

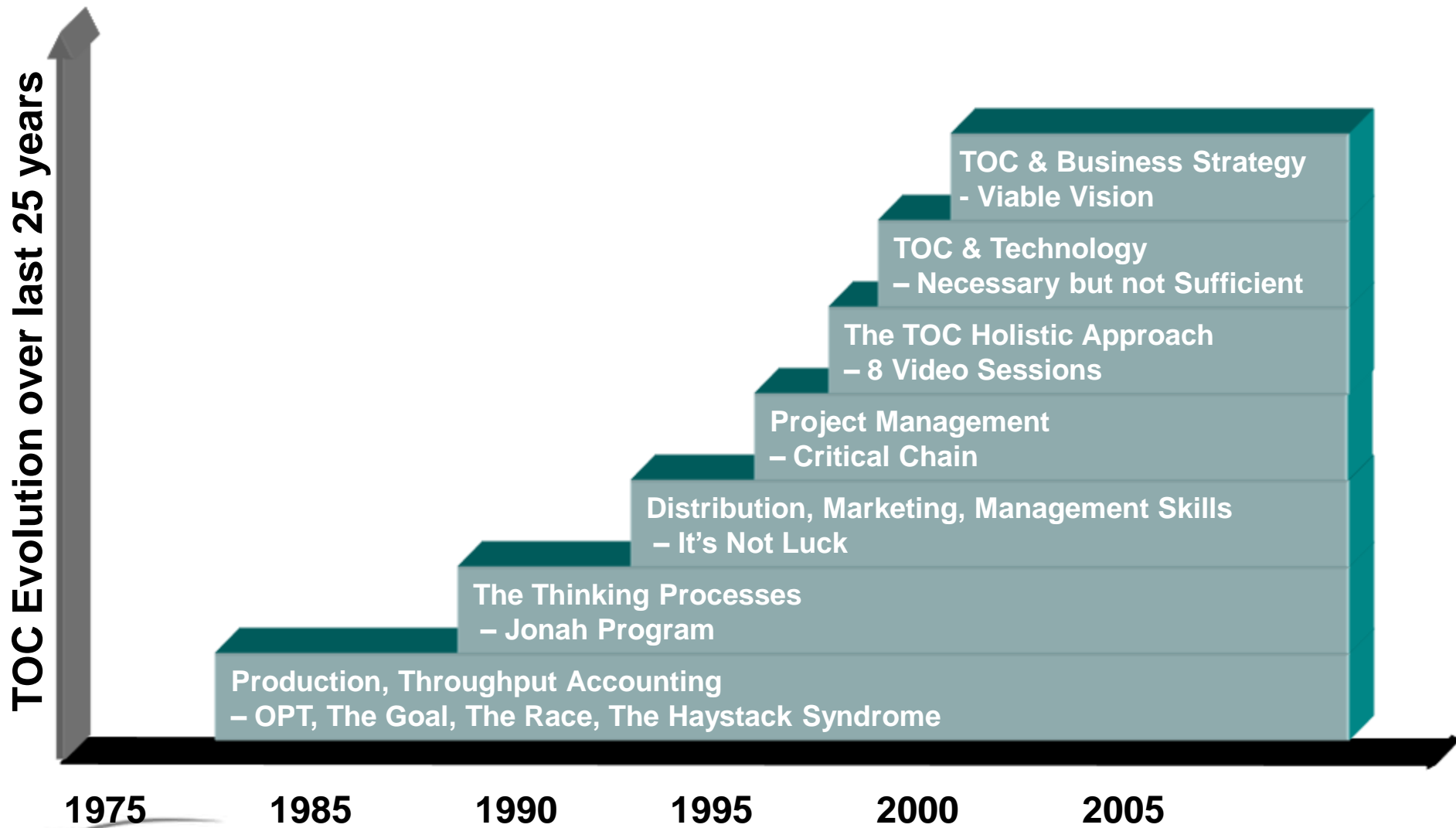
# What is Theory of Constraints – TOC

# **Theory of Constraints (TOC) - Overview**

## **Theory of Constraints**

**provides a set of holistic processes and rules,  
all based on a systems approach,  
that exploits the inherent simplicity within  
complex systems  
through focusing on the few “leverage points”  
as a way to synchronize the parts  
to achieve ongoing improvement in the  
performance of the system as a whole...**

# The Evolution of TOC – 30 years



# **TOC knowledge in the following areas of management:**

- Operation (Production)
- Project management
- Distribution & Supply Chain
- Finance & Measurements
- Sales
- Marketing
- Managing People
- Strategy and Tactics

# Proven TOC success in industries:

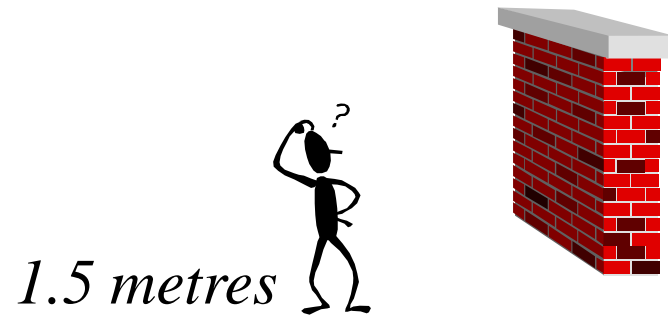
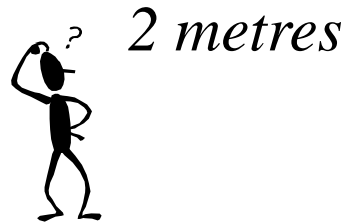
- Conventional Industries:  
Manufacturing & Distribution
- Financial Services
- Health
- Defence
- Government
- Education
- etc.



# TOC is based on 3 basic assumptions

## Basic Assumption 2:

All contradictions can be resolved without compromise - our level of understanding and our assumptions hold the contradiction in place. A compromise is not usually a win-win solution.



**NO CONFLICT BETWEEN LOCAL AND GLOBAL**

# TOC is based on 3 basic assumptions

## Basic Assumption 3:

There is no resistance to improvement - people do not embrace change because we have not brought them to see the win for them .

**RESPECT**



# What is unique about TOC?

## Summary

### 1. Search for a logical reasoning

The use of Cause & Effect relationships to structure our thinking, record our analysis and understand the suggested solution for any problem (based on Convergence)

### 2. Resolve conflicts

A strong belief that there should be no conceptual conflict within our reality – hence – striving to find a win-win solution to any perceived “no solution situation” (Local & Global)

### 3. Seek for collaboration and contribution

The use of TOC logical tools logic to communicate to ourselves and thereafter to the team with the view of working together to achieve the desired improvement (based on Respect)

# TOC - Systems and System Thinking

**In order to understand the system, under TOC we focus on:**

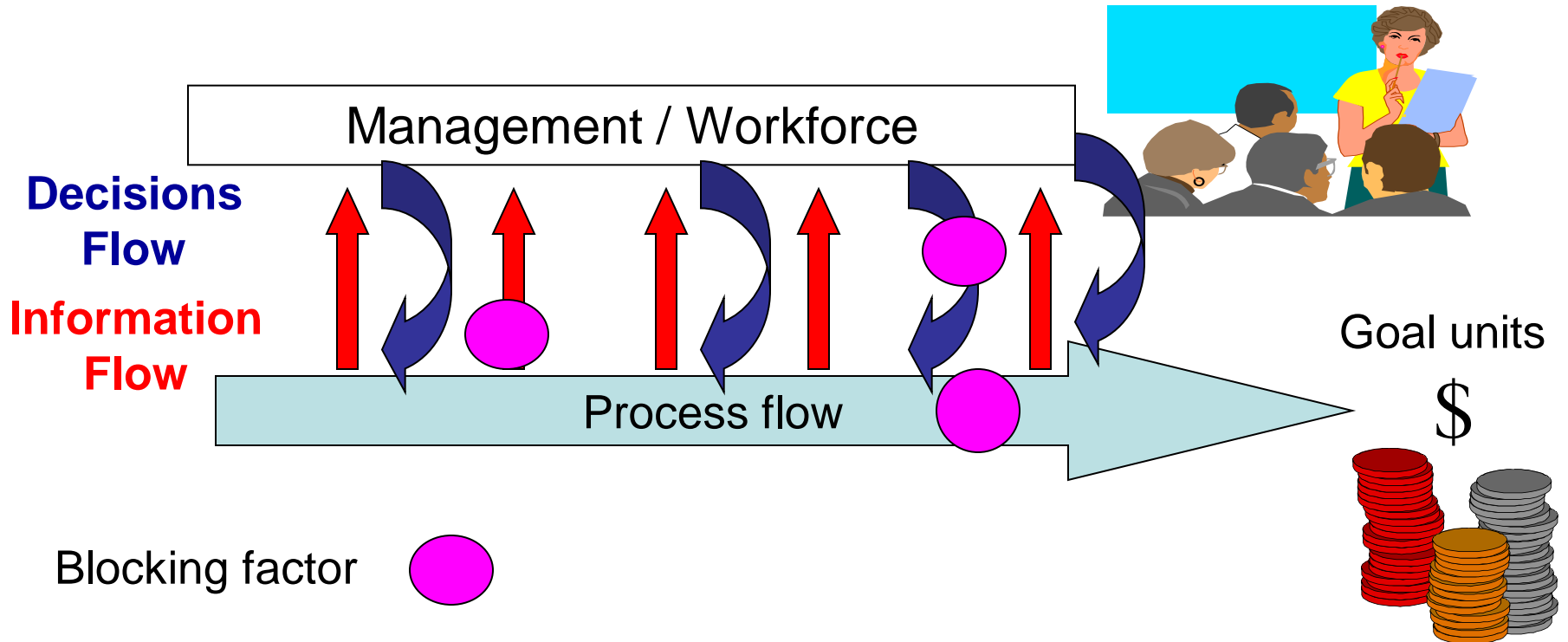
The “goal” of the system or process

- The measurement of the achievement of the “goal”
- The flow of the system (If there is a flow there are dependencies. If you have dependencies – you have the constraint.)
- The blocking factors to the flow
- The conflicts related to the constraint
- Managing the flow through the constraints



# Understanding the flows of a Commercial Business

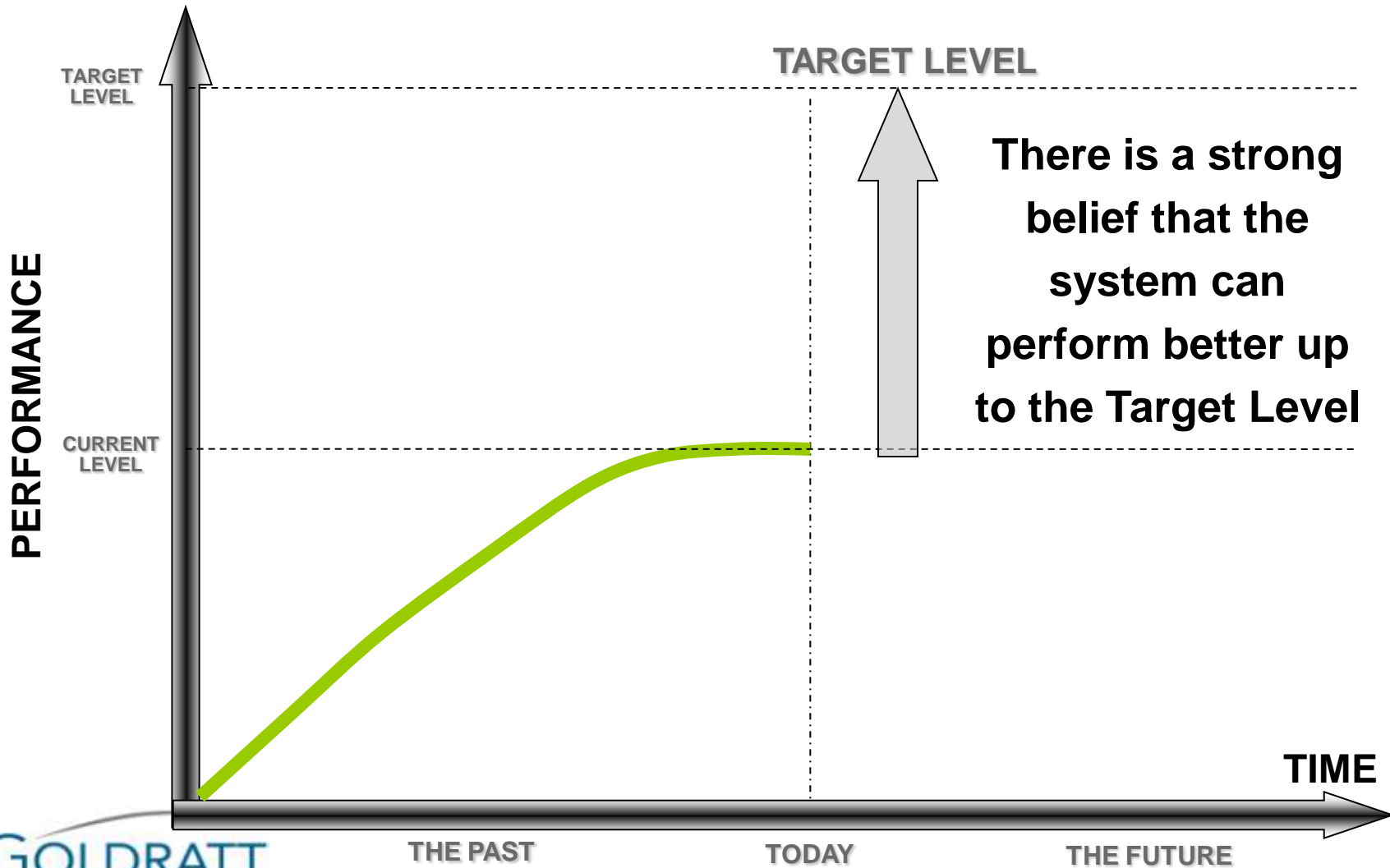
**The Goal: To make money now and in the future**



# Ever Improve

## The Managerial Challenge

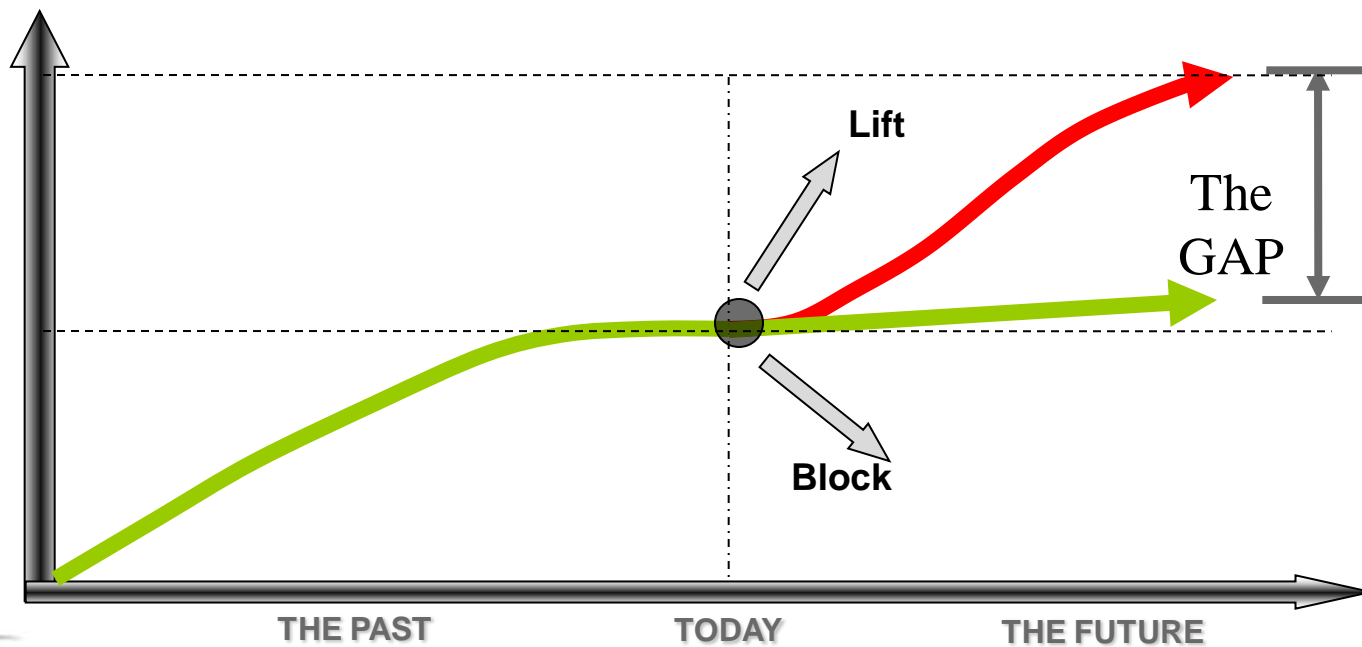
Improve the performance of the system



# What prevents us from achieving the goal?

## CONSTRAINTS –

factors or elements that determine how much the system can accomplish



# System Constraints

Main types of constraints of a commercial system:

**Capacity Constraint** – a resource which cannot provide timely capacity the systems demands for it

**Market Constraint** – the amount of customers orders is not sufficient to sustain the required growth of the system

**Time Constraint** – The response time of the system to the requirement of the market is too long to the extent that it jeopardizes the system's ability to meet its current commitment to its customers as well as the ability of winning new business

# The Five Focusing Steps

- 1. Identify (choose) the system's constraint**
- 2. Decide how to exploit the system's constraint**
- 3. Subordinate everything else to the above decision**
- 4. Elevate the system's constraint**
- 5. If the constraint is broken go back to step one but do not allow Inertia to cause the system's constraint**

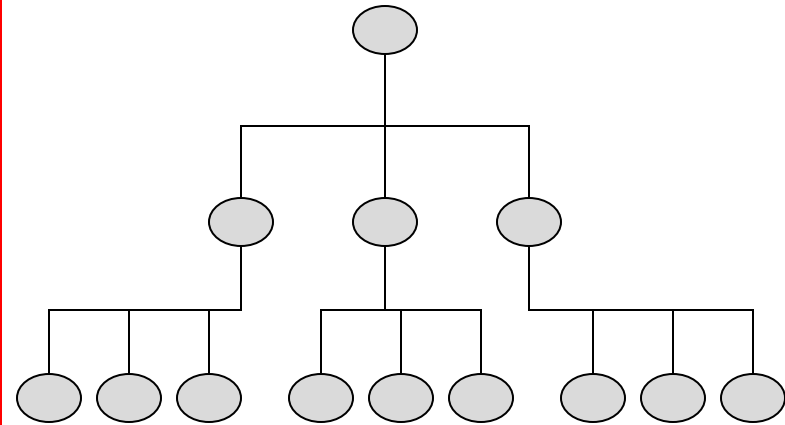
# Management

## Managing Systems:

The Leader of a system sees their role as to ever improve the performance of the system under their responsibility

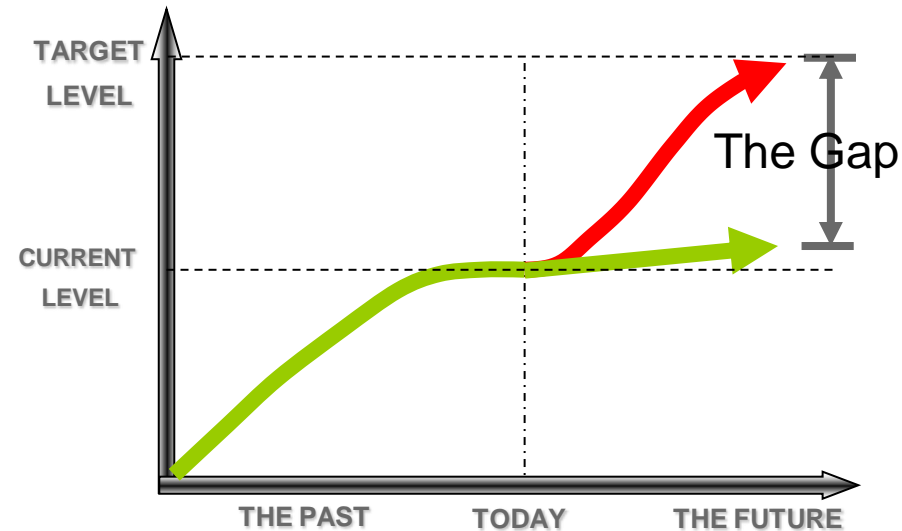
### Key Words:

- Area of responsibility
- Performance measurement
- Improvement
- Continuous - POOGI



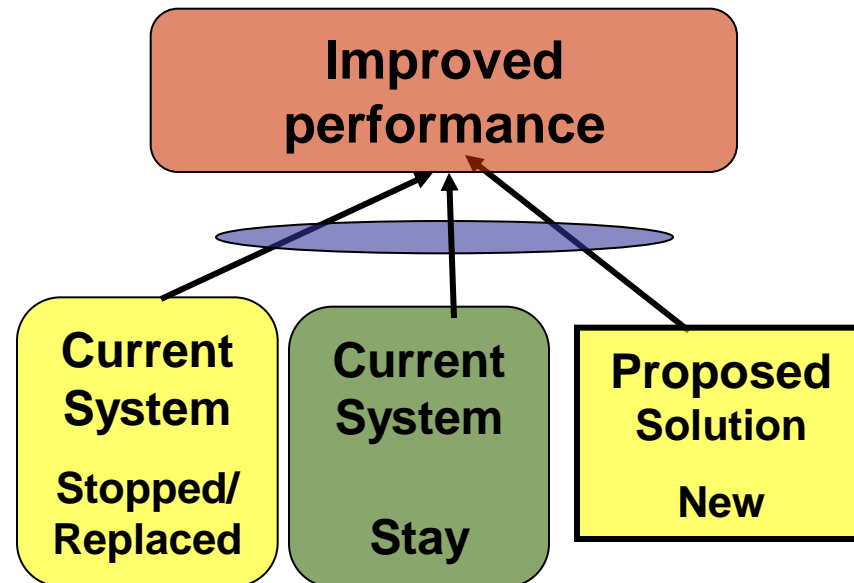
# Continuous Improvement

Improved performance is a result of implementing a new idea (“solution”) onto the existing system



## We need to know:

1. Which parts of the system are “erroneous” and have to be replaced
2. The new parts must be introduced to replace the erroneous parts
3. All the other parts of the system stay as they are!



# Ever Improve

Managers need a systematic approach to develop plans for the pursuit of a significant improvement of their systems

**Problem**

**WHAT to change?**

*Pinpoint the core problem*

**Solution**

**WHAT to change TO?**

*Construct simple practical solutions*

**Implementation**

**HOW to cause the change?**

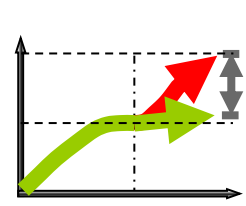
*Induce the proper people to make the change  
(to invent such solutions)*

**POOGI**

**What creates the process of ongoing improvement?**

*Institute a process that facilitates continuous  
improvement*

# Improvement Solution



Current Reality

Low Performance Measurements

High Performance Measurements

What to Change?  
Which parts of the system "have to go!"

What to Change to?  
Which new parts must be introduced

Future Reality

Improved performance

Current System  
Stopped/  
Replaced

Current System  
Stay

Proposed Solution  
New

**PIVOT**

Understanding the problem

Developing the solution

# The PIVOT

*“If we keep on doing what we are doing – we will continue to get what we are getting”*

*The Pivot provides the key for the solution.*

*It describes the core of the change. It is like changing the course of a huge ship. It explains what is the different paradigm that is about to be employed to the extent that **it will drive the new reality.***

*When recording the TOC Knowledge – the pivot provides the paradigm shift from conventional management to **Management the TOC way***