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## Theory of Constraints - Ask Dr Lisa Newsletter

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**POOGI #58: We are continuing our series based on [The Goal](#) by Eliyahu M Goldratt and the [Theory of Constraints](#). {This series was co-written with [Brad Stillahn](#)}**

**Brad:** Who cares? Is this really that important? In the last 20+ years since Throughput Accounting was invented to replace cost accounting, not very many business owners have even heard of it, much less felt a need to change.

**Dr. Lisa:** True. Most just went out of business slowly. Like the frog in the pot when the heat slowly increased, and never jumped before it was cooked.

**Brad:** When I switched the label printing business I own from cost accounting to throughput accounting back in 1997, it was uncomfortable. The process took time and perseverance. And there wasn't much help available for me back then. But I found the sweet spot where conventional cost accounting leads business owners to believe they'd be losing money on jobs, and where throughput accounting clearly indicated we were making a load of money.

**Dr. Lisa:** It is really unfair to competitors when you understand throughput accounting, and price accordingly. We call that "competing with blind kittens" because cost accounting is such an inferior technology.

**Brad:** Cost accounting was invented before the Model T. Why do business owners that are so up-to-date with other types of technology,

and appreciate keeping up with the rate of improvement in technology, not think to look for improved technology in business methods?

**Dr. Lisa:** I don't know the answer to that, but my guess is that they are more comfortable with new technology in their area of expertise and less comfortable with new technology where they are not an expert - financial management. And, even if they have some interest in this new Throughput Accounting technology it's hard to give up the old until you fully understand the new. Hmm...that sounds familiar.

**Brad:** Whoa, you're right! It did take me a lot of time to make the change. I guess that does explain why it's easier to stay with the old technology.

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For a copy of this whole article and/or to watch the video version of Job Lost Money go to: <http://www.scienceofbusiness.com/job-lost-money-video.aspx>

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Here's to maximizing YOUR profits!

Dr Lisa

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