



Breakthrough thinking for action

An Introduction to TOC Holistic Management

Lisa Scheinkopf,
Global Director, The Goldratt School
Partner, Goldratt Consulting Ltd.

September 7-8, 2017



PRESENT: BUILDING ON SUCCESS 2017

**BREAKTHROUGH RESULTS FOR
GOVERNMENT AND BUSINESS**



TOC
~~↔~~

Inherent
simplicity

people
are good

Conflicts



1. Inherent Simplicity
2. Conflicts \neq Given
3. Good People; Win-Win
4. Every situation can be improved



Increase value for all stakeholders,
now as well as in the future.



Make more money, now as well as
in the future

Throughput
Inventory

Operating Expense



4 Pillars

1. Inherent Simplicity
2. Conflicts \neq Given
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Money Matters



- **THROUGHPUT**

The rate at which the company generates money through sales

Sales Revenues – Totally Variable Costs

- **INVENTORY**

The money the company spends on (invests in) things it intends to turn into Throughput

- **OPERATING EXPENSE**

The money the company spends turning Inventory into Throughput

- **PROFIT**

$$T - OE$$

- **RETURN ON INVESTMENT**

$$(T - OE) \div I$$

- **PRODUCTIVITY**

$$T \div OE$$

- **INVENTORY TURNS**

$$T \div I$$



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Constraint

The factor that limits a system's
performance relative to its goal.

5 Focusing Steps

1. Identify
2. Exploit
3. Subordinate
4. Elevate
5. Avoid Inertia

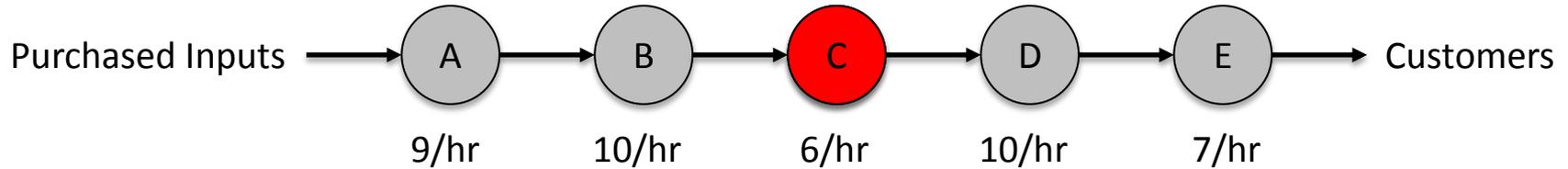
Throughput
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4 Pillars

1. Inherent Simplicity
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What is the output of this organization?



The Five Focusing Steps



1. **IDENTIFY the system's constraint(s).**

– *What, if only we had more of it, would bring the system closer to its goal?*

2. **Decide how to EXPLOIT the system's constraint(s).**

– *What does the constraint need to do in order for the system maximize the throughput generated through it?*

3. **SUBORDINATE everything else to the above decisions.**

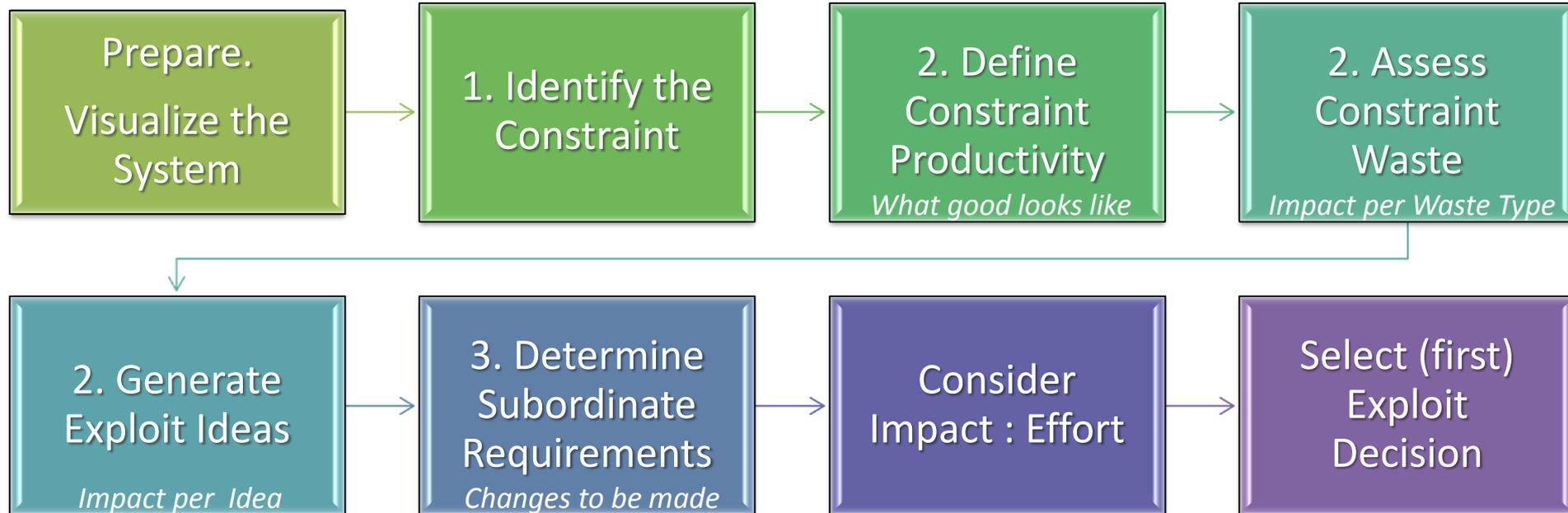
– *What does the rest of the system need to do – and not do – in order for #2 above to happen?*

4. **ELEVATE the system's constraint.**

– *Get more – expand the system.*

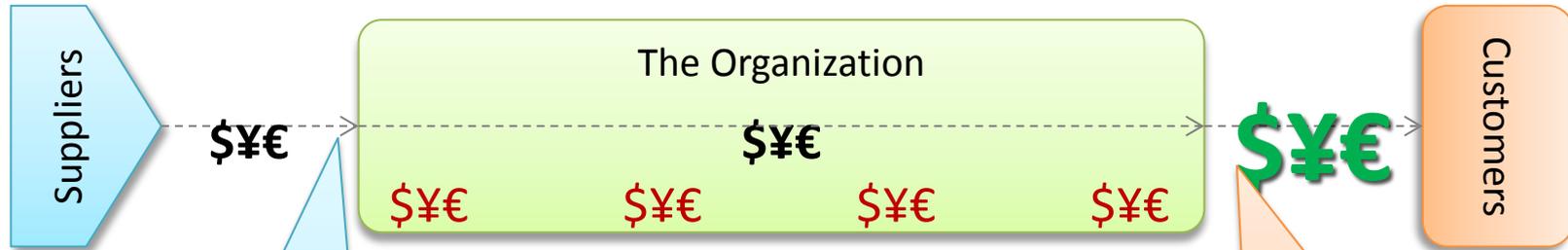
5. **WARNING!!!! Do not let INERTIA become the system's constraint. When a constraint is broken, go back to Step 1.**

Identifying the Constraint of Your Organization



Prepare. Visualize the System

HIGH LEVEL



2 What does your organization buy?

- Cars (new & used)
- Parts
- Accessories

3 What are the major processes?

- Sales
- Finance
- Service
- Body Shop
- Marketing
- Purchasing

1 What does your organization provide (and who pays)?

- Cars (new & used)
- Service
- Parts & Accessories

1. Identify Your System's Constraint

- What prevents us from selling/providing (much) more?
- What do we not have enough of?



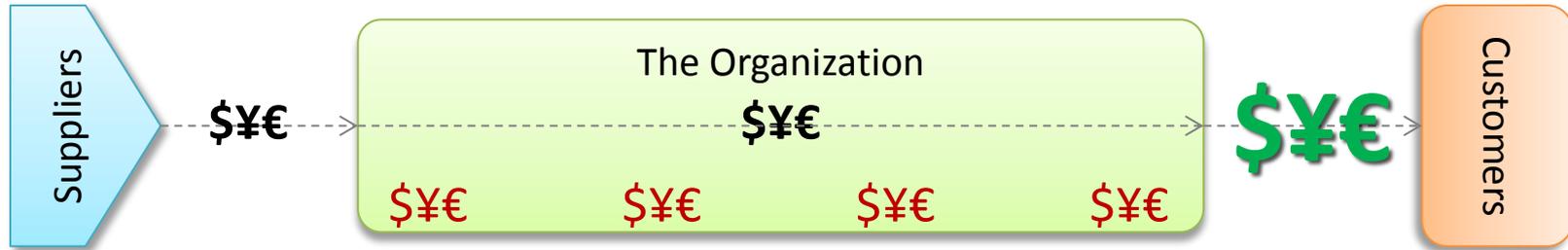
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Examples

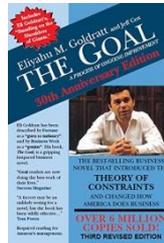
- What prevents us from selling/providing (much) more?
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Brazilian Shoe Retailer



NCX-10



Indian Pesticides Producer



US Auto Dealer

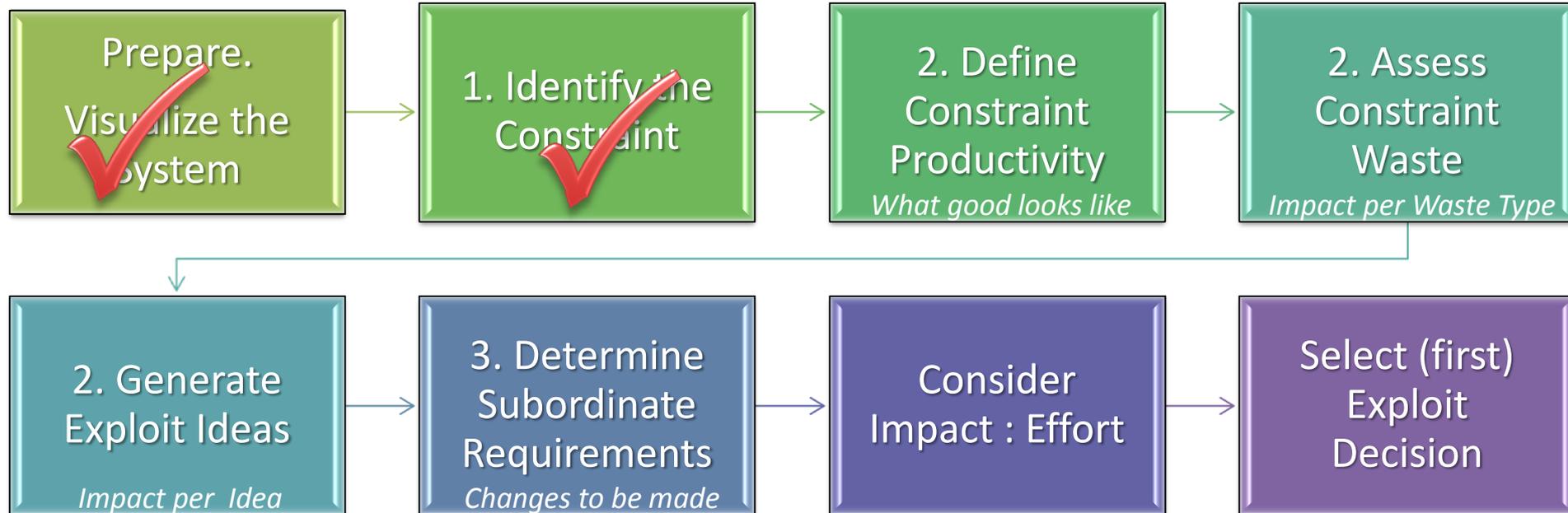


Your Turn - Identify Your System's Constraint

- What prevents us from selling/providing (much) more?
- What do we not have enough of?



Identifying the Constraint of Your Organization



2. Deciding how to exploit the constraint

A WELL EXPLOITED CONSTRAINT

Is as fully utilized as possible

All of its utilization is generating throughput

It is generating the most throughput possible

2a. Clarifying Constraint Productivity

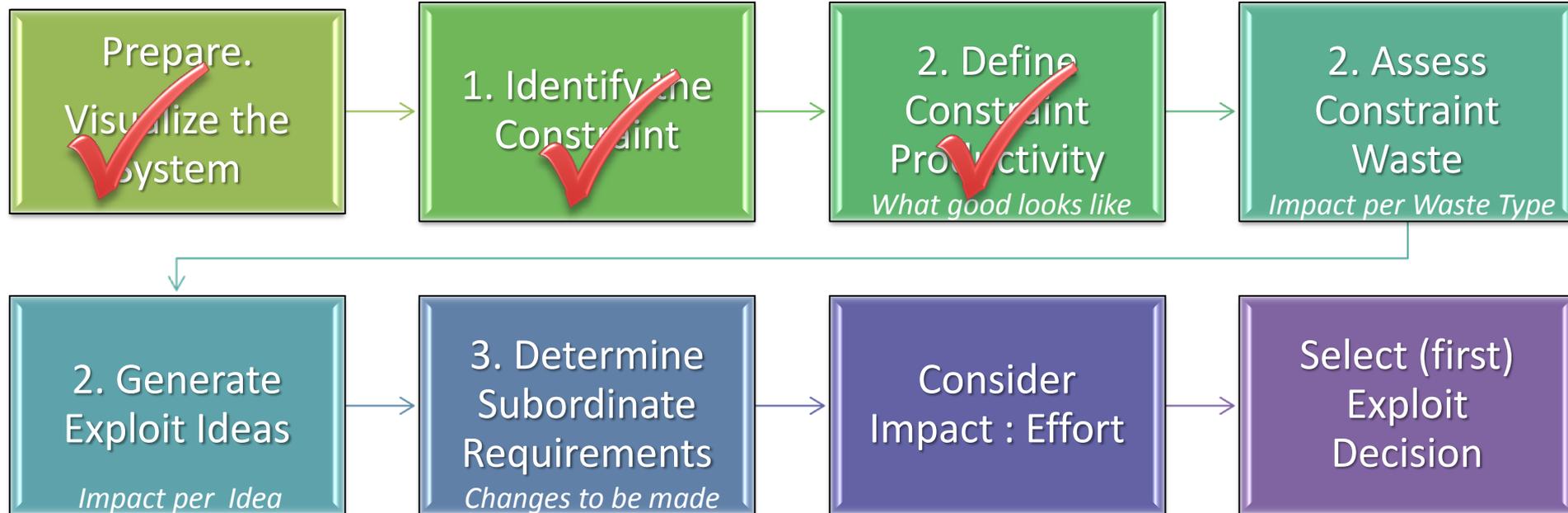
What does good look like?

| What is the Constraint? | What does the business need more of from the constraint? | What is the key indicator that the constraint is being well utilized? |
|-------------------------|--|--|
| Customer Orders | Purchase orders from customers | Number & Throughput Value of Orders placed with the company |
| Salespeople Capacity | Customer orders | Sales & Throughput value of purchases per customer visit |
| Welding Capacity | Good welds | Blue light time (welding sold products; throughput / welding time available) |
| Fast moving sku's | Availability | Turns |
| Customer traffic | New car sales | Lead conversion |

Your Turn – What Should Your Organization's Constraint Be Doing?

| What is the Constraint? | What does the business need more of from the constraint? | What is the key indicator that the constraint is being well utilized? |
|--------------------------------|---|--|
| | | |

Identifying the Constraint of Your Organization



The Five Focusing Steps



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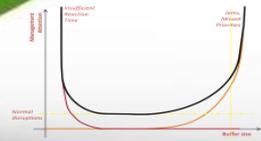
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Throughput
Inventory
Operating Expense



4 Concepts of Flow

1. Flow = Mission!
2. Avoid Overproduction
3. Eliminate Efficiencies
4. Balance Flow



4 Pillars

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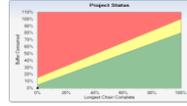
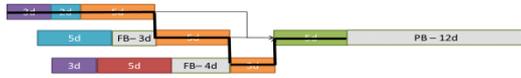
| ABC ENG Dept | | WIP Board | | | |
|--------------|---------|------------|----------|-------------|--|
| Unassigned | Waiting | In Process | Complete | Help Needed | |
| | Bob | | | | |
| | Karen | | | | |
| | Steve | | | | |
| | Alex | | | | |
| | | | | | |
| | | | | | |

Legend

Priority: 1 (Red), 2 (Yellow), 3 (Green)

Full Kit: Yes (Blue dot)

WIP BOARD
 Preventing Multi-tasking
ASSURING FULL KIT

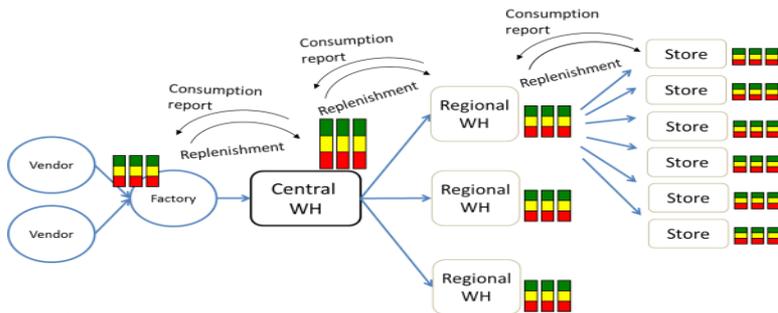


DRUM BUFFER ROPE & CRITICAL CHAIN PROJECT MANAGEMENT

On Time, Faster Flow



Removing Flow Disruptors



TOC REPLENISHMENT

Protecting T and Controlling Costs



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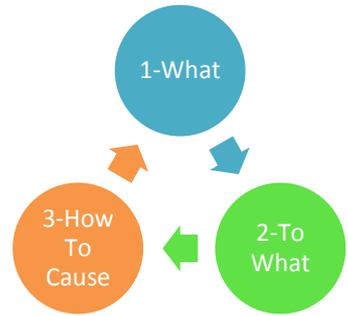
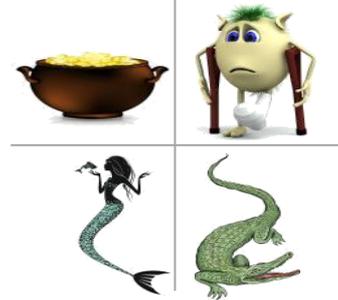
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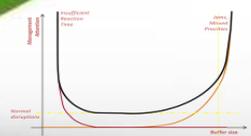


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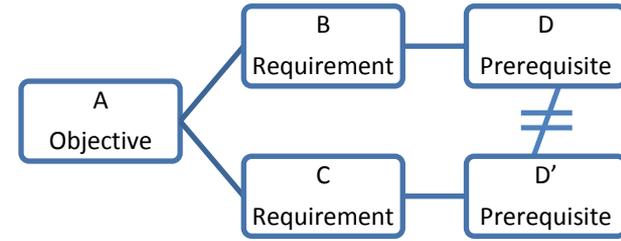
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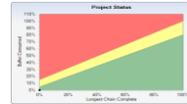
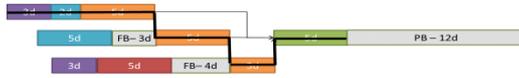
THROUGHPUT ACCOUNTING

Decisions guided by
5 focusing steps and impact on T, I, OE

WIP BOARD
Preventing Multi-tasking
ASSURING FULL KIT

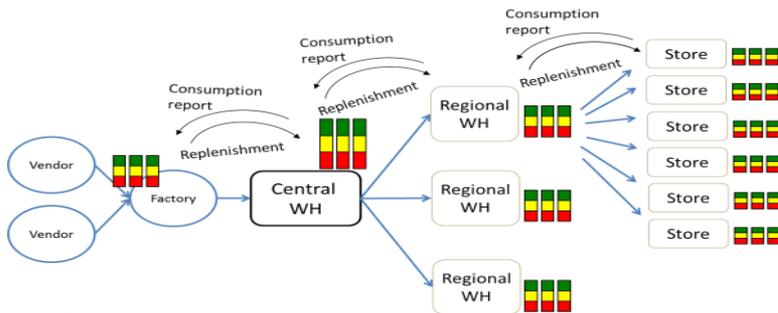


EVAPORATING CLOUD
Solving conflicts & dilemmas



DRUM BUFFER ROPE & CRITICAL CHAIN PROJECT MANAGEMENT

On Time, Faster Flow

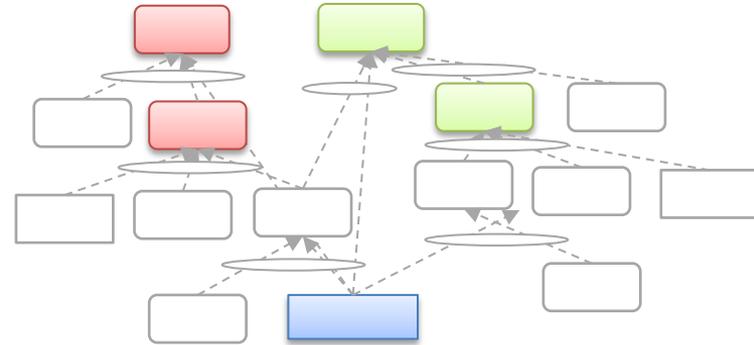


TOC REPLENISHMENT

Protecting T and Controlling Costs



Removing Flow
Disruptors



NEGATIVE BRANCH RESERVATION & MYSTERY ANALYSIS

Trimming Negative Effects



Breakthrough thinking for action

A Short Introduction to The Goldratt School

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A decorative graphic in the top right corner of the slide. It features a teal gear partially overlapping a white gear, which in turn overlaps a green gear. To the right of these gears is a teal silhouette of the state of Utah. The background behind these elements is a gradient from teal to white to gold.

UTAH
OPS & GOLDRATT
CONSULTING

PRESENT: BUILDING ON SUCCESS 2017

**BREAKTROUGH RESULTS FOR
GOVERNMENT AND BUSINESS**



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Goldratt Consulting

Breakthrough thinking in action

- Founded by Dr. Eliyahu M. Goldratt
 - Originator of TOC
 - Largest base of TOC experts worldwide
- Thought Leaders
 - Continuing the legacy of breakthrough TOC thinking
- Implementers
 - Working with organizations to convert TOC breakthrough thinking into fast and sustainable results
- Holistic
 - Aligning local with global, short term with long term



LARSEN & TOUBRO

Dr.Reddy's 



Lufthansa Technik
More mobility for the world

OMRON

GOMB

G goldratt
CONSULTING

Why The Goldratt School?

New-To-TOC Organizations

- *Other seminars and workshops seem interesting, but don't provide the opportunity to do anything with what was "taught".*
- *Isn't there a way to validate new ideas & concepts without being tied to a consulting engagement?*



Breakthrough thinking for action

Organizations Using TOC

- *Bring new / more managers and executives on board*
 - Sustain our "TOC DNA"
- *Further improve managers' and executives' quality of decisions, communication & collaboration*
 - Teach them to "think this way"
- *Align suppliers / customers / etc. with our way of doing business*
 - Help them become better ecosystem partners with us
- *Try out the latest knowledge*
 - Without being tied to a consulting engagement

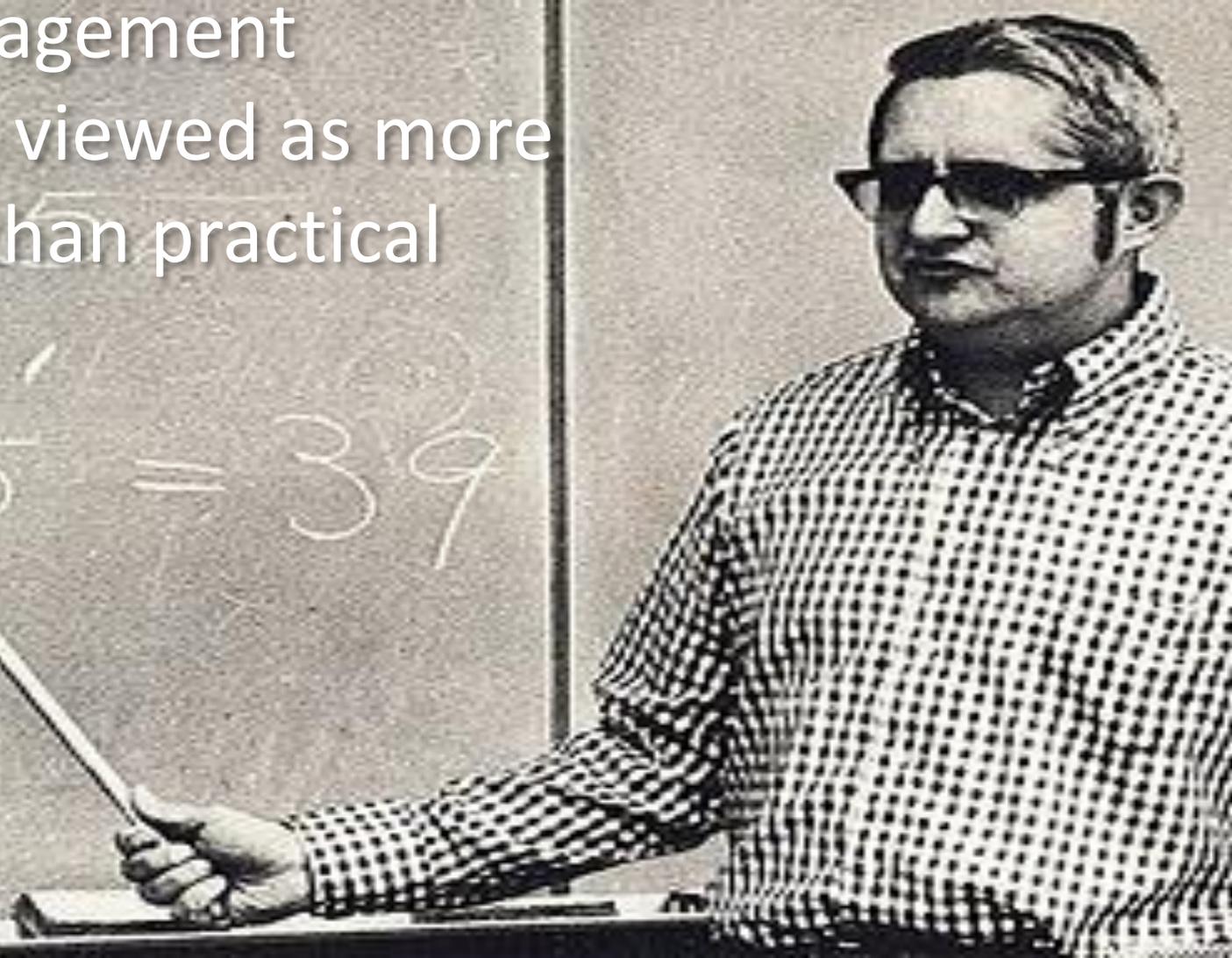
Typical Management Education is Like “Drinking Water from a Fire Hose”

- Information is pushed but not absorbed
- Only a tiny fraction of what is “taught” can ever be retained or used



Typical Management
Education is viewed as more
theoretical than practical

$$+ 35 = 39$$



Typical Management
Education is viewed as more
theoretical than practical



A man in a light blue shirt and a striped tie is looking down at a small piece of paper he is holding. He has his hand to his chin, appearing thoughtful or concerned. In the background, other people in business attire are visible, suggesting a meeting or office setting.

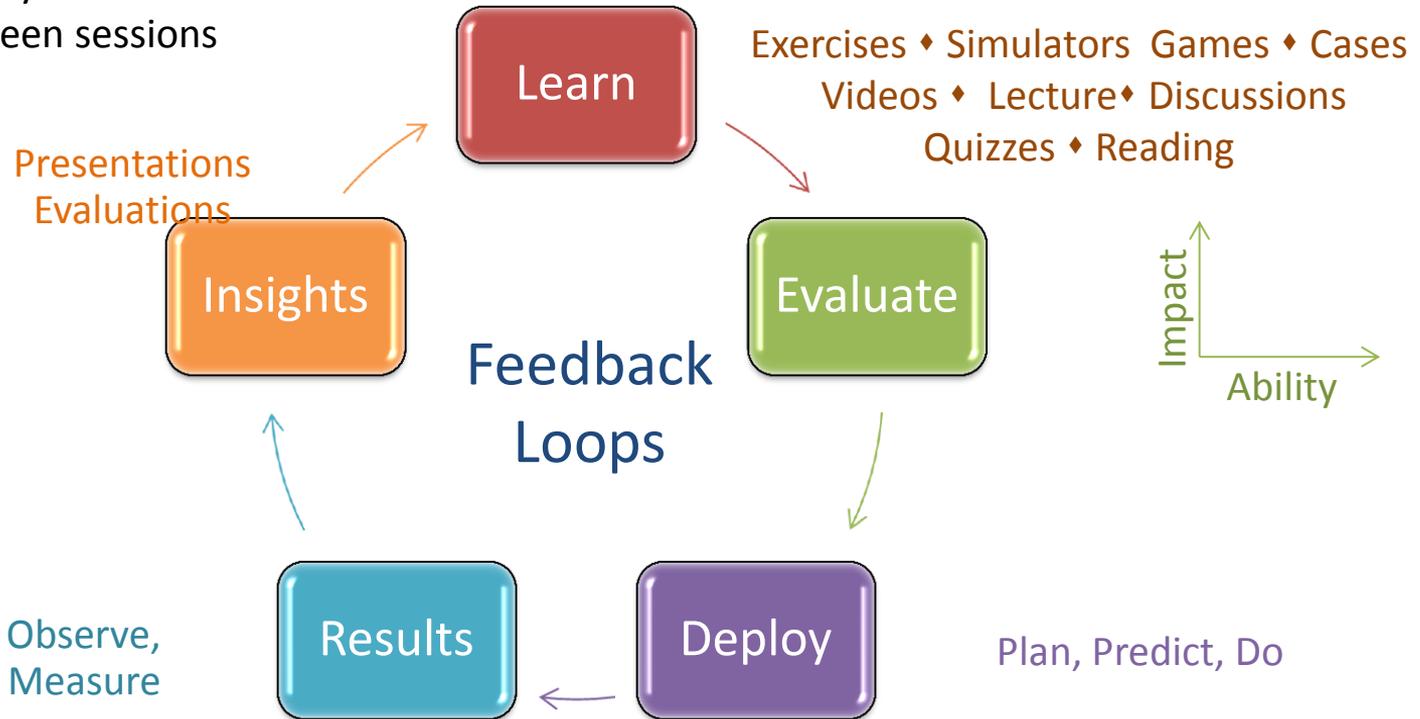
Typical Management
Education is viewed as
cost with low payback

Criteria Used For Goldratt School

- What we teach must be insightful and practical, useful and usable
- Delivered in a way that the participants really absorb what it is we're teaching
- The return on the expenditure of money and time must be evident to the participants and their organizations

Multi-Faceted Approach

No session >3 days
2-5 weeks between sessions



Current Goldratt School Programs

Goldratt TOC
Holistic
Management
Program

Goldratt School for
Business
Innovation

Goldratt
Breakthrough
Thinking Processes
Program

Goldratt School for
Software &
Technology
Organizations

Customized
Programs

Thank you!

HAPPY TO PROVIDE MORE INFORMATION