

The goal



The Goal: A Process of Ongoing Improvement Executive Summary ??? The Goal: A Process of Ongoing improvement??? is a book written in narrative form that tells the fictional story of Alex Rogo, a plant manager for UniCo Manufacturing, whose plant is performing poorly and given three months to significantly improve or face a shut-down of the entire plant.

This ground-breaking business novel, first published in 1984, gives remarkable insight into the day-to-day life of an operations manager and challenges prevailing business practices and thought processes. The books authors, Eliyahu M. Goldratt and Jeff Cox, through their colorful story, are able to show how business practices and thought processes have strayed from what they should be. ??? The Goal??? also shows that business thinking based upon too many assumptions that accepted at face value. Basically, people are not questioning the things that they being told are true.

In Alexs case, it assumed that if operating costs per unit are down and efficiencies are up then the company is being productive. However, these measurements neglect the bottom line. They should be less concerned with measurements that do not contribute to the success and profitability of the company. Basically what the authors are saying is that managers should exercise common sense in their decisions. In the book, Alexs superiors at the division level of the company concerned primarily with productivity and efficiency of plant operations is there a website that will write my essay for me . Alexs boss, Bill Peach, is constantly harassing him over his plants productivity and efficiency metrics. UniCo concerned with how the cost per unit produced is increasing and believes that in order for the plant to be profitable it must run its machines at capacity and not have any idle time in

labor. Unicos concern over having a low cost per unit is a prime example of how a companys management can lose sight of what is important. In the case of UniCo, what should be important is how much money contributed to the bottom line, regardless of the machine and labor efficiency. This, book also demonstrates how UniCos view of improvement, as being a reduction in its operating expenses, flawed. Although it is good to reduce costs, it comes at a cost to the company because they are not increasing throughput, which leads to an increase in sales and they unfocused on reducing their inventories, which also provides substantial cost savings.

Goldratt and Coxs greatest contribution to the business world is the introduction of the theory of constraints. I. Introduction In the brief opening section of the book, titled Introduction, the author prepares the reader for the following text by talking about how the purpose of the book is science and education. The author says that he believes that the original meaning of these two words lost in a “ fog of too much respect and mystery” (Riel, pp. 272). The book attempts to show that a small number of assumptions can be “ postulated and utilized” (Goldratt, Cox & Whitford, pp. 359) to explain a very large spectrum of industrial phenomena. Goldratt has attempted to show with his book that “ no exceptional brain power needed to construct a new science or to expand on an existing one” (ibid).

Finally, Goldratt attempts to show that the way we are educated and learn is not by given the answers but by being given the right questions that allow us to find our own answers through logical thought processes. For this reason, he presents his message in the “ Socratic way” (Goldratt, pp. 122). He goes

on to say that if he is able to, change the readers perceptions of science and education then he has accomplished his goal.

II. Act 1As the book begins we are introduced to Alex Rogo, a plant manager for Unico Manufacturing whose plant is struggling to survive. We are given an account of what his daily life is like managing the plant. Alexs work life consists of a high stress environment where orders are consistently behind schedule, and upper management is regular breathing down his neck, to get orders shipped. After meeting with Jonah, Alex thinks long and hard about what ??? The Goal??? of the company is and is able to, determine that ??? The Goal??? is to make money. Although this goal sounds simple and obvious, Alex learns that everything he does is pointless unless the company is making money. UniCo is concerned with measurements like “ cost-effective purchasing, employing good people, high technology, producing quality products and selling them, and capturing market share” (Dettmer, pp. 73).

However, these measures are not ??? The Goal??? but a means to achieving ??? The Goal???. III. Act 2Once Alex has determined that ??? The Goal??? of the company is to make money, he starts to think about the performance measures that UniCo is using and wonders if there is a simple measurement that will allow him to know if the plant is making money.

Alex comes up with three measurements that will allow him to know if his plant is making money: net profit, ROI and cash flow (Caspari & Caspari, pp. 199). Alex also revises what the one true goal of the plant and the company is.

Alex comes up with a way to improve productivity in the plant while on a hike with his sons Boy Scout troop. Goldratt and Cox illustrate this point very clearly through the story of Alex leading a troop of boy scouts on a hike through the woods. To keep the line moving at a steady pace and to avoid any gaps forming in the line, Alex places Herbie at the head of the line. Since Herbie dictates the pace of everyone else behind him (contingent events), he is the constraint on the system. After Alex's camping trip with the Boy Scout troop, he shares his revelation with his team about dependent events and statistical fluctuations. Alex illustrates it further in an order that is trying to be completed by the end of the day. This system increases their throughput while decreasing inventory and operating expense.

As a result, the plant begins to experience positive effects of the changes. The company is becoming profitable. However, it is coming at the expense of the performance metrics that UniCo uses to measure productivity (ibid). Alex does not care because the company is making money and who can argue with that. IV. Act 3 Alex and his team have turned their plant into a cash cow by restructuring the order of operations to take advantage of their systems capacity. The overall efficiency of the operation in terms of quality product being produced on time has increased, and the bottom line has swelled to record highs.

Alex and everyone on his team has received a promotion and saved the plant. However, some problems do occur. Alex and his team develop a signaling system to figure out when materials should be released to bottleneck machines so that inventory does not pile up. Alex learns that by decreasing the batch sizes he can reduce the lead-time on orders and

respond faster to market demand. This technique allows UniCo to further increase its throughput and its sales (Bargiela-Chiappini, pp. 341).

UniCo has quickly become a reliable leader in its industry thanks to the changes that Alex and his team have made. The Ten Things Managers Need to Know from ??? The Goal??? 1. Before one can be successful, it is important to know what their one realistic goal is.

In the case of UniCo Manufacturing, in this book, ??? The Goal??? is to make money. Although it sounds simple and obvious, it is the reason for the company's existence. Everything else is just a means to achieving ??? The Goal???.

2. The problem with most ill managed companies is managers way of thinking. Much of what managers believe to be true accepted without question and leads to them not thinking at all. 3. Productivity is the act of bringing a company closer to its goal. Productivity is meaningless unless you know what your goal is (Riel, pp. 272).

4. The three measurements, which express ??? The Goal??? of making money but also permit you to develop additional rules for running your plant throughout, inventory and operational expense. Throughput is the rate at which the system generates money through sales. Inventory is all the money that the system has invested in purchasing things it intends to sell.

Operational expense is all the money the system spends in order to turn inventory into throughput. 5. The way to express ??? The Goal??? is: increase throughput while simultaneously reducing both inventory and operating

expense. All three measurements must be accounted for together and not held in isolation since any changes to one will directly affect the others. 6. A balanced plant is where the capacity of each and every resource balanced exactly with demand from the market.

It is essentially what every manager has struggled to achieve. However, the closer you come to a balanced plant, the closer you are to bankruptcy because ??? The Goal??? is not to improve one measurement in isolation, but all three. 7. When capacity trimmed exactly to marketing demands, throughput goes down, while inventory goes up dramatically. Therefore, operating expense increases due to the carrying cost of inventory. This can be explained by two phenomena working together: dependent events and statistical fluctuations. 8.

Maximum throughput of a system determined by the constraints in the system. For example, if a system comprised of three machines and two of those machines can process 25 units an hour and the third machine can only process 15 units an hour, the maximum throughput of the system in an hour is 15 units (Goldratt, Cox & Whitford, pp. 359).

The, machine that only process 15 units an hour is a constraint and, therefore, limits the maximum throughput. 9. The intrinsic order of things can be revealed through the scientific method. Management is a thinking process that attempts to reveal this basic order. It is based on the scientific method and the pivotal relationship: Managers can logically derive results from their hypothesis. 10. The five steps critical to solving throughput problems are: a) IDENTIFY the systems constraint(s).

b) Decide how to EXPLOIT the systems constraint(s). c) SUBORDINATE everything else to the preceding decision. d) ELEVATE the systems constraint(s). e) WARNING!!!! If, in the previous steps, a constraint broken, go back to step 1, but do not allow INERTIA to cause a systems constraint (ibid). Conclusion At the end of the book Alex and his team develop a five-step process for solving throughput problems and Jonah asks Alex what are the techniques for effective management. Alex and his team also determine what the techniques for effective management are. They come to the conclusion that the Socratic/scientific method of analyzing a problem is effective in the management.

Through this process, the intrinsic order of things can be determined and, therefore, basic assumptions used in the decision making process can be verified as accurate or inaccurate. The techniques needed for effective management are thinking processes that must be learned. Works Cited Bargiela-Chiappini, F. The Handbook of Business Discourse, Edinburgh University Press: (2009) pp. 341-355. Caspari, J. & Caspari, P.

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