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7th International TOCPA Conference
23-24 May 2013, South Africa

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Using TOC to buy time for changing Management Culture

Hendrik Lourens



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Hendrik Lourens has many years of industrial and managerial experience in the plastics industry behind him. He has a Masters Degree in Polymer Science and an MBA from Edinburgh Business School. He reads extensively on economics, investments, Systems Thinking, personality typing, philosophy and technical literature within his field of expertise. In 2003 he received the Plastics Institute of South Africa best paper award and he completed the Managing the Theory of Constraints Way programme of Goldratt Schools (2010)



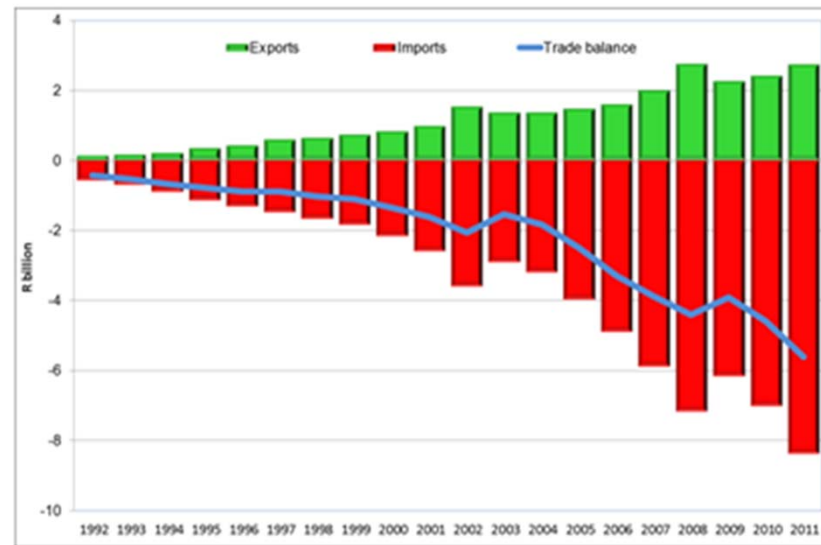
h_lourens@hotmail.com

0829089967



Plastic Imports increasing exponentially into RSA

Trade Balance



February 2012 – R 7,5 billion deficit



What are the reasons?

- Causes are:
 - Poor worker skills
 - Workers too expensive
 - Government not doing enough to support
 - Government interfering too much in labour laws etc
 - Unfair imports
 - Administered costs



Wrong!!

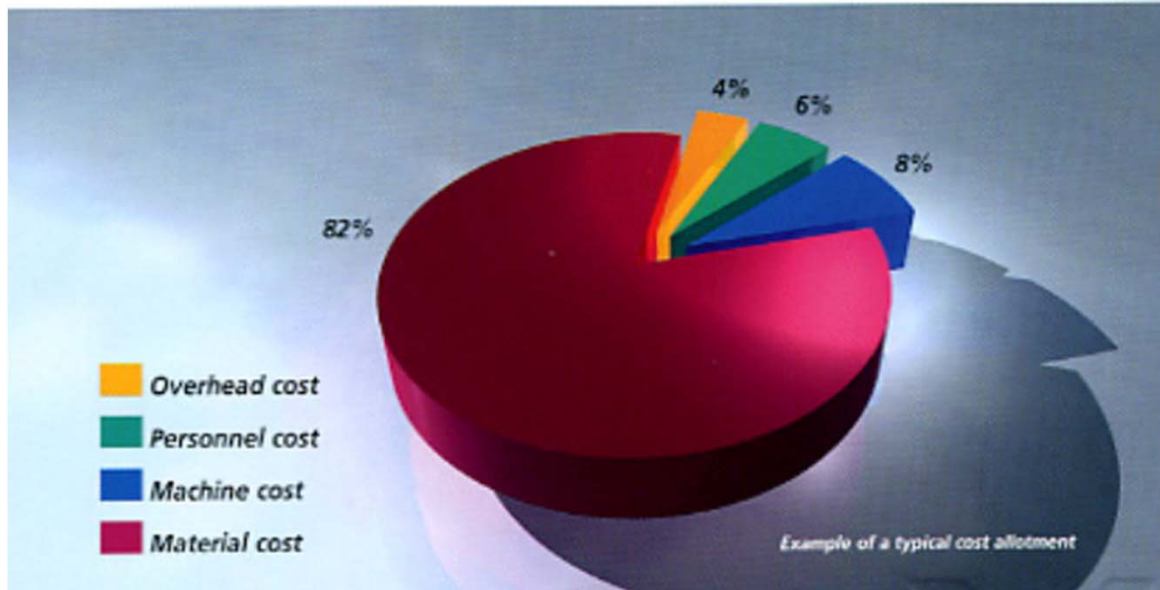
The reasons are not what we like to believe

- The exact contrary of what we believe is often the truth- Jean de La Bruyere
- It is better to do the right things poorly than the wrong things well- Russel Ackoff
- **Based on 20 years in the industry I would say “The Plastics Industry is doing a lot of wrong things very well!”**
- Doing the right things are solely the responsibility of management



What is the biggest cost in plastics manufacturing?

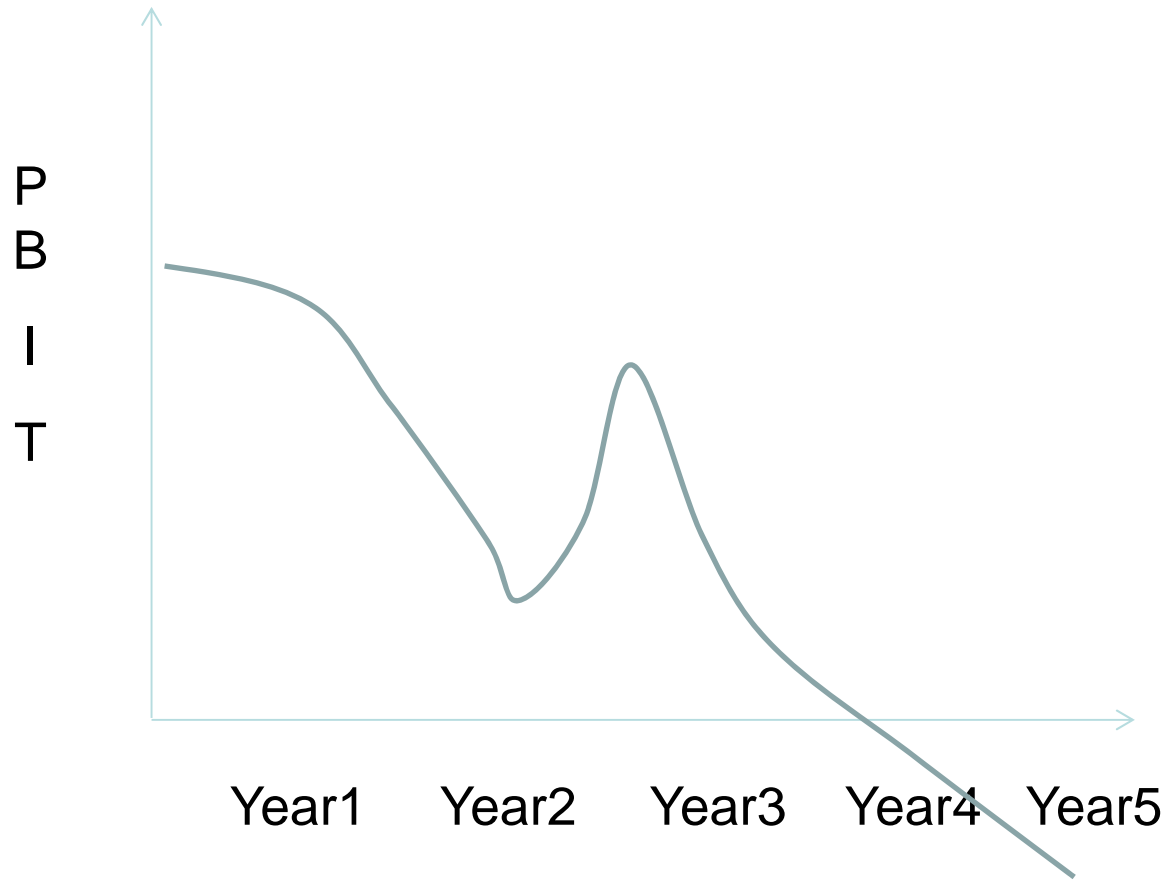
Why it is worth using an efficient and economic extrusion line made by BREYER:



The efficiency of the extrusion line is essentially determined by an optimized use of materials. High availability, low tolerances, minimum scrap and high throughput performance therefore are the standards by which our systems are conceived.



The Extrutech story-(compilation of the stories of many RSA companies)





What stopped management from putting the puzzle together?

Best practice (do what worked before)

Business environment becoming difficult to grasp by one person (CEO)

- Outdated mental models
- Information overload / stress!!!
- Cause – time delay – Effect

Management traps

- Hierarchy and the human need for esteem, authority (not admit ignorance)
- Undiscussable topics (attributing negative characteristics to those who disagree)
- Communication that is not truthful
- Debate instead of Dialogue

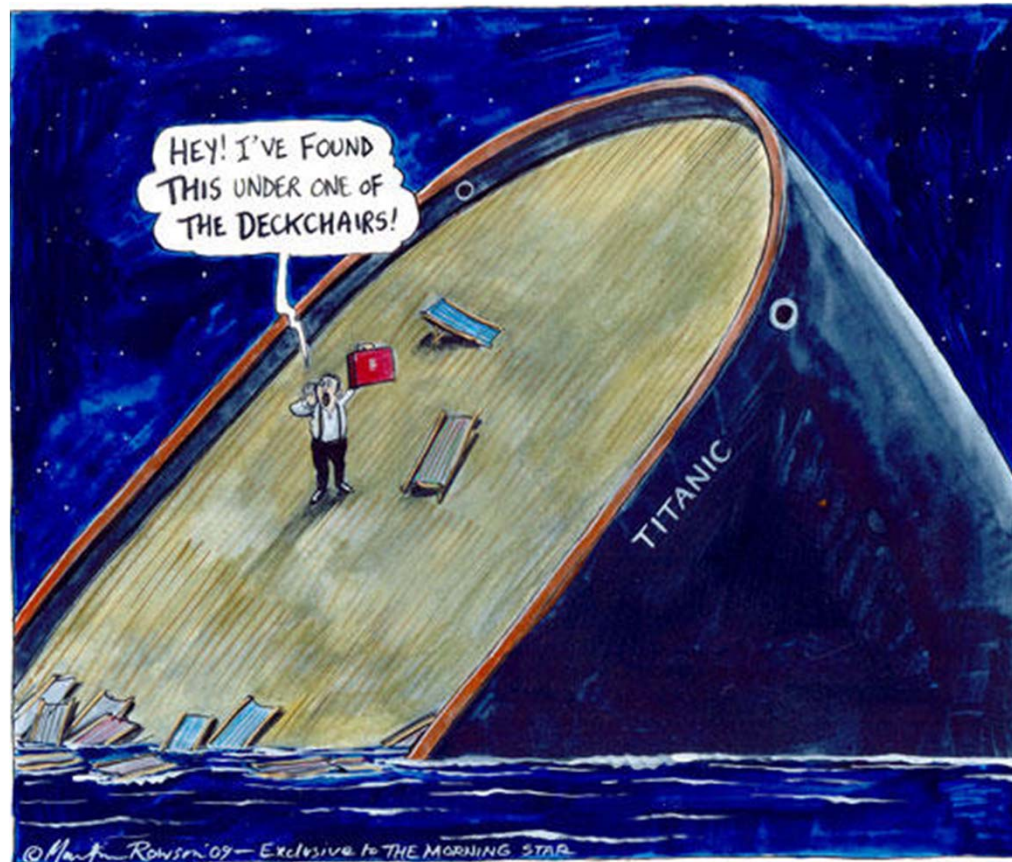


What did Extrutech management miss?

- The rules of the game were changing (monopoly)
 - Customers now had choice/information on lower price
 - Customers now required smaller orders at shorter LT
 - Competition became international
- Production costs had to come down
 - But costs mainly driven by age of equipment/cycles
 - This was not understood at top level (Machines in books totally depreciated=“good”)
- Shortcut solutions: increasing price seemed to work
 - But came at cost of more stock/ Hiding the problem



Missing the big picture





Stress narrows managerial span of attention

- As stress increases - management traps more pervasive
- Knee jerk reaction - go back to what worked before
- Dialogue and learning shut down
- Demonising of those attempting learning
- Do more wrong things well



Can TOC be used effectively where necessary prerequisites do not apply?

Prerequisites

- The company is in existence because it is similar in capability to the others it competes with.
- This is in terms of R&D, lead times, cost structure etc.
- The environment is reasonably stable so that the above stays valid.

Yes, but perhaps use it in a different way.



Roof sheeting business as an example of changing management culture

- Polyester Roof sheeting (R40 million sales per year)
- Sales falling 5 years in row, closure inevitable
- Some dependent setup characteristics, one foreign competitor
- Staff underqualified, demoralised
- Scrap cannot be reused, significant changeover costs
- Conflicts Sales, Finance (LT)
- Quality degraded to reduce costs
- Firefighting, planner had nervous breakdown, staff demoralised
- Time available- 2 days per month, weekly 1 hour call



TOC Solution

Solution

- Used UDEs to build CRT for Industrial and Distributor customers
- Identified DCE
- Distributors- Availability
- Industrial customers- Reliability at 2 weeks LT
- Load on one month period not allowed to exceed 70%
- Managed MTO and MTA with spreadsheet drawing data from Syspro.

Outcome

- Reduced firefighting immediately
- Management time freed up, stress reduced,



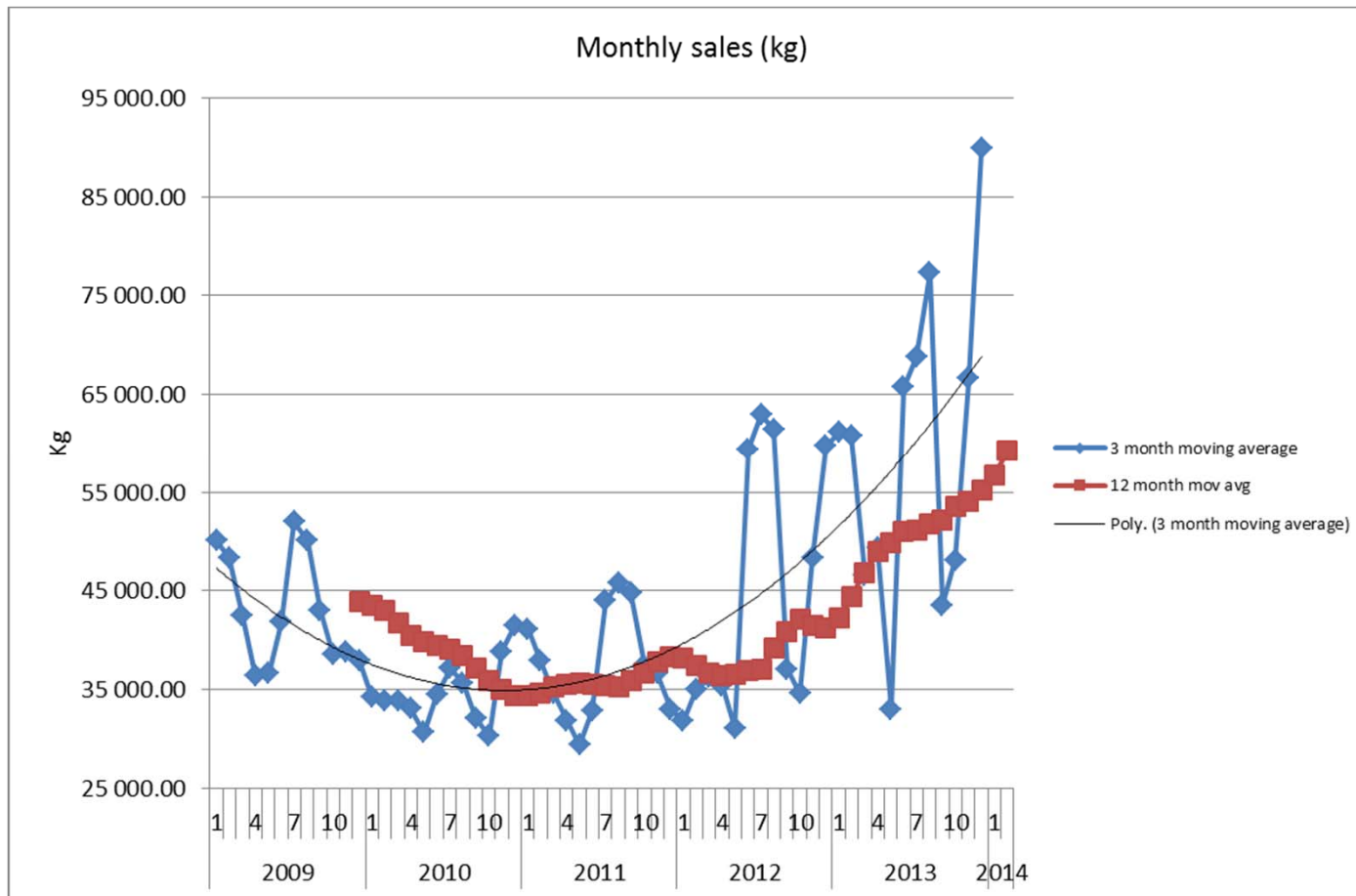
Had to empower personnel to introduce solutions themselves

Purpose, Mastery and Autonomy

- Strategic Learning
- Strategic Alignment
- Dialogue and humility



A Turnaround affected within a year





- Managers need to do strategy themselves- templates
- Strategic Learning
 - Insight: The ability to make sense of the changing environment (Situational Analysis).
 - Focus: Winning proposition to get customers against competitors



- Alignment: The ability to align and mobilize the entire organisation behind this strategic focus.
- Execution: The ability to implement fast (implement and experiment).
- Renewal: The ability to do the these things over and over without stopping.





Strategic Alignment (Prof Michael Beer)

- Every strategy requires the organisation to align
- Management traps prevent feedback regarding problems from grassroots level.
- Strategy/alignment get out of synch
- Strategic alignment process bypasses this problem



- Stage 1: Developing a concise statement of strategic and organisational direction (Top Team)
- Stage 2: Collecting data on strengths and barriers to implementing strategy (Task Force)
- Stage 3: Task force feedback to the top team: the three-day fitness meeting (Task force)
- Stage 4: Developing an integrated plan for change



- **Part One**
- the top team started to develop plans for redesigning the organisational and management processes

- **Part Two**
- The task force evaluated the plans developed by the top team..



- **Stage 5: Implementing the plan with commitment from key managers**
- The top team communicated to the organisation what had happened, what changes were coming and why.



Summary: Drawing a new map

- The world is more dynamic than we think
- Many people know a part of the puzzle
- The problem is to put the pieces together
- We need to focus on the few critical issues
- Managers need to do this for themselves



- We need to bypass aspects of human nature working against our success. (Management Traps, Mental Models)
- Proper Dialogue along with Strategic Learning and Strategic Alignment will help us do the right things well
- TOC will buy us time to put the new culture in place

