

Chapter 8

The Lessons of Human Resource in The Theory of Constraints

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ABSTRACT

*This article describes how human resource management is a field encompassing the interactions between people working within an organization. This area incorporates the process of acquiring, training, appraising, and compensating employees as well as attending to their labor relations, health and safety, and fairness concerns. In this article, the roles of human resource management and how they impact the overall business are discussed in three sections. The first section uses Eli Goldratt's *The Goal* as a template to discuss the functions of human resource. The second section discusses how technology impacts human resource management. Lastly, the third section discusses human resource management's ability to create continuous improvements and increase overall quality.*

1. INTRODUCTION

1.1. Introduction and Background

The Goal: A process of Ongoing Improvement by Goldratt discusses how, by adopting the theory of constraints (TOC), Human Resource (HR) managers can change a company from making small or no profits to being highly profitable. The book revolves around improving customer relations and employee work performance factors such as training, communication, and administration. According to the book, the major hindrance to making a business profitable is bottlenecks, which prevent functioning at maximum capacity. Such bottlenecks are caused by factors such as imprudent use of labor, weak flow of work, and machinery standing idle. The primary consequence of such issues is that orders get completed late, thus leading to unhappy clients who inform others about their displeasure. This leads to a decrease

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in sales and potentially increased layoffs. The TOC is therefore introduced, which centers on the use of bottlenecks (ineffective machines) only to enable a firm to attain its goal of generating money and surviving in the future.

Eliyahu Goldratt stands out amongst the most compelling individuals in the study of how to handle a business. His incredibly famous book the TOC has updated organizational structures far and wide. *The Goal: A Process of Ongoing Improvement* was distributed before The TOC, yet incorporates the center thoughts that Goldratt develops in the last book. *The Goal* is interesting because it clarifies a plan of action in detail using fiction. Indeed, the story incorporates numerous individual show components. Alex, the principal character of the story, has broad marital issues since he invests energy excessively at the plant and overlooks his mate and kids. Alex, in the long run, learns to balance home and work life after he resolved the bottleneck issues and established proper business procedures.

The Goal discusses increasing throughput, decreasing operating expenses, and reducing inventory. Human resource management is responsible for overall employee relations, including employee performance. It is the work of HR to ensure that policies and procedures concerning employee relations are well coordinated and match the company's goals and objectives. In the context of this book, Alex, the plant manager, was coached by a management expert (Jonah) to optimize the firm and prevent its impending closure. Alex and his executive team identified bottlenecks as the primary cause of reduced profits. Management developed concepts to overcome the bottlenecks, which resulted in increased profitability, until other bottlenecks occurred. After handling several bottlenecks, the team came up with an array of methods to tackle them. These policies became a blueprint for resolving all bottlenecks that arise during manufacturing operations. Keeping in mind the end goal to gain a solid footing and advance himself in his industry, Goldratt established the Avraham Y. Goldratt Institute (named after his dad) in 1996. Throughout the years, Theory of Constraints (TOC) specialists have extended his model and contracted with organizations to enhance their primary concern potential. At this point, the TOC show has been connected to differing industry divisions, including aviation, car, development, resistance, dispersion, training, social insurance, fabricating, administrations, semi-conductor, innovation, and media communications.

The rundown of customers that the AGI-Goldratt Institute serves is amazing. It incorporates more than 50 organizations, including a portion of the world's most prestigious organizations, for example, 3M, Boeing, General Motors, Intel, and Lockheed Martin. Goldratt's TOC has is rated as the best approach to structure a business, regardless of type. Any business will have impeding elements that straightforwardly influence its capacity to build its net benefit (primary concern).

The focus of the book, *The Goal*, is to use principles of process improvement in order to improve factory performance and competitiveness in their market. The Town of Bearington had been losing major employers. Many companies left to escape the union politics and economic pressures. They also started paying lower wages in an effort to make more money. This increased the town's unemployment rates. Also, Uni-Co had a major layoff only six months prior, adding to unemployment rates. The impending plant closure meant that there would be layoffs. The plant is a symbol of vitality, a sign of rebirth for the town and the anchor pulling the whole company together. However, Uni-Co is a unionized plant and maintained good labor and union relations. No major grievance filings were mentioned in the book.

Bearington is the hometown of Al Rogo, a plant manager of Uni-Co. He had been away for many years, and was transferred there six months earlier inheriting the plant in its current state. His boss Bill Peach sees potential for improvement in the plant and believed Al could turn it around. Al Rogo came from a different culture. Peach was his manager, open to innovative ideas, and a strong belief that employees

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