

Achieving profit levels which everyone currently believes are unachievable, and achieving it within four years

Viable Vision

by Eliyahu M. Goldratt

During 2003 I put to the test the reaction of top managers to Viable Vision. But I was careful to expose the reasons for my conviction that this apparently incredible vision is viable. I started by sharing my diagnosis of what is currently blocking the performance of the company. Based on that, using solid cause and effect logic, I deduced the tangible steps that are bound to remove that block. Then I detailed the steps that must be taken in order to capitalize on that breakthrough; the steps that will propel the company to achieve, in less than four years, profit levels which everyone believes are unachievable. Done in this way, the first reaction of top managers was: "This is just common sense, why aren't we doing it?"

Why haven't they done it? How come the prevailing notion is that, unless the company has a unique product or unless the company is very small, it is unrealistic to expect a company to increase its net profit by so much? How come, even though it is possible to construct a Viable Vision for more than half the companies, the prevailing notion is that it is impossible?

The answer is that most people are unaware of the fact that any complex system is based on inherent simplicity. Capitalizing on the inherent simplicity is what enables incredible improvements within a short time.

What is "inherent simplicity?"

To explain this concept we first have to clarify what we refer to as a complex system: "the more data one has to provide in order to fully describe the system, the more complex the system is." If one can fully describe a system in four sentences, it is a simple system. But if one needs a thousand pages to describe it, the system is complex.

How complex is the system you manage? How many pages are needed to describe every process on every part, the relationships with each client, etc? It is no revelation that companies, even small ones, are extremely complex. It is also no revelation that it is difficult to manage a complex system.

So how do we go about managing a complex system? We dissect it into subsystems. Each subsystem is, by definition, less complex than the whole. If you have any hesitation accepting that this is precisely what we do, just look at your organizational chart.

Dissecting a system into subsystems has its price. It leads to miss-synchronization; it leads to harmful local optima and, in some cases, even to the devastating silo mentality. Since our systems are incredibly complex it seems that all that can be done is just to minimize the price; to do the best we can to improve synchronization, and to foster better collaboration between the subsystems.

As long as this is the only option we consider, we'll be under the impression that achieving a significant jump in profit within a relatively short time is unrealistic.

To see the true potential of a company one has to delve deeper into the issue of complexity. What bothers most of us is the fact that part of the data that typifies our system does not

relate to just one component of the system, but to the relationships between two or more components. In other words, 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 almost a maze. But that fact is what provides the key for the solution.

Think about it in the following way. Examine a given system and ask yourself, what is the minimum number of points one has to impact in order to impact the whole system? If the answer is "ten points" then this is a difficult system to manage; it has too many degrees of freedom. It is like attempting to manage a bunch of wild cats. But, if the answer is "just one point" then this system has only one degree of freedom; it is an easy system to manage.

Now, do you agree that the more interdependencies existing between the various components of the system the less degrees of freedom the system has? Considering the enormous complexity of your system it follows that there must be only very few elements that govern the entire system. In other words, the more complex the system is, the more profound is its inherent simplicity.

To capitalize on the inherent simplicity we must be able to identify those few elements that govern the system. Additionally, if we clarify to ourselves the cause and effect relationships between these elements and all other elements of the system, then we can manage the system to achieve a much higher level of performance.

These few elements, the ones dictating the level of performance of the system, are the constraints of the system. This implies that the constraints are also the leverage points of the system. Hence the name I chose for this approach – the Theory Of Constraints - TOC.

Twenty years ago I demonstrated the TOC approach on production systems (manufacturing plants) in my book *The Goal*. Then I demonstrated it on project-based systems in *Critical Chain*. The marketing/strategy of companies is in *Its Not Luck*. If you read any of these books you, most probably, agree that the conclusions are pure common sense, even though they fly in the face of common practice. Moreover, if you are one of the many managers who actually put it into practice you have firsthand experience with the impressive improvements and the surprisingly short time in which you achieved them.

Still, is a Viable Vision possible for your company? Is it feasible to bring your company to achieve, in less than four years, profit levels which everyone believes are unachievable?

The obstacles look insurmountable. For example: it is obvious that such a quantum jump in profitability is impossible without a huge increase in sales. A huge increase in sales can be achieved only if the company will have a new offer that is unrefusable by its markets. Can such a remarkable offer exist? Can the company deliver on such an offer? What investments will be needed? And even if it can be done, is the management team capable of implementing and sustaining such a change?

In these few pages I am unable to answer these questions (and many more). But if you meet with us for a couple of hours I think you will get enough convincing answers to follow my business proposal.

Contact us at info@goldrattconsulting.com to request a meeting with a member of my organization.