

Abstract 2 (KEYNOTE): Applying TOC to Government: A Better Management Paradigm!

During the first month I started improving government full time in 2012, my executive director flew with me to meet Kristen Cox in her new Governor's Office of Management and Budget in Salt Lake City, Utah. I thought then, as I have for many years, that introducing TOC into government operations would result in decisive improvements in service delivery and efficiency. *But that mindset was too limited in scope.* True, TOC-based continuous improvement has had great results; but it has also accomplished something much more lasting and magnificent: a better management paradigm. It has created a way for managers and directors in government to effectively conquer the bewildering and multifarious demands made on their teams and achieve focus to meet citizen demands.

The message I intend to share at TOCICO in Berlin: Over the last seven years I have witnessed the implementation of 41 TOC-based improvement projects first hand and, through my communications with peers, seen the results of over 100 other TOC-based improvements in dozens of other government agencies. What has emerged is not just a mandate to use TOC to improve government, but to use TOC to *run government*.

TOC has enabled dozens of managers and directors to become more effective leaders and public servants. This case study abstract tells their story:

Step 1: What to Change?

- A. The widespread conviction in government is that we need to focus on activity (instead of productivity of services). We must change the way government measures its ability to provide ever-improving service and increasing value per dollar. Every week or month managers need to know what items of value their teams produced and how much it cost the taxpayer to produce it (a measure of *quality throughput over operational expenses*, QT/OE).
- B. All too prevalent "McGregor X" mentality of government leaders. Enable government leaders to see the inherent good in the people who work for them and have given so much of their lives to serve in government. Enable citizens to see the inherent good in their government and the people who do the work of government. Earn the respect and appreciation of our citizens.
- C. A fear of measurement. Instead of believing metrics will be a stick to punish government teams, we need to embrace measurement as a way to get operational bio-feedback. As Eli Goldratt wrote in *The Haystack Syndrome*, "Show me how you measure me, and I'll tell you how I'll behave."
- D. The culture of allowing any and all choopchicks to multitask government and distract them from value creation.
- E. Shaky confidence in government teams. Let's put TOC tools in managers' hands. We must inspire a confidence that "every conflict can be resolved." Instead of tolerating a conviction that government is always under-resourced, provide managers the TOC based tools to break constraints, dilemmas, and catch-22s. Help government leaders transition from human pincushions to confident value-creators.

Step 2: What to Change to?

We need to develop the following tools and concepts and offer every governmental manager a TOC-based path to pursue POOGI. These tools are 1) throughput operating strategy 2) capacity model 3) a visual standard operating procedure 4) a dashboard measuring production, quality, time, customer satisfaction, and cost. Strategic Compasses -- Throughput Operating Strategies (TOS), like those

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designed by Robert and Kevin Fox, at every level in government (office, department, division, and agency).

a. A TOS, or Strategic Compass, is a physical manifestation of the 5 Focusing Steps in government. It identifies the goal of the organization and portrays a simple vision of “what good looks like.” The TOS is a satellite view of the organization as it takes inputs through its processes to produce quality throughput. It is the “north star” of the organization reflecting team consensus on the value the organization creates. This single document is also referred to as a “logic map” in the social sciences.

b. The TOS depicts the main constraint of the organization and the flow of value (products or services) through that decisive point. Generally, there are one or two processes that simply cannot keep pace with the rest of the organization or customer demand and therefore constricts the flow of value through the organization. Improvement teams must identify these bottlenecks to maximize the flow of value through these points by ensuring other processes in the value-chain subordinate themselves to the constraints which determine the overall productivity of the system. Below is an example of a TOS created by a Human Resources team in a ReEngine assessment session. The strategy clearly depicts the goal of the organization.

Journey Board. The Journey Board is a workflow capacity model. This model depicts how the team will achieve its performance objectives over a given time period. A workflow capacity model allocates manpower and resources to accomplish all the essential tasks of the organization. It is an imagined system that, in our mind’s eye, is operating effectively and efficiently to accomplish all organizational objectives. This workflow model is a visual portrayal of the teamwork and time necessary to accomplish the intended value for customers.

This workflow capacity model ties individual performance with team productivity. The role of the individual is defined in terms of team expectations; in turn, the performance of the team is defined as the cumulative effort of the individual efforts. Managers can compare actual employee performance with this rubric as they apply judgment and leadership. This type of model-building can be applied to virtually any type of work to determine the completion rate and optimum amount of on-hand work. In the ideal state the Journey Board demonstrates what the organization is capable of when it is in a positive, goal-achieving stride. Government team-members can look at the Journey Board and say, THAT is what we can work together to accomplish.

2. Visual standard operating procedures (visual SOP’s). Government is complex. If steps are not captured in a standard procedure the frictions and frustrations of rules, policies, precedents and conflicting stakeholder guidance, can quickly bring the gears of government to a halt. If institutional knowledge and wisdom resides exclusively in senior staff there will be a brain-drain when they depart. It is important to recognize that not all process improvement techniques are as effective in government as they are on manufacturing assembly lines.

3. A dashboard measuring production, quality, time, customer satisfaction, team development, and cost enables managers to steer their organizations and make data-driven decisions on a daily basis.

4. TOC POOGI wherewithal –The objective is to provide managers TOC thinking tools, TOC mindsets, and other proven continuous improvement techniques. Step 3: How to Cause the Change?

A critical aspect of this change-implementation is the introduction of the new bottom-line for government or quality throughput over operational expenses (QT/OE, developed by Eli Goldratt and Robert Fox, and discussed in *The Race* (Croton on the Hudson, NY: North River Press, 1986). This financial and production accounting tool has great utility in government. It has enabled government to measure its ability to provide ever-improving service and increasing value per dollar. This will give

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government the ability to tie value to cost. Educating every manager on QT/OE and reporting it, quarter after quarter, in their dashboard will provide foundation for this change. It is important to recognize that this paradigm creates an ecosystem where graft, waste, and abuse cannot exist. Consequently, this paradigm is especially important in developing nations where every ingot of government resources needs to be efficiently and effectively leveraged. In summary, if every manager at every level of government is outfitted with a TOS, capacity model, visual SOP, a dashboard with QT/OE, and basic understanding of the theory of constraints we enable our governments to meet the needs of the nations they serve. Managers will be able to anticipate problems and make data-driven decisions. Their limited attention will be focused on the most important constraints. They will be able to resolve the dilemmas facing government and use strategy and tactics tools to make the engines of government even more effective and efficient.