



# **Implementing TOC in small and micro companies**

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## **Agenda**

- Why small companies ?
- Typical (?) small company
- Where is constraint in small company
- Exploiting and subordinating
- Questions for thinking



## Small and micro companies – who are they ?

	AUS	US	EU
Minute/Micro	1-2	1-6	<10
Small	<15	<250	<50
Medium	<200	<500	<250
Large	<500	<1000	<1000
Enterprise	>500	>1000	>1000



## Impact of SME in EU\*

- 98% out of 21 million enterprises
  - 1 person 57%
  - Micro 34%
  - Small 7,7%
  - Medium 1%
- SME are 58% in GDP
- Employment
  - Micro 29%
  - Small 21%
  - Medium 17%
  - Large 33%

\*- Source: 9<sup>th</sup> European Conference On Corporate Governance



## **Small and micro companies – who are they ?**

- Owner = Manager
- Business just ‘happened’
- Management without formal business education
- Focus on other than “money making”
- No formal procedures or measurements
- We are family

But...

- No common nonsense (silo mentality, cost accounting, etc)



**There is a belief...**

- During its first 5 years 90% of small business go bust
- During second 5 years 90% of survived small business go bust



## **Unexpected challenges**

- What is the goal of business ?

To make money NAITF.

**REALLY ?**

- Necessary conditions for successful business ?

Stability and Growth

**REALLY ?**



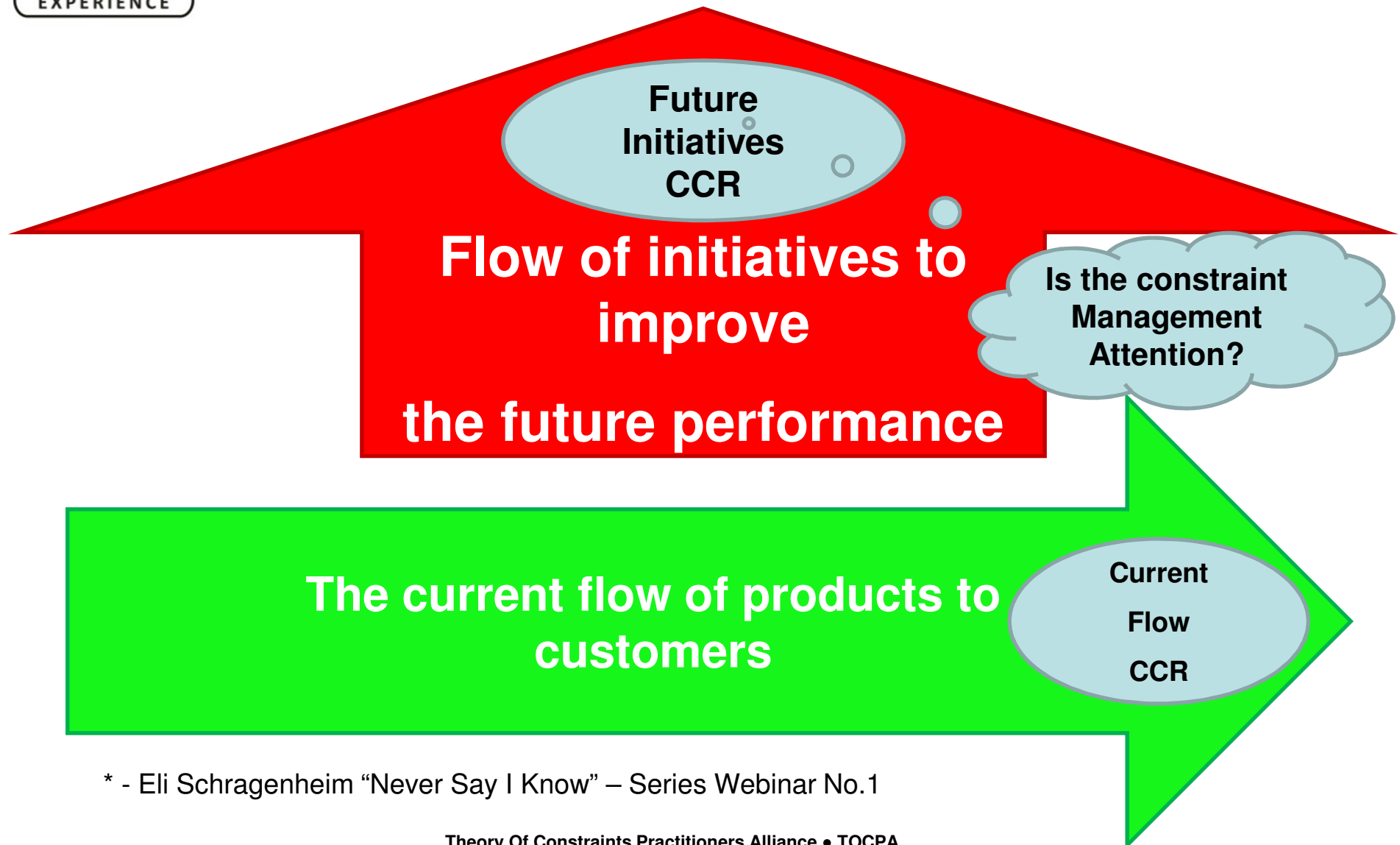


**We are different ☺**

- Not enough sales or customers
- Unreliable and costly suppliers
- Cash problems
- Too expensive skilled staff
- Failing on promises to customers
- Owner working 24/7
- ....



## The organization's two main processes\*



\* - Eli Schragenheim "Never Say I Know" – Series Webinar No.1



## **5 focusing steps**

1. Identify (choose) the system's constraint.
2. Decide how to exploit the system's constraint.
3. Subordinate everything else to the above decision.
4. Elevate the system's constraint.
5. If the constraint is broken go back to step one but do not allow Inertia to cause the system's constraint.



## **1. Identify (choose) the system's constraint.**

What is manager/owner busy with ?

- Ensuring current flow
- Working with future initiatives
- Working as a part of current flow

**Fires**

**Likes**



## **1. Identify (choose) the system's constraint.**

- Manager/Owner is the constrain:
  - Capacity
  - Capability
  - Motivation (?)



## **2. Decide how to exploit the system's constraint.**

- Can we exploit (absence of) Motivation ?
- How to exploit Capacity ?
- How to exploit Capability ?



## Exploiting capacity

### S.Covey Time quadrant

	Urgent	Not urgent
Important	I	II
Not important	III	IV



### **3. Subordinate everything else to the above decision.**

- If Owner/Manager is the constraint,  
then we have to subordinate to him
- Subordinating to Owner/Manager is easy.

**REALLY ?**





## **Subordinating**

- We have to subordinate to the decision, not to constraint
- Constraint does not manage itself
- How to make sure owner subordinates to the decision ?



## **Questions for thinking .**

- Should we emphasize money making, growth for small and micro companies ?
- Does TOC have tools on exploiting and subordinating Owner (hes attention) as a constraint ?

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