribution. I have been leading teams and teaching disciplines and process for over 20 years, one issue at a time as they came up, but Byrnes has written a comprehensive tome with a distinct opinion that is right on target. Wonderful book. Eric Peabody - President, EBP Supply Solutions

7 of 8 people found the following review helpful. Best Advice For Improving Profits, Cash Flow and Strategic Focus
By D. B. Merrifield This book gets 5-stars from me, because it breaks new intellectual, business ground AND provides an implementation framework that will get readers fast, big profit improvement results. The fundamental premise of the book is that: nearly 40% of the average company's sales activity is unprofitable, and 20-30% is so profitable that it provides all the earnings after offsetting the losses. This premise is not new. As a consultant to independent distribution channel firms, I've been preaching on how to address this opportunity for 32 years with frankly little impact on audiences of distributors and manufacturing distribution-channel managers. ([...]) While many managers know or suspect - more or less- that significant cross-subsidies exist between -customers, products, suppliers (especially for distributors and retailers) and even sales territories, very few have been able to both measure and capitalize on these subsidies. This book will help readers do both at an economic time when trying to sell and grow our way to greater profitability -as always in the past- just isn't going to work. Byrnes has a good logical flow to the book, and it all is quite readable sprinkled with good case illustrations. His summarizes key points at the end of each chapter which the impatient reader might skim through first before diving more deeply into the content. Byrnes has reasoned well that we must first (re)-"think" our assumptions about how to be successful and profitable (first 10 chapters). Then, we will need to "sell" our new assumptions and "micro-level" profit analysis to all of our stakeholders who naturally will be reluctant to give up fine-tuning what they habitually know how to do best. And finally we will have to "lead" change in "operations" to get results. The biggest, first hurdle is the "think" part: to get our heads around the answers to questions like: 1. Why do such large, structural embedded losing customers exist within our business? How did this come to pass so consistently across so many industries? 2. Why if our financial performance has been good for our industry and all key managers are hitting their budget numbers do such big profit improvement opportunities still exist for: a. Securing and growing our best, most profitable core customers. b. Transforming many big losing customers into winners. c. And learning to say "no" to some existing and all new prospective customers who don't fit our re-focused, strategic scope and re-aligned functional capabilities. 3. How do we create an optimally complex cost-model ("profit mapping") for determining where we are making the big profits and losses that has enough credibility to take action? 4. Going forward how will all of our employees from top to bottom re-learn how to be part of the managing for both service value and net profits? Will, for example, our CFO welcome the opportunity to expand their job description and impact by also becoming the "chief profitability officer"? 5. How is it possible to grow profits and free cash-flow quickly with little upfront investment or expenses in these particularly tough economic times? Byrnes answers these and more questions in the first section of the book entitled: "thinking for profit". The second section on "selling for profit" improvement is comprised of 8 chapters. Highlights include: 1. How to turn "account management" from an art to a science. 2. How to turn annual sales forecasting into a profit-improvement and untapped core potential measurement and development tool. 3. And, why we have to sell service innovations that turn lose-lose, inter-business friction activities into win-win profit gains to key customers. The third section (7 chapters) is on "operating for profit". After we sell our employees and our key customers (and suppliers) on win-win profit improvement possibilities, then we have to actually change our ways and (inter-business) processes. It turns out, of course, that our one-size fits all business service models and processes don't work for different sizes and types of customers and products. The solution to the one-way doesn't necessarily

economically benefit the company is to re-think company processes to economically, precisely serve different sub-sets of customers hence a key theme of the book: "age of precision markets". We don't know, however, exactly where the economic boundary lines are for different service models to serve different customers unless we can calculate the horizontal process costs to serve which when subtracted from margin contribution determines net profit for a product or customer. Although the cost-modeling and rethinking processes for different subsets of products and customers sounds difficult, Byrnes gives wise advice on how to keep everything simple and how to implement new ideas on an incremental basis: no jumping in any new rivers with both feet. Even with terrific new, informational insights as to where your company historically has really been making and losing its money, the ultimate challenge will be to lead and execute on the changes that become informationally apparent. Byrnes addresses this in the last, "leadership" section of the book. The key points he makes are that leaders just have to expand their own boundaries of who they are and what they are responsible for. We can't just be traditional, departmental, silo cost and incremental change players, but horizontal-process, team, profit innovation players. The CFO must expand, for example, to be also the "chief profitability officer". Easy, simple, but wise and necessary advice. This is a book that you may eventually buy multiple copies for a management team or a horizontal-process team. Don't ask or expect them to read it all on their own. Assign, instead, specific reading assignments and prepare specific homework questions that blend Byrnes' thinking with your company's related opportunities. The key to adopting new paradigms is lots of repetitive reading and case example application discussions followed by very small, pilot test experiments. Byrnes points out often that you can't justify experiments based on horizontal-process profitability insights with traditional experience math. When you are blazing a new trail for the company, there isn't an historic map lying around to use and refer to. You have to make your own as you go along. In sum, in this tough economy, we can't sell our way to prosperity while harboring and growing embedded unprofitability. We have to make a lot more out of what we are already doing by transforming most losing elements into profitable ones and doing a better job of securing and penetrating what we do best. Then, we will have the cash-flow, confidence and corporate agility to entertain the possibilities of new adjacent growth opportunities. Buy the book!

Top companies around the world turn to MIT's Jonathan Byrnes to figure out where the profit is. Using his systematic process for analyzing profitability, they can quickly determine which parts of the business are worth expanding and which are just a drain on resources. Then, using Byrnes's "profit levers," they can turn unprofitable business into good business and good business into great business. We now live in the Age of Precision Markets, yet most of the management processes taught in business schools were developed for the prior Age of Mass Markets. Today's savviest managers are exploiting this disconnect. They're rethinking strategy, customer relations, operations, and metrics, and overcoming internal resistance to constructive change. They also reject such harmful myths as: * Revenues are good, costs are bad * All customers should get the same great service * If everyone does his or her job well, the company will prosper. Byrnes reveals an uncomfortable truth: It's possible, even easy, for everyone to meet or exceed their budget targets and for the company still to have an enormous portion of the business unprofitable by any measure. But profit levers can flip everything around. For instance, several leading companies have utilized profit levers to increase their sales by over 35 percent in their highest penetrated customers, while others have reduced their operating costs- and their customers' costs-by over 30 percent. One company described in the book raised its net profits by over 50 percent in a three-year period. The book is a practical, step-by-step guide to achieving these results. Every business has enormous potential waiting to be unleashed; this book offers bold new strategies to help you find and grow those islands of profit.