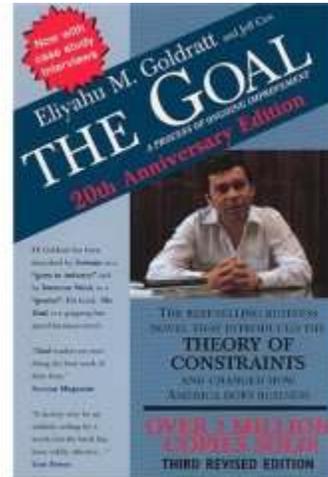


The Goal: A Process of Ongoing Improvement Part 1

This is Part 1 of a series written about how to implement a process of ongoing improvement as discussed in *The Goal* by Eliyahu M Goldratt and Jeff Cox.

Do you remember Herbie from the book "[The Goal](#)" (by Eliyahu M Goldratt and Jeff Cox)? He was the slowest Boy Scout on the hike. The hike was taking much longer than expected, and the only way the troop could finish the hike sooner was to find a way to make Herbie go faster. The troop put Herbie at the front of the line, distributed the contents of his backpack and finished the hike at a much faster rate.

Of course, the hike was an analogy for improving a business, and made the point that is always someone or some thing is restricting the business from achieving more of its goal. For a business, that goal is usually "to make more money now and in the future". If your business is not making an infinite amount of net profit, someone or some thing is holding you back. Do you know what it is?



[The Goal](#) was written 25 years ago, yet it is still a best seller worldwide. It is estimated that 20% of business people have read it, more than any other business book. For every copy bought, an estimated 4 people have read it due to it being recommended and passed on. Over 5% of businesses worldwide have implemented some of the common sense methods described in [The Goal](#) with significant results:

- 70 percent reduction in lead time
- 65 percent decrease in cycle time
- 44 percent improvement in due-date performance
- 49 percent deduction in inventory
- 63 percent increase in revenue.
- Source: [The World of Theory of Constraints, Vickie Mabin and Richard Balderstone, Lucie Press, 1999](#)

The subtitle of [The Goal](#) is "A process of ongoing improvement". Over the last 25 years, [Dr. Goldratt](#) has further developed the [Theory of Constraints \(TOC\)](#) as a holistic process to quickly and substantially improve business results. It is very compatible with Lean

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and Six Sigma, the two other widely known business improvement processes, where TOC is used to determine where to focus Lean (reduce waste) and Six Sigma (reduce variation) tools.

So why is [TOC](#) not more well-known and practiced if [The Goal](#) is so well read and results from implementing its methods are so effective? And why are Lean and Six Sigma much more popular business improvement processes? This is a hot topic amongst TOC experts, and probably has to do with the fact that TOC challenges most conventional practices.

For example, TOC contends that Cost Accounting is invalid. Are you prepared to consider for even a moment that the concepts of Economic Order Quantity (EOQ) and set-up cost are incorrect? And if you are, are you prepared to learn the concepts of the alternative, Throughput Accounting? For the few people that are willing to, the rewards are enormous, but most people will resist that change.

TOC is holistic, meaning that there is a complete set of tools available to support “A Process of Ongoing Improvement”:

- For operations, there is [Drum-Buffer-Rope](#) scheduling
- For projects, there is [Critical Chain Project Management](#)
- For finance and measures, there is [Throughput Accounting](#)
- For marketing, there is the compelling, un-refusable “[Mafia Offer](#)”
- For sales, there is the [Buy-In Process](#)
- For people, there are [Management Skills](#)
- For distribution and supply chain, there is [Replenishment](#)
- For anything else, there are the [Thinking Processes](#).

Drum-Buffer-Rope (DBR) scheduling embraces the concept that there is one constraint for the entire organization. If the constraint is internal, the company cannot sell all that is demanded from the company. Due-date performance is probably less than 99%, and lead-times may be longer than desired. On the other hand if the constraint is external, the company does not have enough sales to fully utilize its available resources. More sales are desired. Implementing DBR brings a company to 99+% due-date performance (DDP) and maintains that level even with rapid sales growth. It can be implemented in a very short time. Typically, 50% capacity can be freed up to sell with little or no investment or added expense.

Most companies don't have processes in place to sell twice what they are selling now, so it is necessary to develop a compelling, un-refusable “[Mafia Offer](#)”. A Mafia Offer is an offer so good that your customer can't refuse it and your competition can't or won't offer the same. Developing and implementing a [Mafia Offer](#) is not trivial, but having one

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improves typical closing rates from less than 5% to as much as 80%, so additional sales people aren't required, but sales funnel management is.

Let's check the numbers using an example of a company with \$5 million in sales, net profit of \$250,000, and raw material costs, outside services and sales commission of 30%. One year after implementing DBR, and developing and implementing a [Mafia Offer](#), the company has twice the capacity to sell, and is selling it at a rate of \$8 million per year with no additional fixed costs. The additional raw material, outside services, and sales commissions are \$900,000 on the additional \$3 million in sales. The difference of \$2.1 million drops through to the bottom-line which is now \$2,350,000. So, net profit went from 5% to 29%! Incredible! Unbelievable?

What if your results were only half as good? Are you doing anything else with so much potential for sustained increased profit with so little risk?

[TOC](#) is a collection of "silver bullets", and when implemented well in conjunction with Lean and Six Sigma, the result is an ongoing exponential increase in net profit. We believe that it possible for most companies to achieve a [Viable Vision](#). One definition of Viable Vision is to turn your sales level into your net profit level in about four years, and sustain the exponential net profit increases beyond that.

If you haven't read [The Goal](#), we recommend you read it. If you have read The Goal, we recommend you read it again.

Next time, we'll discuss the [Drum-Buffer-Rope](#) scheduling methods you read about in [The Goal](#) in more detail.

About the co-authors:

[Brad Stillahn](#) is a business owner that has successfully implemented [TOC](#) methods in his own business and is now helping other business owners do the same. His consulting company, TOC Professionals, is a new [NTMA](#) member. TOC Professionals engages in long-term relationships with companies implementing TOC. His business and personal partner is Dr. Lisa Lang. Brad can be reached at Brad@ScienceofBusiness.com or 303-886-9939.

"[Dr. Lisa](#)" [Lang](#) is President of the Science of Business. Her speech "[Maximizing Profitability](#)" is popular with Vistage groups and as a keynote speech. Recently [Dr. Goldratt's](#) Global Marketing Director, she offers the "[Mafia Offer Boot Camp](#)"™ for companies wanting to develop and implement a Mafia Offer. She can be reached at DrLisa@ScienceofBusiness.com or 303-909-3343 or check out her blog at <http://drlisamaxprofit.blogspot.com>.

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