

Implementing the Theory of Constraints Successfully

How Do You Put ToC Into Practice?

Much has been written about Drum Buffer Rope (DBR) and the Theory of Constraints (ToC), including numerous success stories. While plenty has been said about how it works, little is available on *how to do it*. The answer to the question, “What in my business has to change in order to be successful?” eludes many.

I have been implementing ToC in organizations ranging in size from \$1,000,000 to \$1,000,000,000 for 18 years. Real world experience has taught me there are four core elements in a successful implementation:

1. Commitment and leadership from senior management
2. A sound process for managing the change that will take place
3. A robust design of the new business processes
4. Management commitment to ongoing improvement

What is a “Successful” Implementation?

I don’t judge success against an indicator of x percent improvement of profit or return on investment. If you implement DBR/ToC, even a few elements, you will improve overall business performance. A successful implementation is one where the management team is considering the constraint in their daily decisions and actively managing the business so the constraint is where they want it to be. A successful implementation is one that uses the *processes* of constraint management.

Leadership from Senior Management

The organizations with the most enduring (and financial) results have implementations that are led from top management (the person(s) most accountable for profit and loss) and have a champion. Don’t confuse leadership with implementation. We don’t need to have the CEO or president directly involved in the details of the project.

What we need is a champion. His/her job is to keep the project moving; maintaining forward movement when obstacles are found. The champion is the person that takes personal responsibility for the implementation. Without someone taking responsibility for success, the implementation is destined for failure. Without a senior management champion, no significant organizational change can happen.

Change Management

We must consider that some people’s work will change. In a ToC implementation, those “some people” are the management team. You know who you are, you are the most difficult to change. You have the most to lose if something goes wrong. The changes must be structured to get and hold the support of the management team. This also has its advantages, in that we are not dealing with a large population of people – thus, the change process can be focused and managed more easily than say, an ERP implementation.

The change process has to address more than the “why” of the implementation, it must also deal with the ramifications as well. Good managers are looking to the future to identify potential problems. The change effort is thus focused on educating them of the cause and effect of the implementation.

Change is not a one time event. During the implementation, the details of “who is going to do what” should be carefully worked out and documented. The management team can then agree on the new roles and responsibilities during the development, voicing their objections and incorporating the changes into the new processes. After implementation, the processes are modified and adjusted to reflect new knowledge and the changing environment. Adaptation is a hallmark of a successful ToC implementation. Active participation in the implementation makes for active buy-in, avoiding the “not invented here” syndrome.

Robust Process Design

The ToC philosophy determines whether or not a process is “robust”. I suggest the “robustness” is determined by evaluating the effects of the process. Does it do what you want? Then it is good enough. There are some things installed in every ToC implementation. These are the minimums – those things that cause other things.

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The processes are centered on the main decisions an organization makes:

1. Measurement systems – What is desirable?
2. Scheduling / order commitment – How can we satisfy the customer?

New Measurements

THE most significant idea in ToC is that the local optima are not the optimum of the whole. Not every function can be “efficient” while achieving “efficiency” of the overall organization. Some departments, work centers, and people will not be able to work at their full capability nor *should* they be lest the overall performance of the company suffer.

Another key assumption in ToC is that behavior follows the measurement system. “Good” measurement systems cause people to behave in ways that move the organization towards the goal. “Bad” systems cause people do things that at best, have no effect on improvement and at worst, have a negative effect on the bottom line. A feature of many organizations is the measurement system causes people to behave in ways that block improvement.

The definition of what is “good” performance must change if some parts of the organization are to work at sub-optimum performance for the good of the entire enterprise. This means scrapping “cost” based systems of performance measurement and implementing throughput-based systems of measurement.

Scheduling/Order Commitment

Technically speaking, if we change the way we think about what “good” performance is, our scheduling logic will change. Therefore, I don’t really need to mention this item as a requirement for a successful implementation. After all, if the constraint resource limits the organization’s throughput, then we would carefully plan its output and then closely monitor how well we achieve the plan, subordinating everything else to it. It’s common sense. However, “Common sense ain’t very common¹”. Successful organizations plan build common sense into their business processes. They have some form of a DBR or Critical Chain project management implementation in place.

Commitment to Improvement

There is no trick to ongoing improvement. You want to be better or you don’t. You aspire to greater heights of performance or you are happy with the way things are today. The companies with successful implementations are the ones whose team *wants* to achieve greater and greater results. This comes from the inside. Of course, if you’re the type who is happy with the way things are, you’re not reading this!

Summary

Successful ToC implementations are made when senior management decides it’s time for a change and they are the ones who are going to change. Short term gains can be achieved implementing some scheduling techniques, but real success comes when we question our own decision making and move in a different direction. ToC is not complicated, but it is not easy, either. For those who want to change, the rewards are there. The technology works, but the most important ingredient is you.

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¹ Mark Twain