

Theory of Constraints (TOC) – Diagnosing and improving the organizational system

Theory of Constraints (TOC) is, in short, a suite of management concepts developed by Dr. Eliyahu Goldratt in his landmark book “The Goal”. It helps managers and senior leaders to decide:

1. What to change
2. What to change into
3. How to cause and drive the change

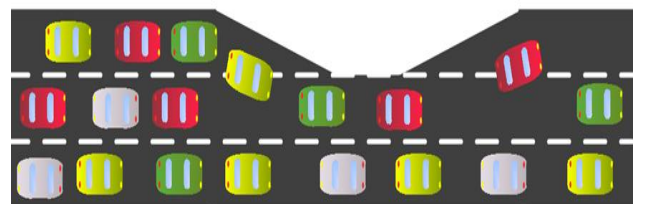
Despite its name, the Theory of Constraints is not actually theoretical, but rather helps in finding practical and effective solutions to complex and real business problems.

❖ **The cornerstone of TOC** is systematically laser-focusing efforts, resources and attention on the “system constraint”, i.e. the bottleneck that restricts the output of the entire system and, in the same time, represents the most relevant leverage point for improving the system. By identifying constraints and managing them using TOC methodology an organization/company will achieve:

- On-time-in-full (OTIF) delivery to customers
- Elimination of stock-outs across the entire supply chain
- Rigorous operations control and less firefighting
- Flexible and rapid responsive organizational culture with fewer conflicts between team members
- Exposing additional production capacity without extra investment
- Higher Net Profit and more Free Cash Flow



❖ **These are accomplished** by shifting the focus of management from optimizing separate/individual assets, functions, departments or resources to increasing/optimizing the throughput generated by the entire system as a whole, thus TOC being the key to unlocking organizational performance.



❖ **Implementing TOC** has delivered spectacular results for companies around the world; an independent study discovered that, on average, companies achieved the following impact: 60% improve for on-time delivery, 68% revenue increase, 82% profit increase, -50% inventory reduction, -66% cycle time reduction.

TOC was proved to provide good results for services also.

Kindly attend Six Sigma trainings offered by Effective Flux to leverage this effective and efficient methodology.