

CHAPTER 22

What now? - Financials - Profitability, Cost Structure, and Margin Protection

What	Establish Unit Economics as the Non-Negotiable Financial Truth
Why	This step ensures the organisation stops scaling unprofitable behavior.
Background	Profitability begins at the unit level. Without clarity here, every scaling decision is guesswork.
How	<p>Calculate true unit economics for the last 10–20 deals, including CoCA allocation, delivery cost, rework, and churn impact.</p> <p>Identify “system leaks” where margin erosion is recurring—discounting, inefficient delivery, poor qualification, or slow collections.</p> <p>Build a Unit Economics Dashboard reviewed weekly by Sales, Ops, and Finance.</p> <p>Set a minimum acceptable gross margin threshold for all deals and enforce it.</p>

What	Redesign the Cost Structure for Velocity and Operating Leverage
Why	This step creates a cost base that strengthens—not weakens—as the company grows.
Background	The chapter distinguishes fixed velocity costs from variable velocity costs. This step ensures both categories scale intelligently.
How	<p>Freeze fixed costs for two quarters and require departments to increase output by 15% without additional headcount.</p> <p>Audit variable costs (COGS, commissions, transaction fees) and set quarterly reduction targets.</p> <p>Implement Lean and automation initiatives to reduce cost-to-serve.</p> <p>Build a cost structure model that shows how each cost behaves as volume increases.</p>

What	Make Margin the Primary Revenue KPI Across Sales and Marketing
Why	This step ensures growth expands margin instead of eroding it.
Background	Revenue without margin is noise. This step aligns commercial teams with profitability rather than volume.
How	<p>Redesign sales compensation to reward gross profit, not contract value.</p> <p>Introduce a “No-Discount Without Approval” rule tied to value-based selling.</p> <p>Train sales teams to sell outcomes, not price, and equip them with premium positioning tools.</p> <p>Direct marketing to target high-value, low-price-sensitivity segments to protect premium pricing.</p>



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What	Operationalize the Levers of Profit as Monthly Improvement Mandates
Why	This step creates a compounding margin engine.
Background	The chapter's Levers (Price, Volume, COGS, OpEx, AR, Inventory/WIP, AP, COPQ) become the organisation's monthly operating agenda.
How	<p>Assign each lever to an executive owner with a 90-day improvement target.</p> <p>Improve one lever by 1–2% per month—small gains compound into major margin expansion.</p> <p>Run monthly “Margin Sprints” focused on a single lever (e.g., COGS reduction, AR acceleration).</p> <p>Tie lever performance to departmental OKRs and leadership bonuses.</p>

What	Build a Margin Protection System That Scales With Growth
Why	This step ensures margin protection becomes a cultural reflex, not a finance project.
Background	Margin protection must be embedded into the Execution Rhythm so it survives complexity and volume.
How	<p>Add margin KPIs to Daily Huddles (e.g., discounting alerts, delivery overruns).</p> <p>Review margin variance weekly and update SOPs when recurring issues appear.</p> <p>Conduct quarterly “Cost of Quality” audits to eliminate rework, defects, and churn drivers.</p> <p>Benchmark fixed-cost leverage and variable-cost efficiency against industry leaders.</p>

Closing Thought Create a living profitability architecture—one that ensures every additional source of revenue strengthens the business rather than diluting it.

