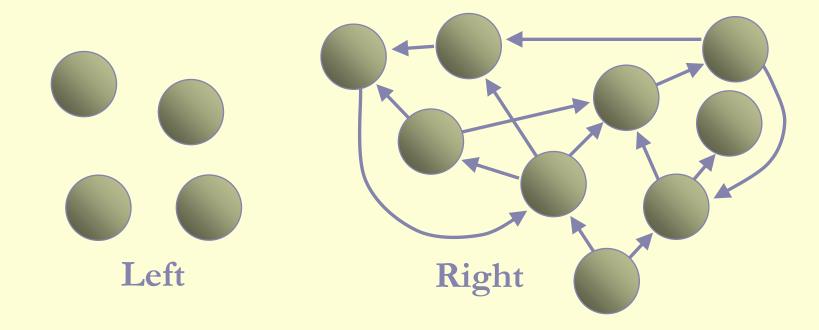


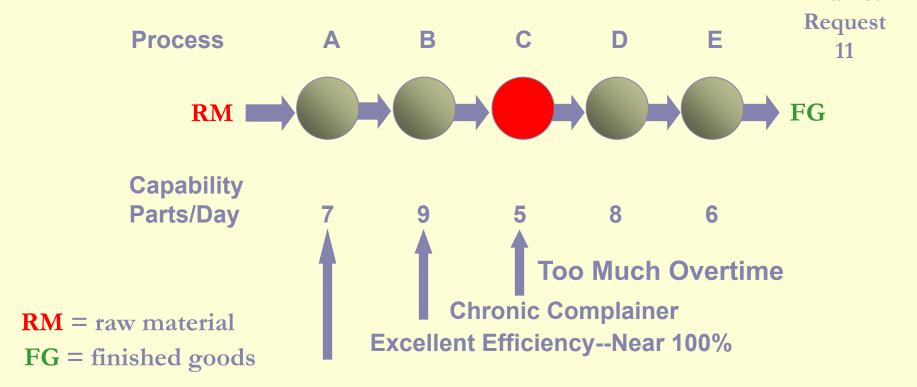
Traditional Approach: Divide and Conquer

- Division of Labor breaks down linkages complex systems into manageable chunks.
- Which is harder to manage? Left or Right?



We Measure Operational Efficiency

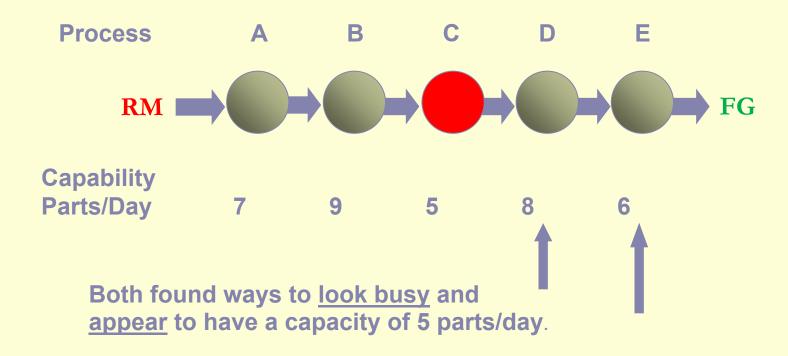
Work flows from left to right through processes with capacity shown.



Market

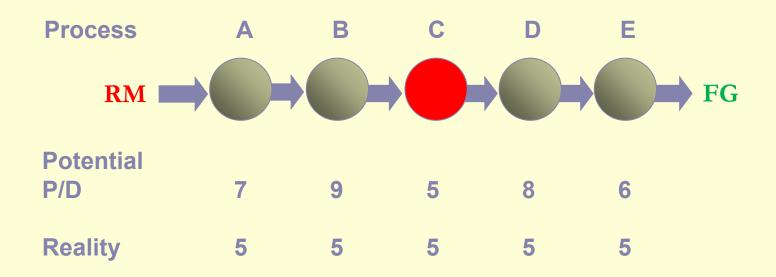
Reward Based on Efficiency

Work flows from left to right.



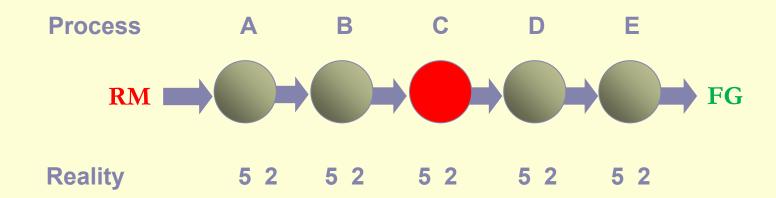
In reality...

Processes A and B won't produce more than Process C for long.



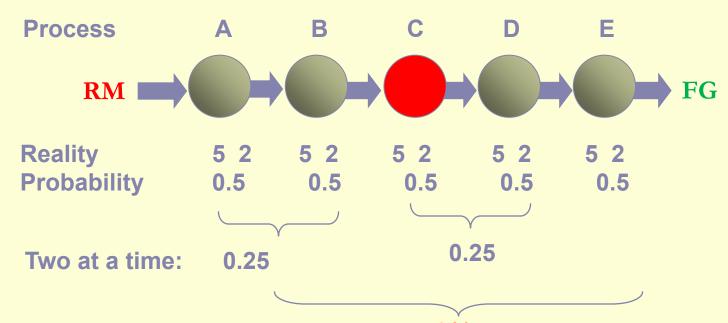
Then Variability Sets In

Processing times are just
 AVERAGE Estimates



What's an Average? 50%

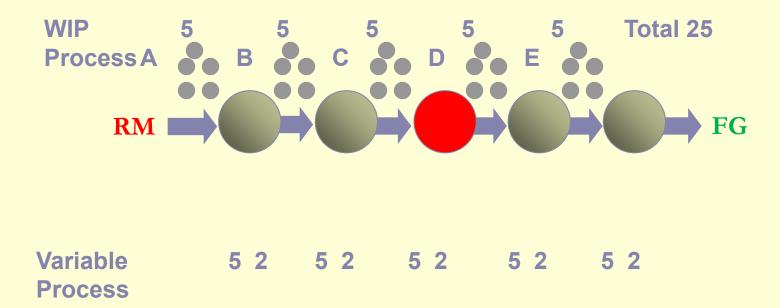
 Half the time there are 5 or more per day at each process--Half the time less



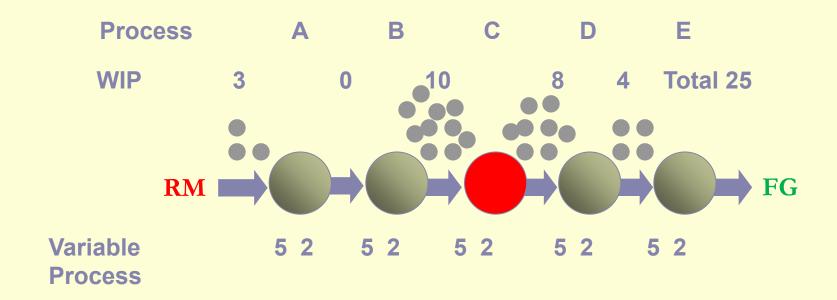
Over all: 0,5*0,5*0,5*0,5*0,5=0,03125=3% Chance of 5 per day !!!

Previous Solution: Inventory

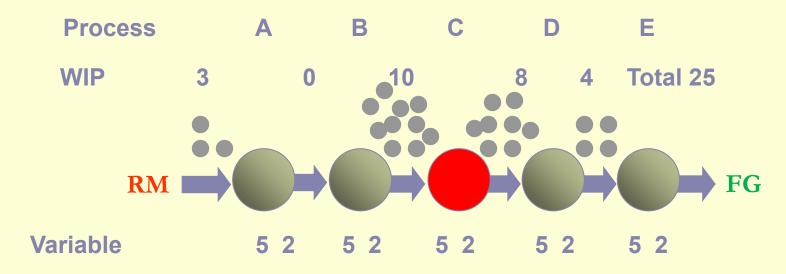
• Put a day of inventory (WIP) at each process!



Inventory (WIP) quickly shifts position.
Inventory manager/expediter tries to smooth it out.
Distribution problems result. Costs go up !!!

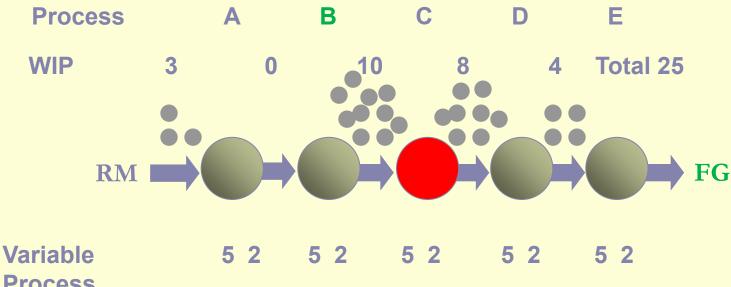


An Average of 5 means sometimes 3 and some times 7



Process

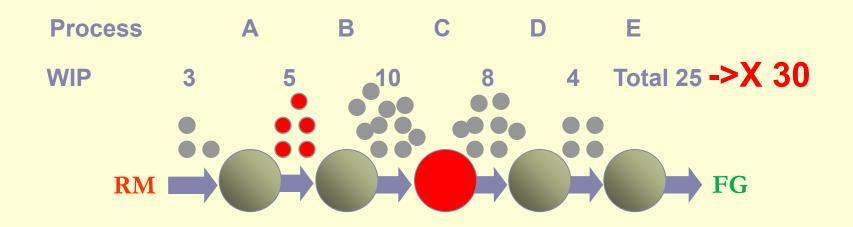
Shifting work-in-process creates large queues at some locations. This makes work wait longer to be processed.



Process

Shifting work-in-process creates large queues at some locations. This makes work wait longer to be processed.

Other workstations are starving for work (B) The work they could do is delayed because they have no input material. They can't take advantage of their extra capability. So......?



Variable 5 2 5 2 5 2 5 2 5 2

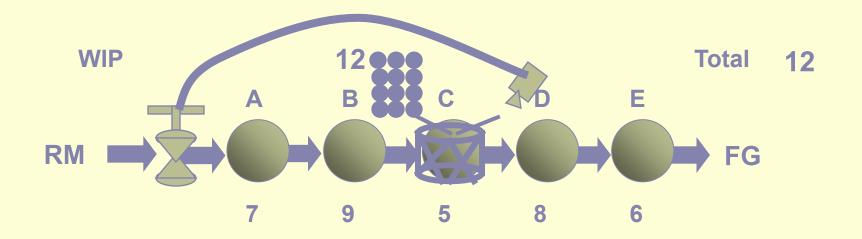
Process

So... Management Helps! Management puts in more work (Inventory) (rate of RM) to give everyone something to do! Result: It takes longer and longer from time of release until final shipping. More and more delay!!!!!!!!!

TOC Steps to Continuous Improvement

- Step 1. *Identify* the system's constraint.
- Step 2. *Exploit* the system's constraint.
- Step 3. *Subordinate* everything else to the above decision.
- Step 4. *Elevate* the system's constraint.
- Step 5. If a constraint is broken (that is, relieved or improved), go back to Step 1. But don't allow inertia to become a constraint.

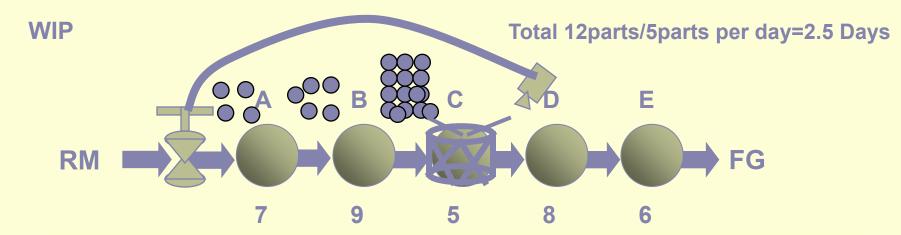
Five Steps Applied to Flow Operations



Five Focusing Steps

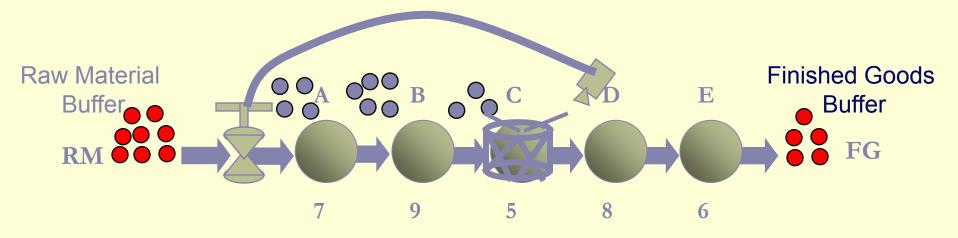
- **Step 1. Identify the Constraint (The Drum)**
- **Step 2. Exploit the Constraint (Buffer the Drum)**
- **Step 3. Subordinate Everything Else (Rope)**
- **Step 4. Elevate the Constraint (\$?)**
- **Step 5. If the Constraint Moves, Start Over**

Understanding Buffers



- The "Buffer" is Time!
- In general, the buffer is the total time from work release until the work arrives at the constraint.
- Contents of the buffer ebb and flow within the buffer
- If different items spend different time at the constraint, then number of items in the buffer changes
- but Time in the buffer remains constant.

We need more than one Buffer

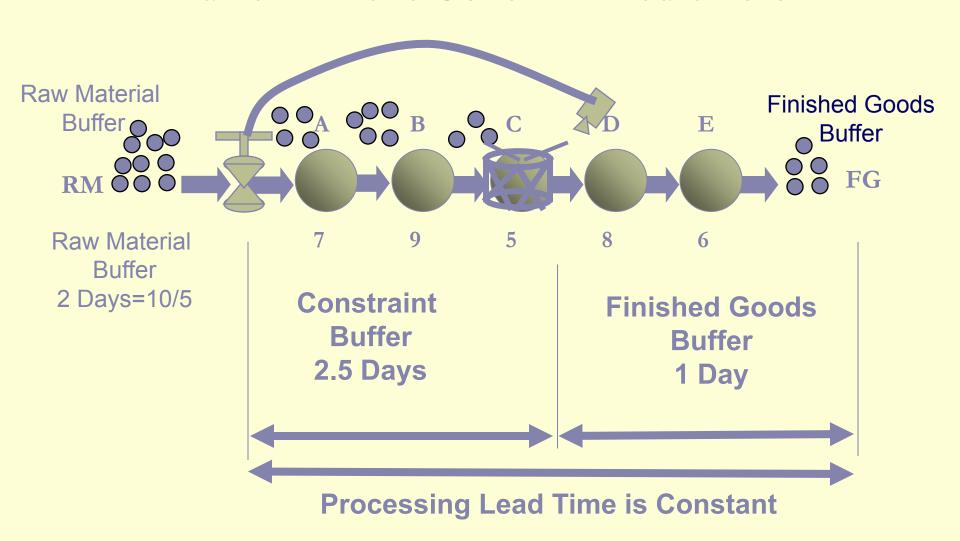


There is variability in the Constraint.

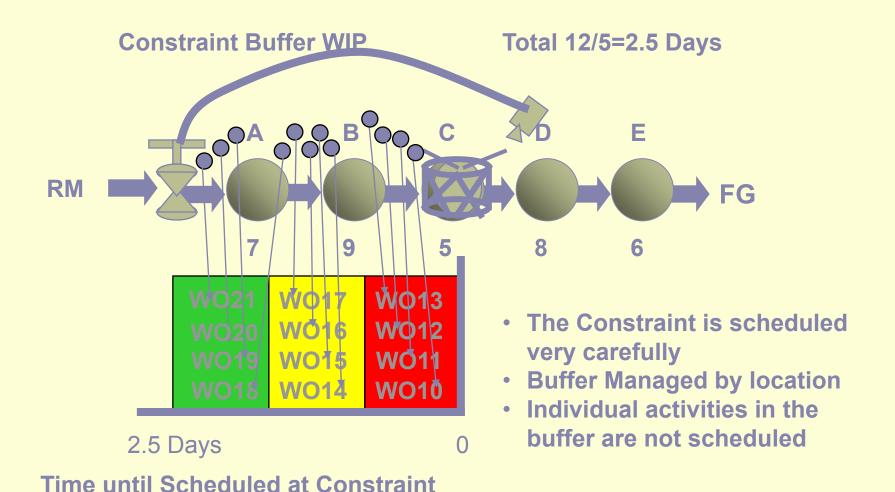
To protect our delivery to our customer we need a finished goods buffer.

There is variability in our suppliers. We need to protect ourselves from unreliable delivery.

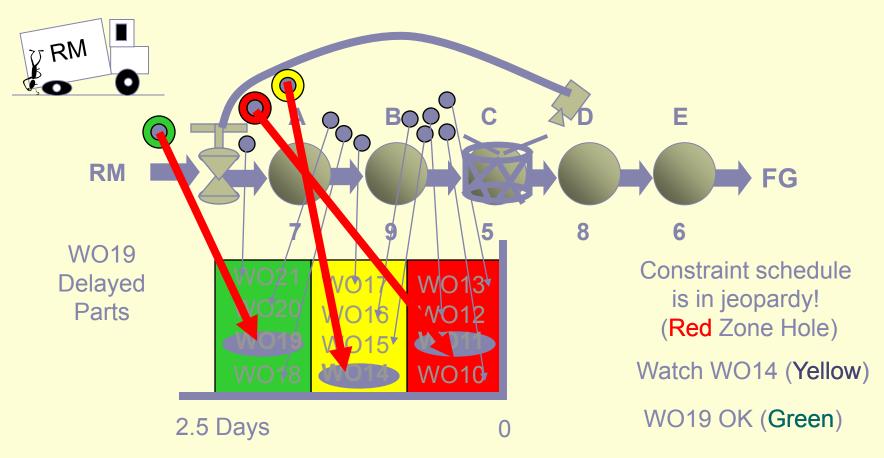
Buffer Time is Constant-Predictable



Buffer Management



Problem Identification

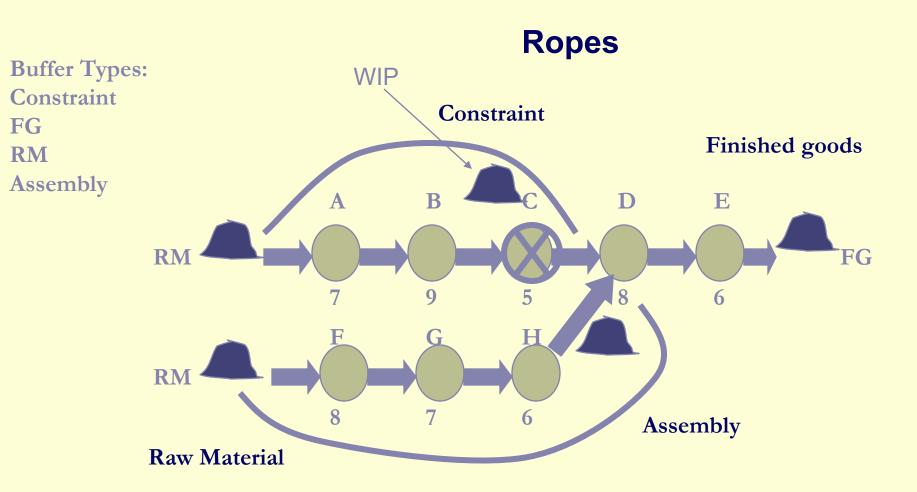


Time until Scheduled at Constraint

Additional Buffers

- Constraint Buffer (as we discussed)
 - Protects the Constraint from running out of work
- Finished Goods Buffer
 - Protects customer delivery from Constraint variation
- Raw Material Buffer
 - Protects the Release of material from suppliers
- Assembly Buffer
 - Facilitates speedy flow of products

Additional Buffers



Manufacturing is an integrating discipline



People
Organizations
Performance
Measurement
Assignments
Quality

Finance
Capital Projects
Uncertainty
Investment
Measures

Projects
Full Theory
Scheduling
Manage
Quality
Design for

Experiments

Operations
Optimization
Simulation
Decisions
Reliability
Supply Chain

Strategy
Corporate
Departmental
Subordination
Focus