

# **Fostering Sustainable Growth: The Role of TOC in Systemic Entrepreneurship**

Dr. Bonatsos Spyros

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TOC INNOVATION SUMMIT 2024

NETWORK. DISCOVER. BE INSPIRED.

What is the **one constraint** holding back the full potential of systemic entrepreneurship to drive sustainable growth in today's complex world?

## Contents of Presentation

### Fostering Sustainable Growth: The Role of TOC in Systemic Entrepreneurship

1. Systems and constraints.
2. Management of Physical Constraints.
3. Management of Policy Constraints.

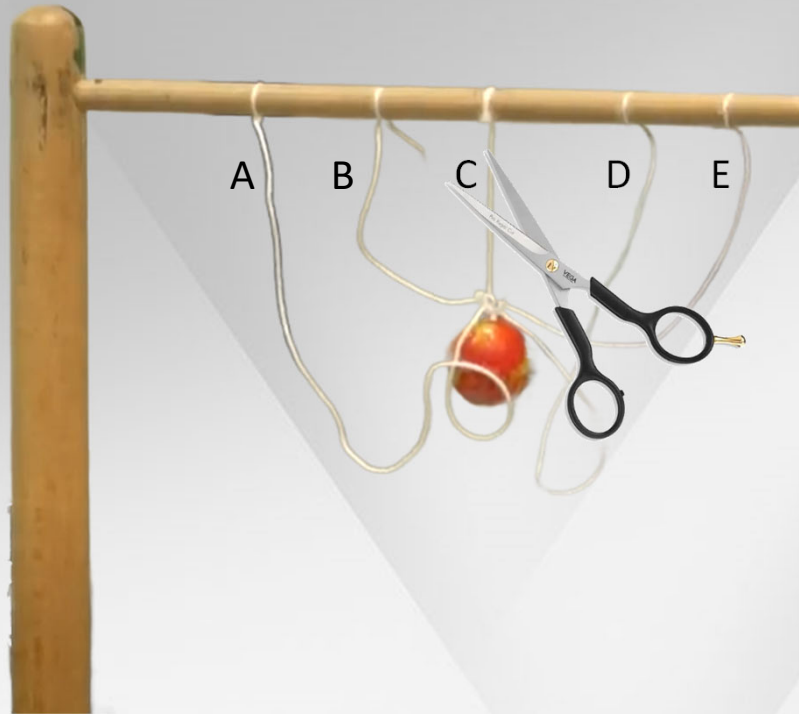
## Theory Of Constraints (TOC) Definition

The Theory of Constraints is a process of continuous improvement that identifies the **system's constraint** and focuses efforts on **maximizing the performance** of that constraint to improve the entire **system's output or goal achievement**.

## A management System – one constraint....

**Goal: Lower the Ball yet keep it attached.**

There is a cost of 10.000 euros for a wrong decision.

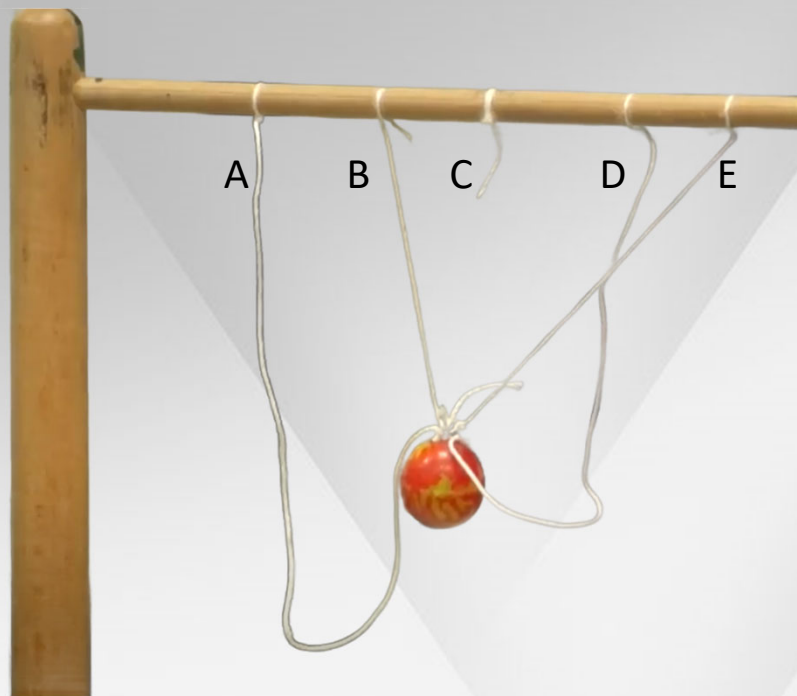


- A. Production
- B. Sales
- C. Marketing
- D. Development
- E. Engineering

## A management System – two constraints....

**Goal: Lower the Ball yet keep it attached.**

There is a cost of 10.000 euros for a wrong decision.



- A. Production
- B. Sales
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## Non-Linear Equations...

- Goal: Lower the Ball yet keep it attached.

Minimize:  $Y$

subject to:

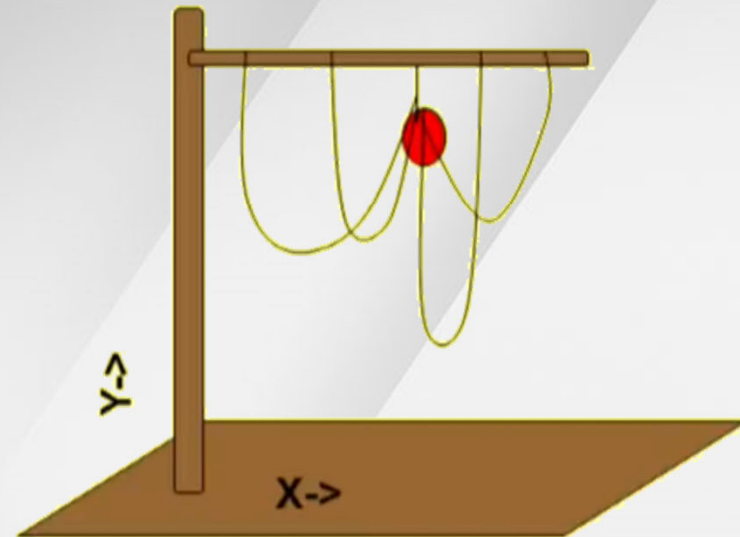
$$(X-1)^2+(Y-8)^2\leq 24$$

$$(X-3)^2+(Y-8)^2\leq 14$$

$$(X-5)^2+(Y-8)^2\leq 2$$

$$(X-7)^2+(Y-8)^2\leq 22$$

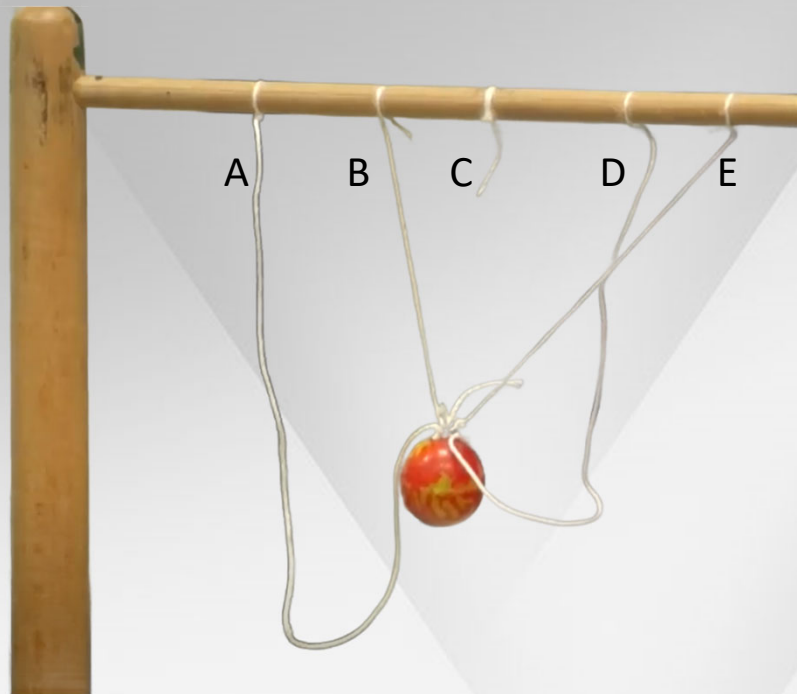
$$(X-9)^2+(Y-8)^2\leq 26$$



## A management System – two constraints....

**Goal: Lower the Ball yet keep it attached.**

There is a cost of 10.000 euros for a wrong decision.



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# Our Reality...

## Our Limited View of Reality

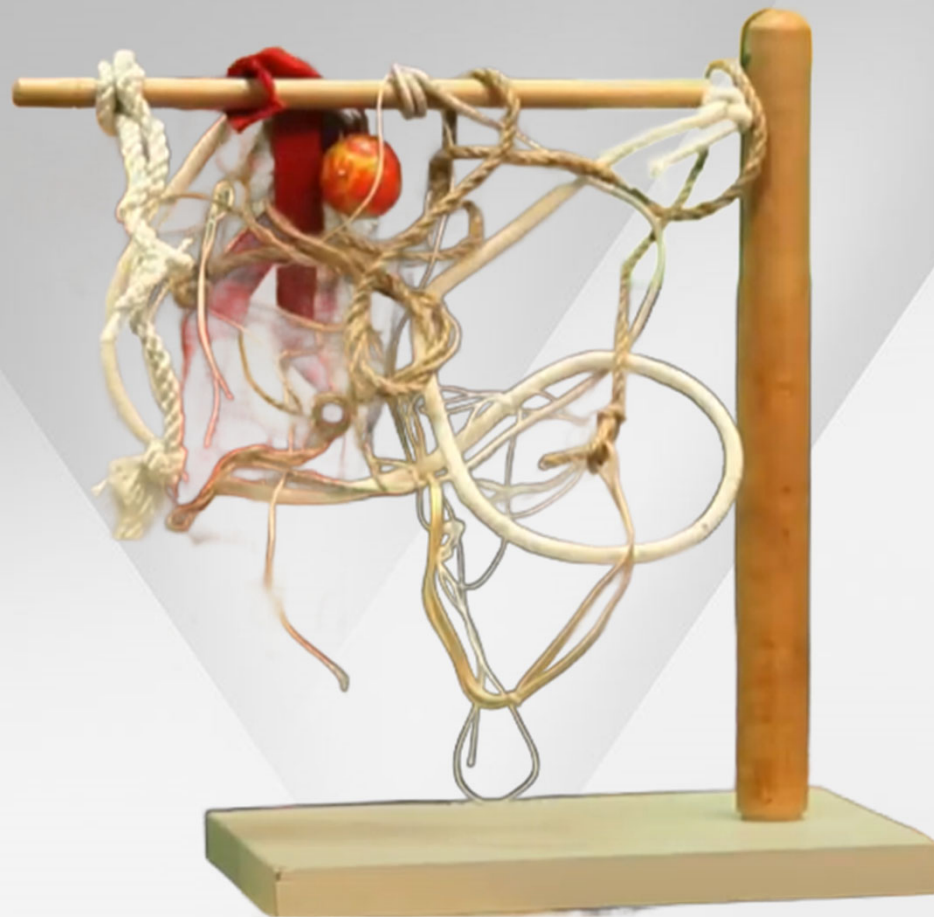
- Information
- Data
- Beliefs
- Attitudes



## **Our Reality – where is the ball?**



## Alternative views...



# The two main functions of a company

Operations Management

Commercial Management

Meet  
Demand

Create  
Demand



ENABLERS

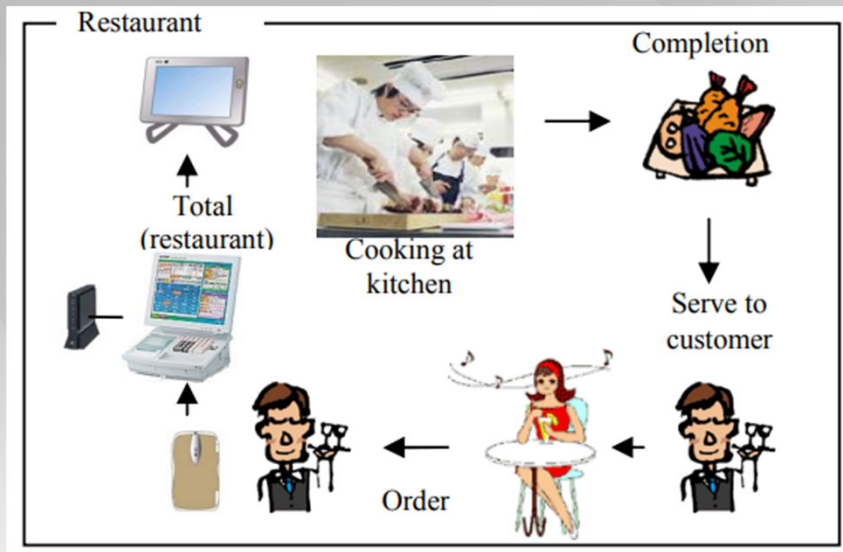


# The main two functions of a company

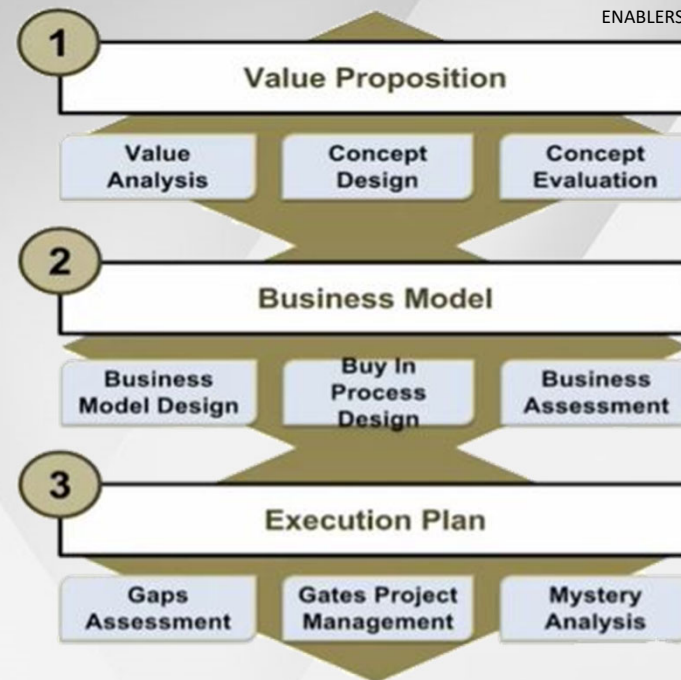
## Two Types of Constraints

1. Physical Constraints
2. Policy Constraints

### Meet Demand



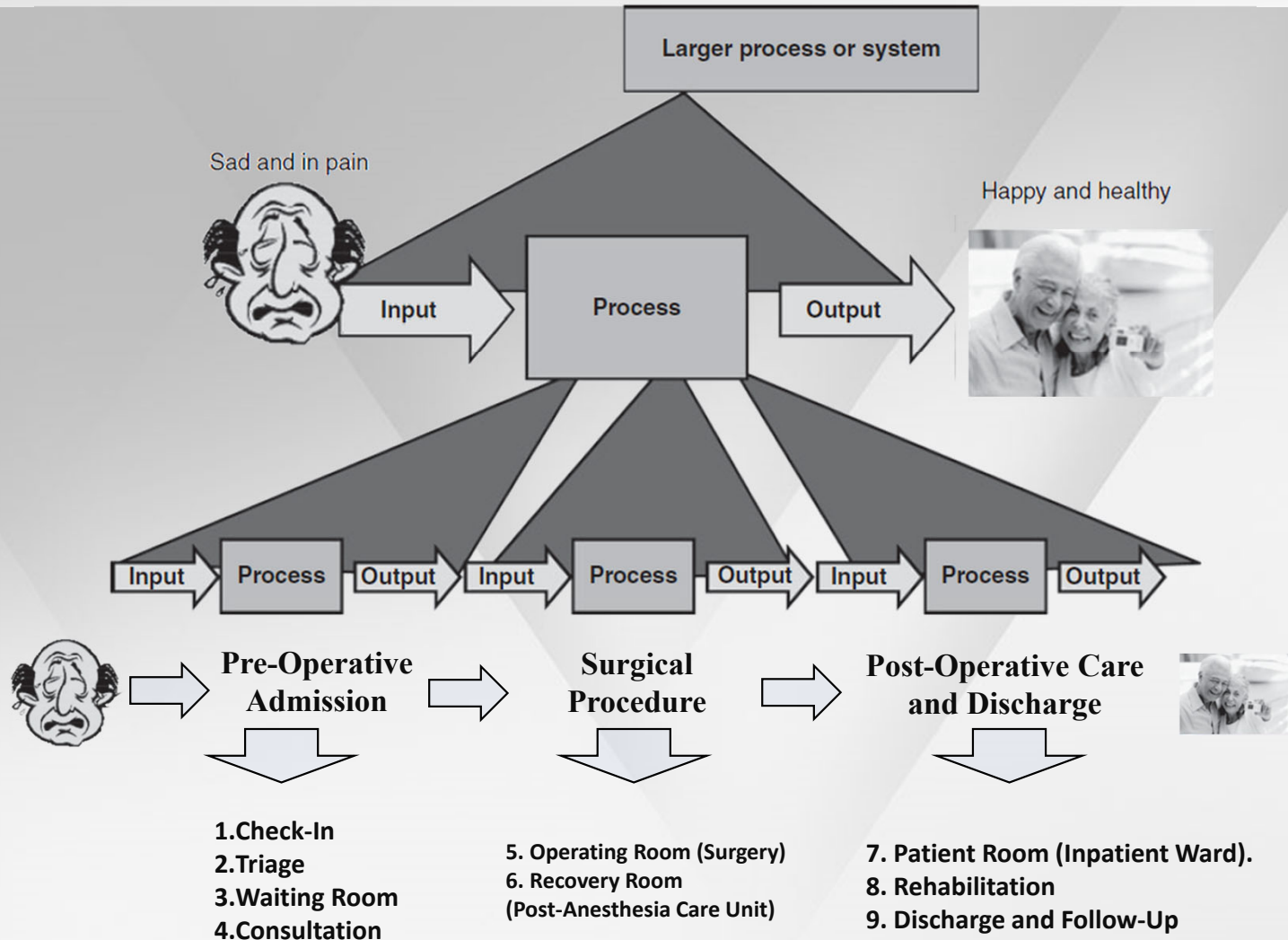
### Create Demand



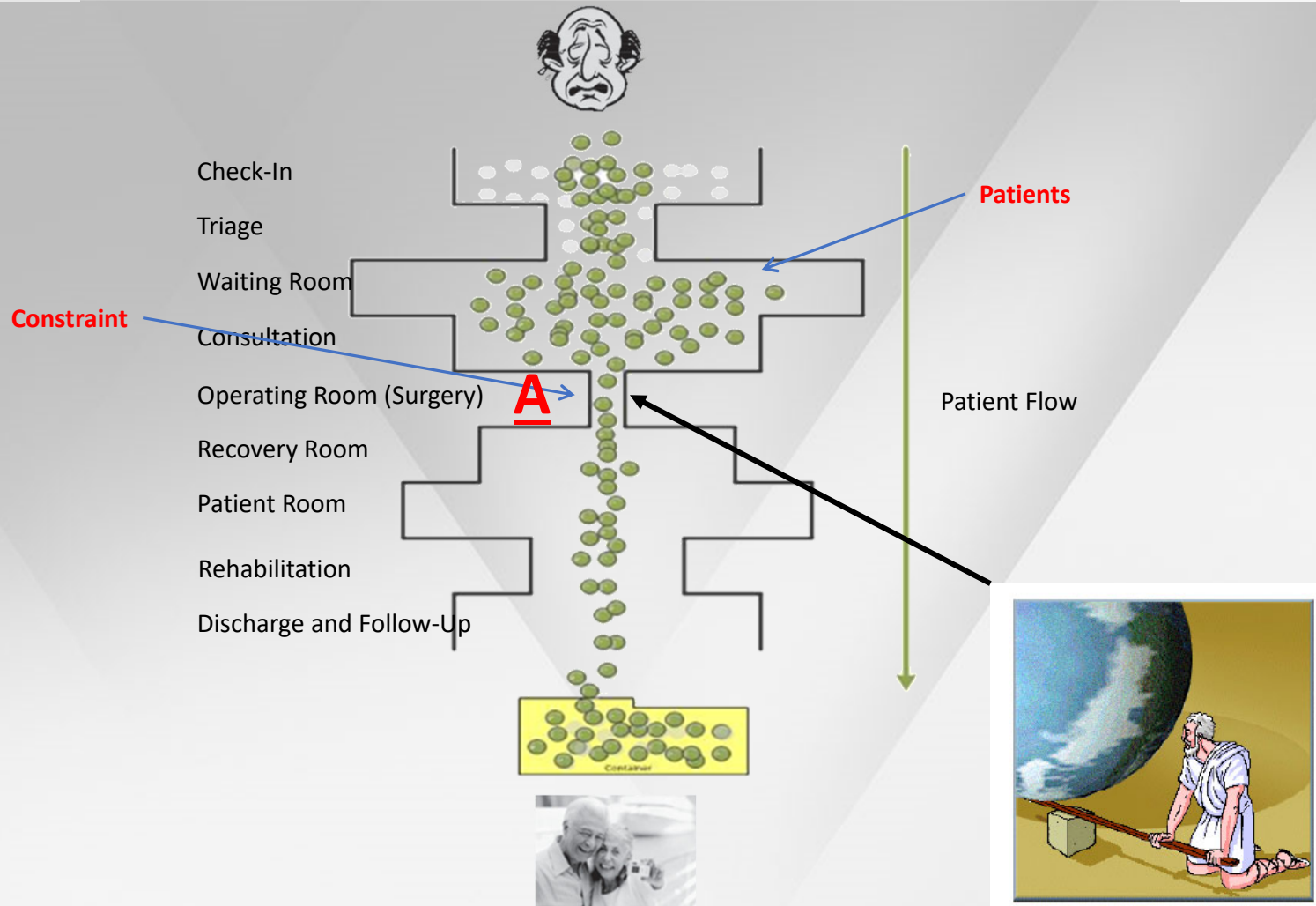
# **Physical Constraints**

(The five focusing steps & DBR)

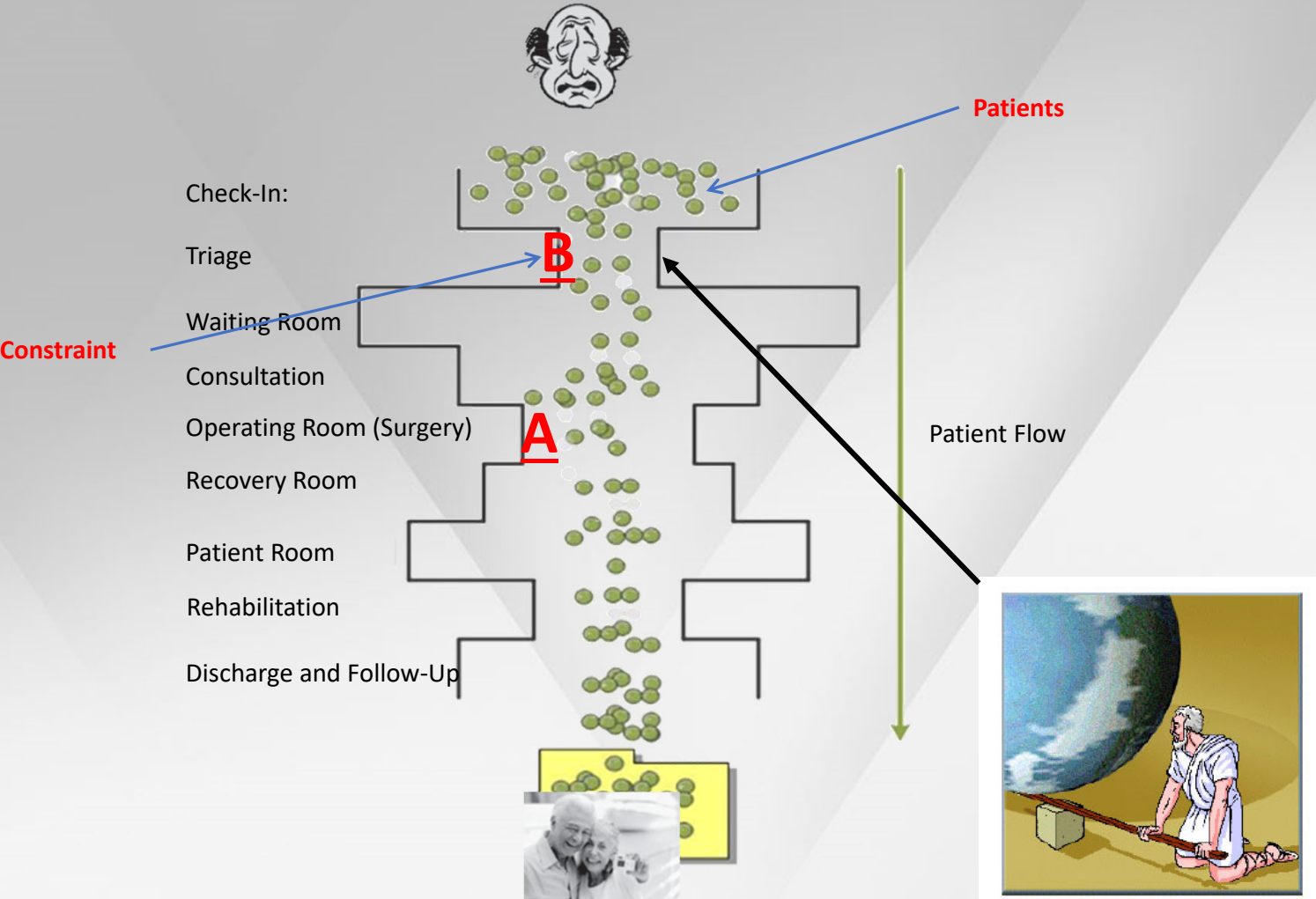
# A healthcare setting...



# Process Of Ongoing Improvement (POOGI)

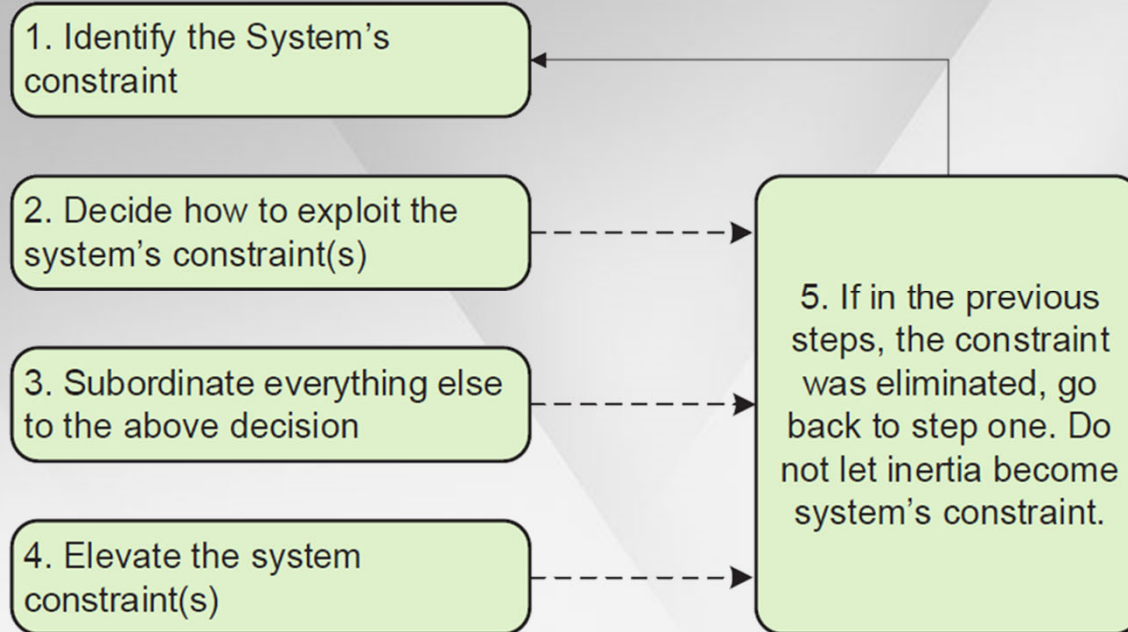


# Process Of Ongoing Improvement (POOGI)

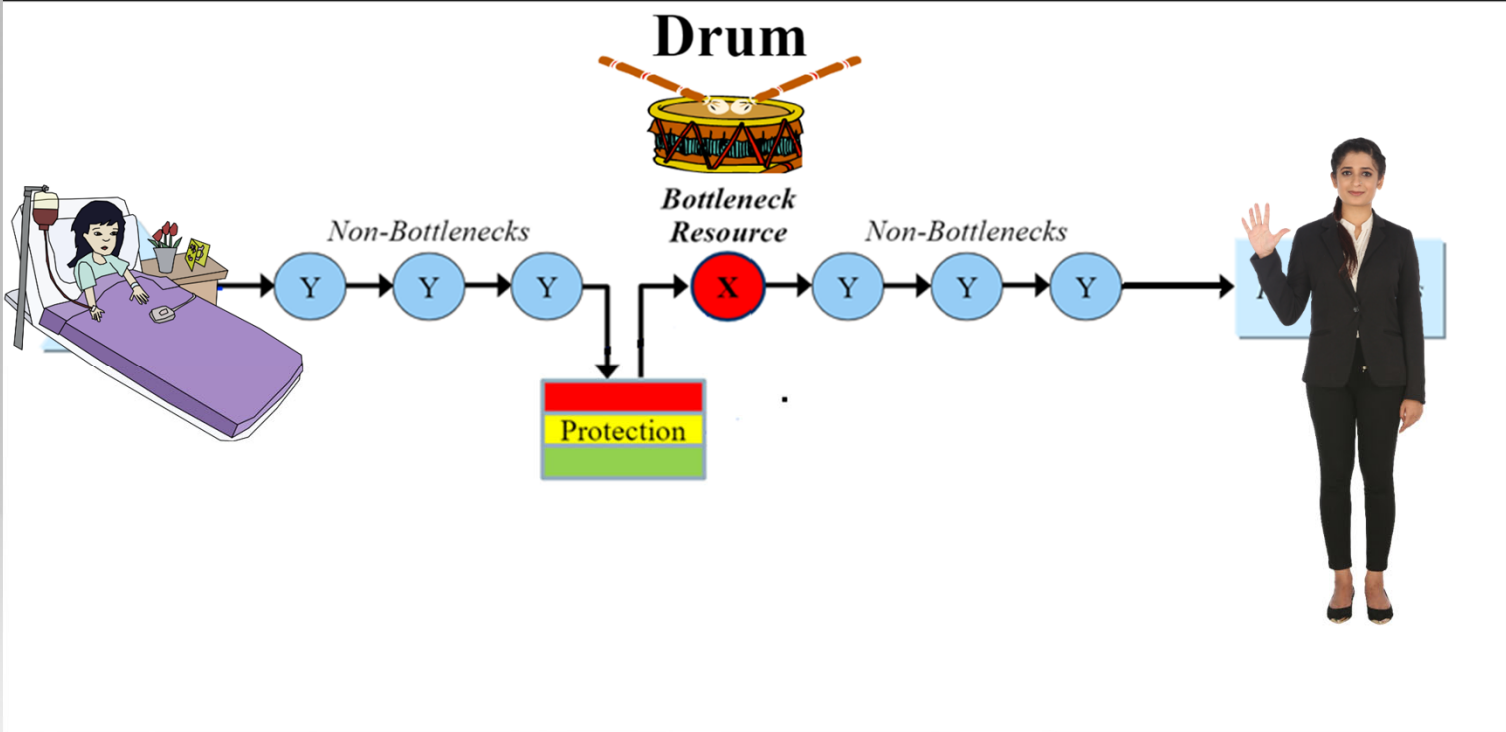


## Decision Making Mechanism 5 Focusing Steps

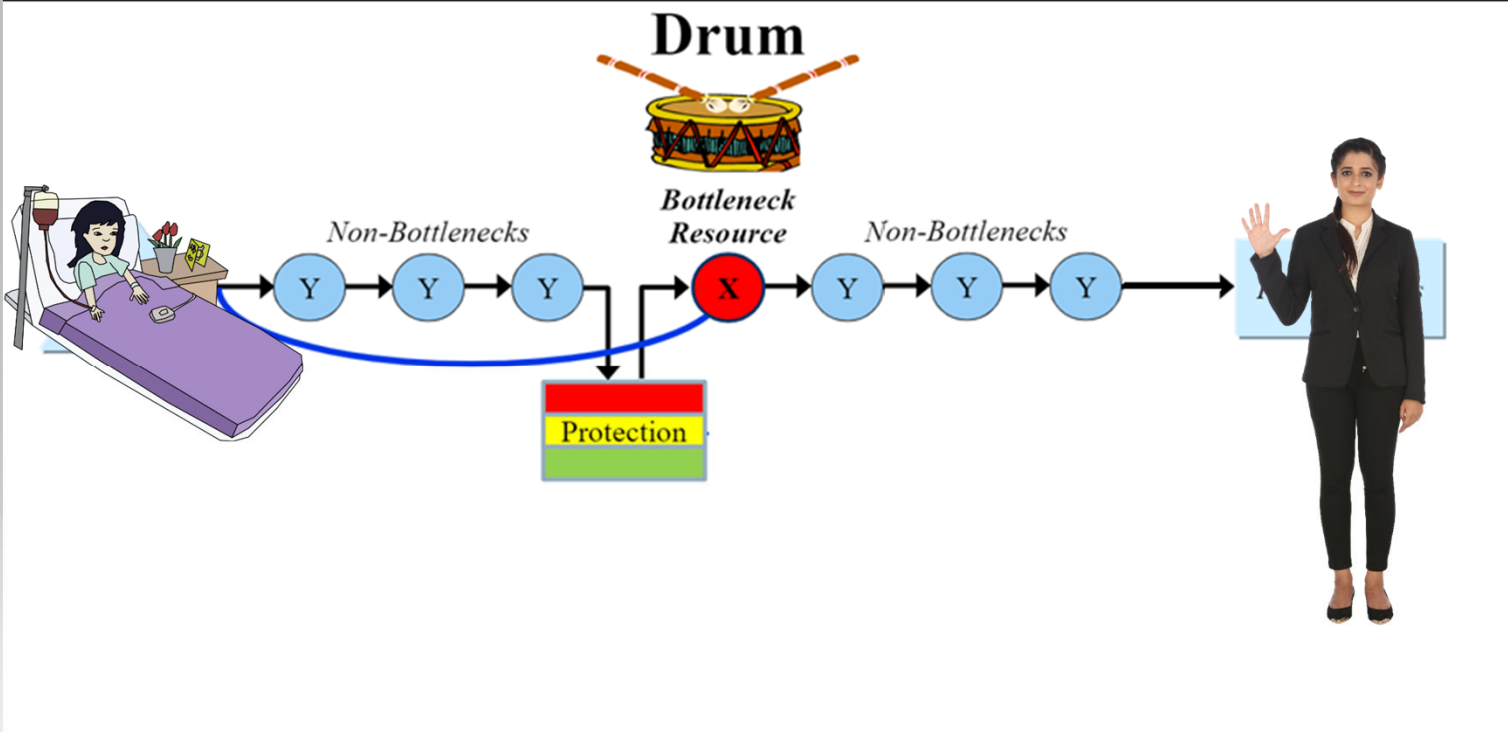
- Identify the System and it's purpose
- Establish System's measurements



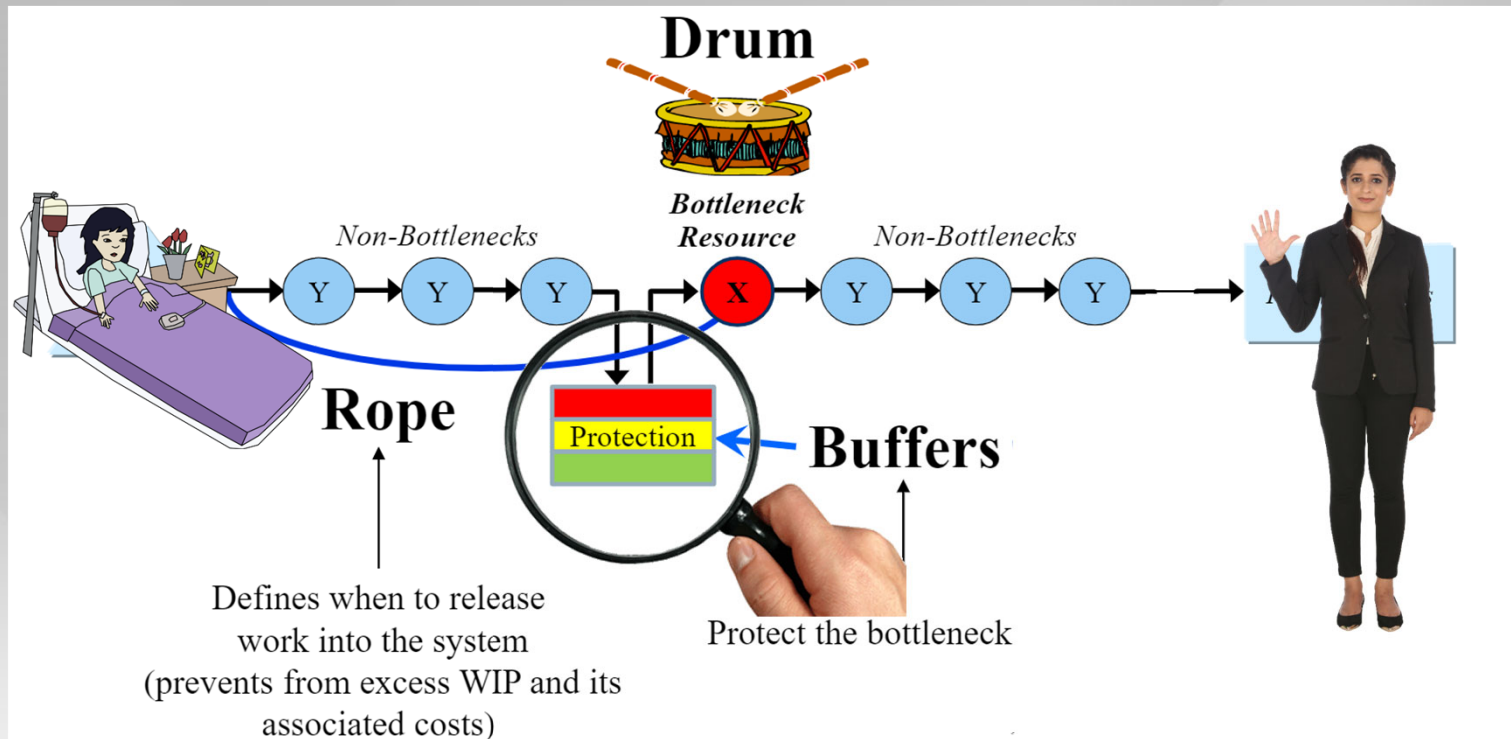
# Drum Buffer Rope



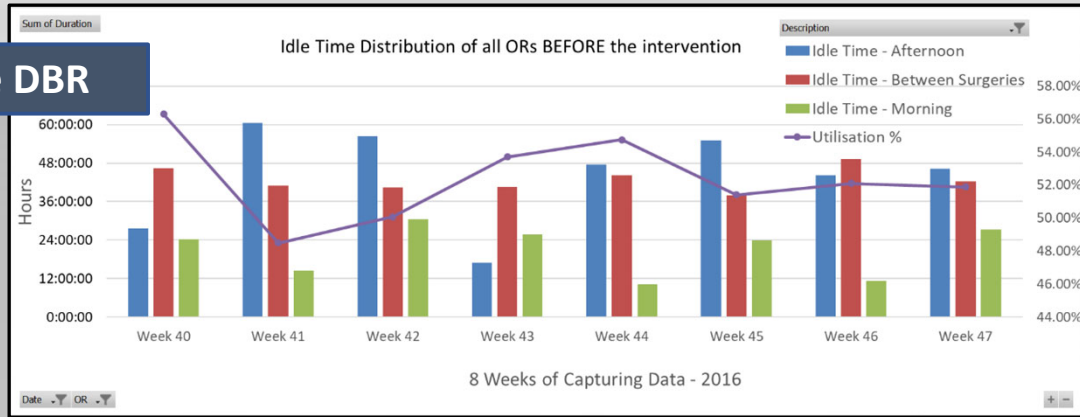
# Drum Buffer Rope



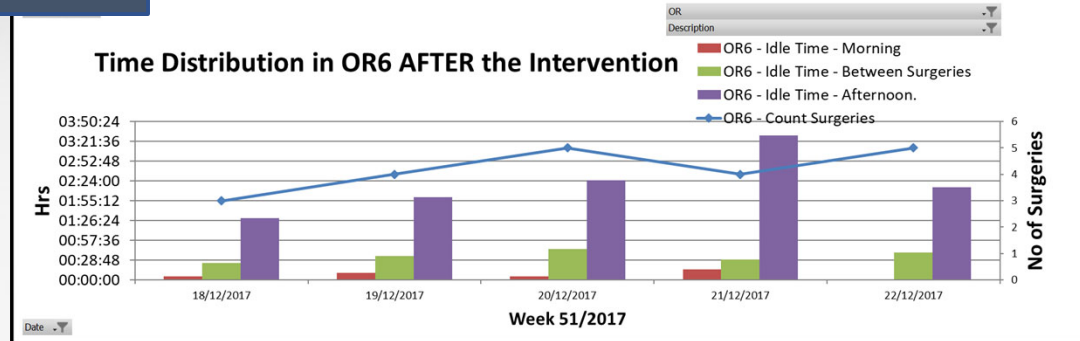
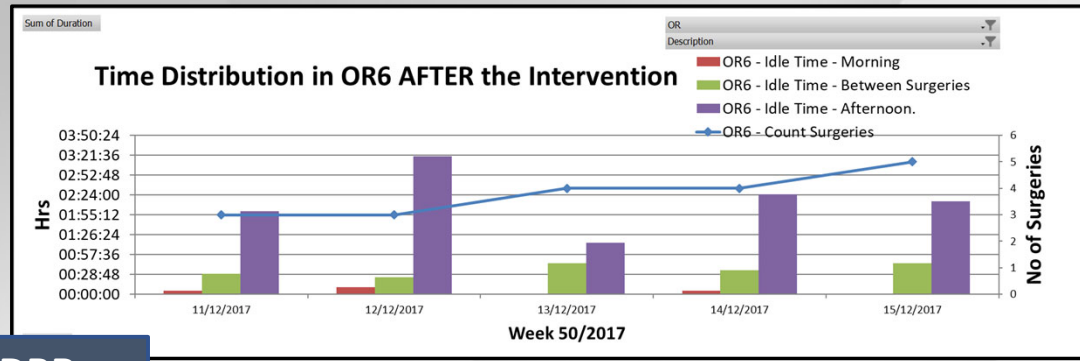
# Drum Buffer Rope



## Before DBR



## After DBR



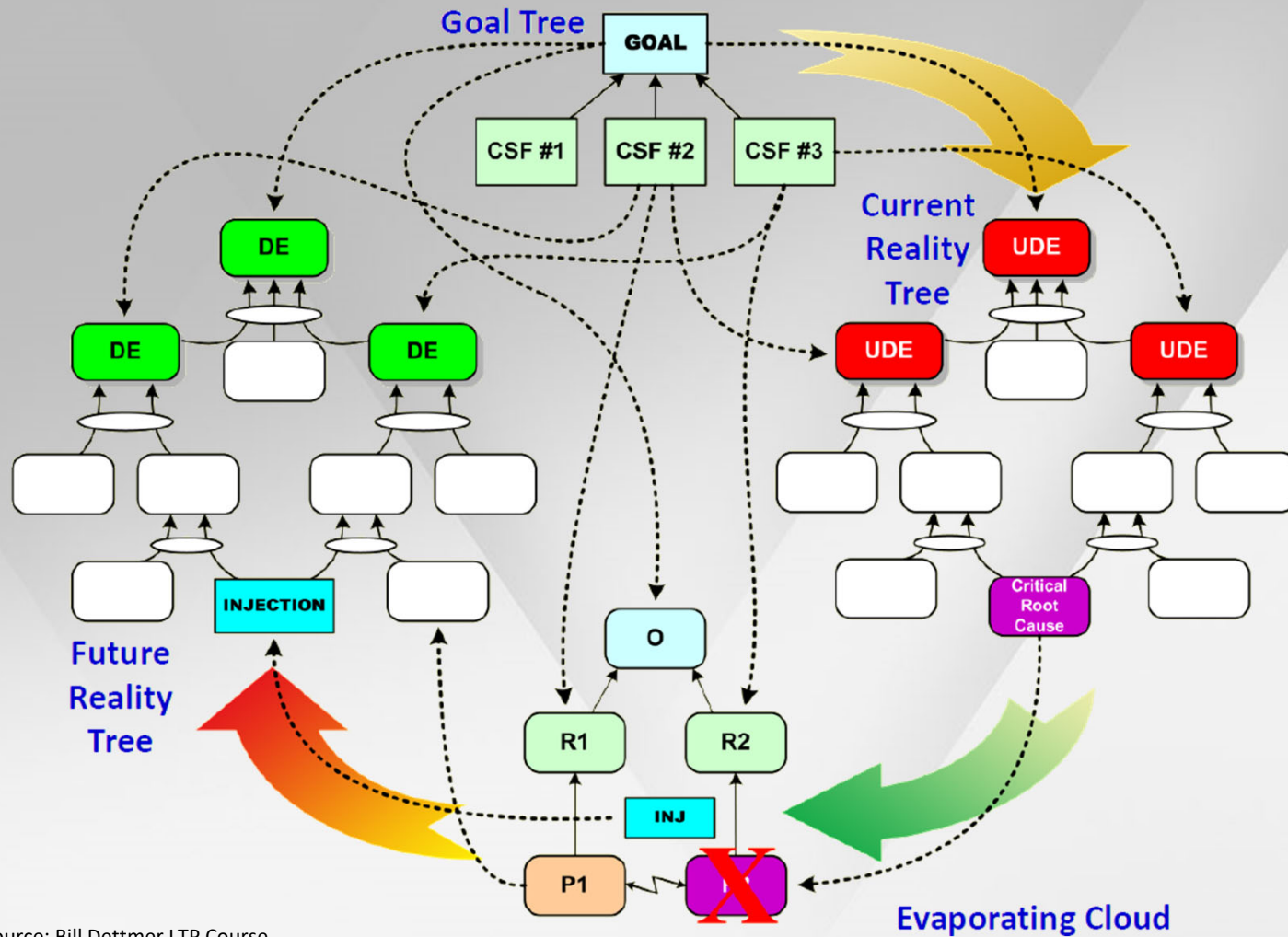
More than 10 hours accumulated in the afternoon

Throughput can be increased by more than 30%.

# **Policy Constraints**

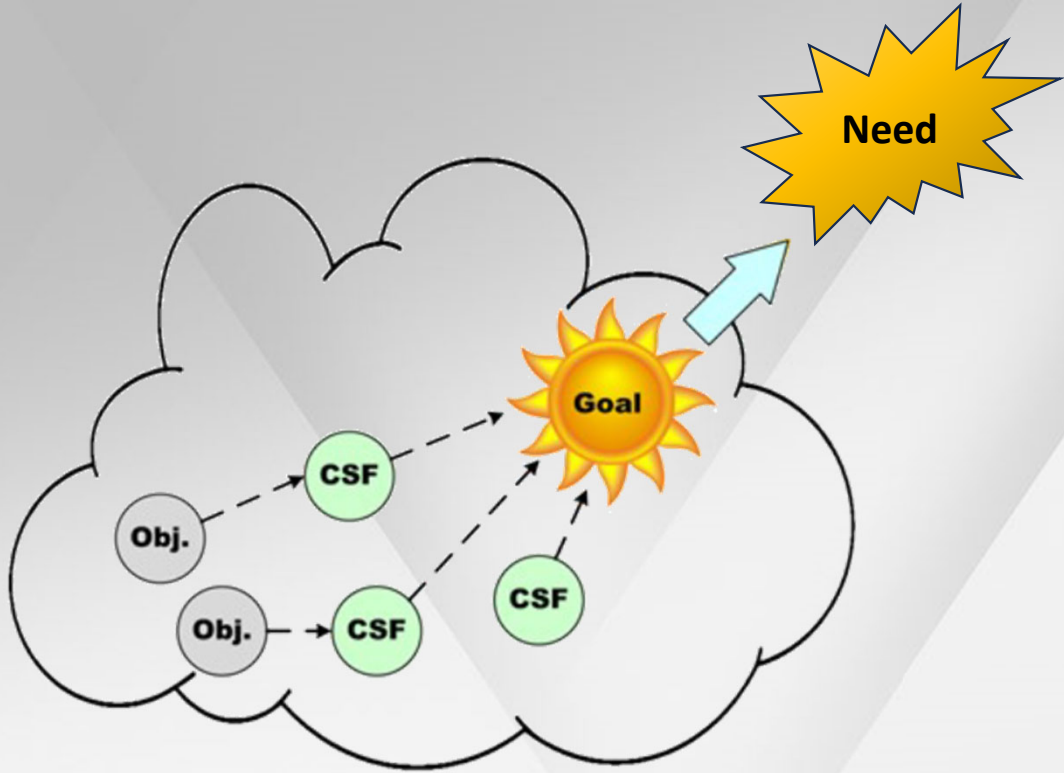
(The Evaporating Cloud)

# The Logical Thinking Process Tools

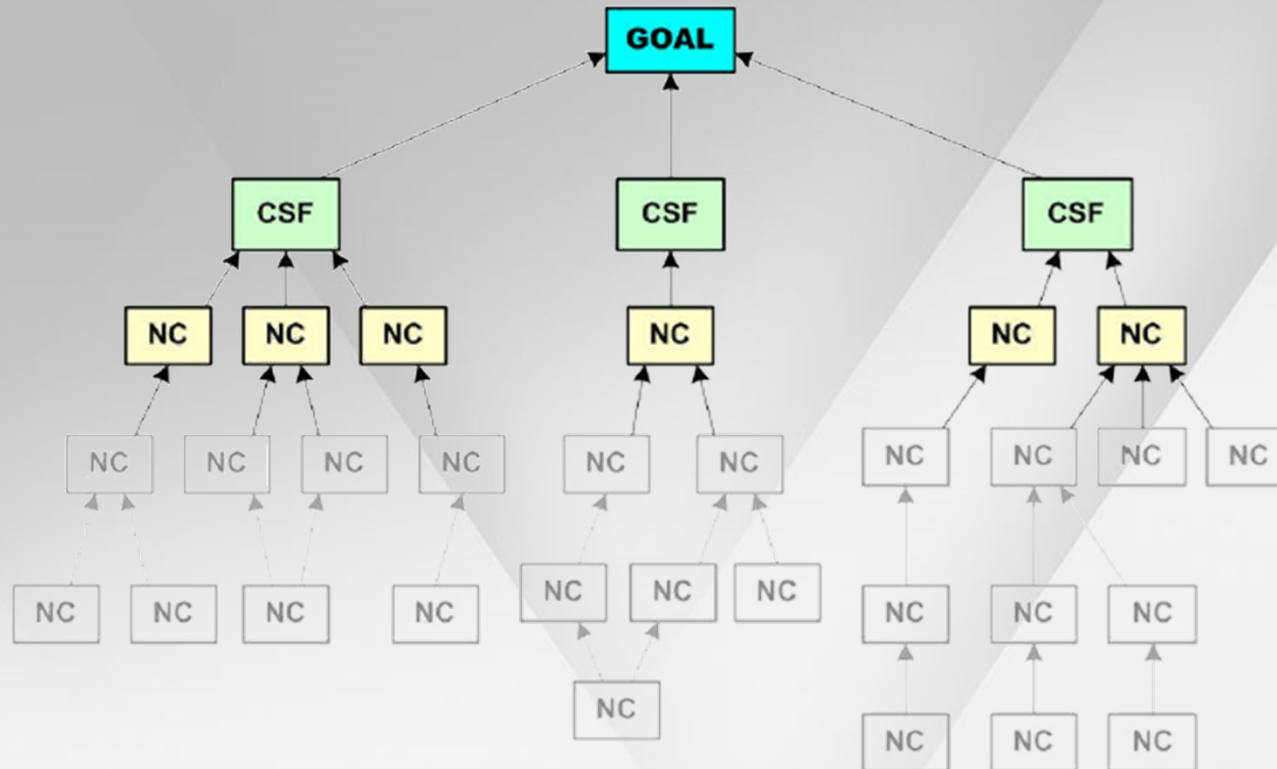


Source: Bill Dettmer LTP Course

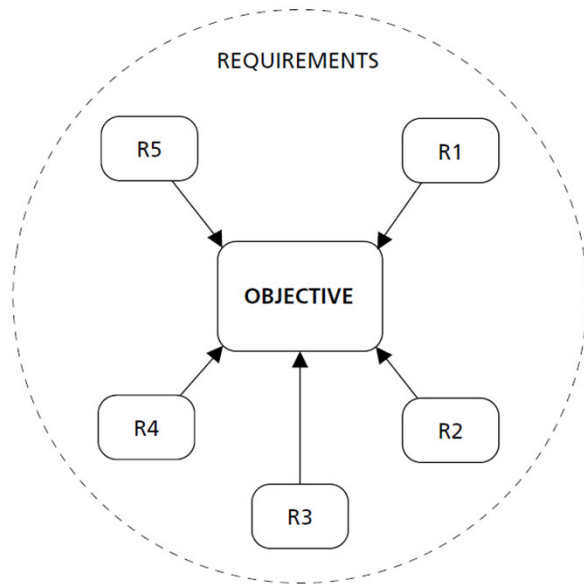
# Conditional Thinking



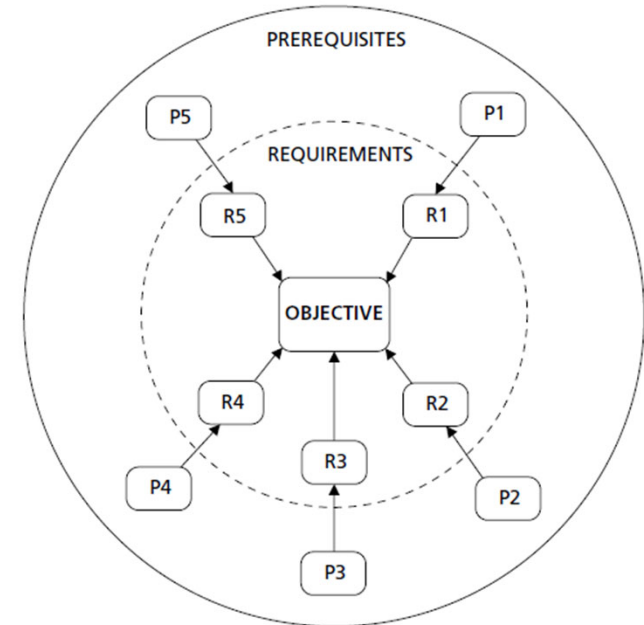
# The Goal Tree (GT)



# Necessary Conditions and Actions

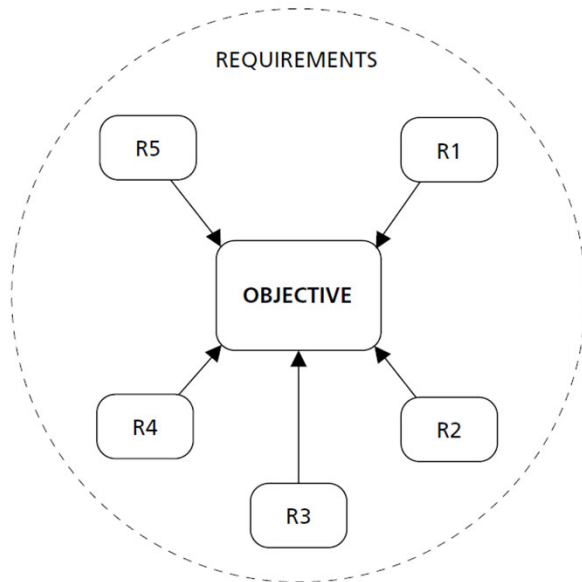


*Conditions Necessary  
for Achieving Objectives*

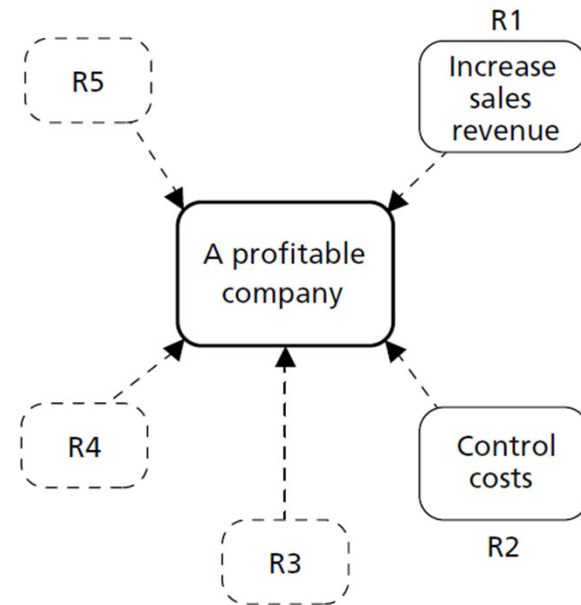


*Prerequisites satisfy Requirements  
Requirements are Necessary to Achieve Objectives*

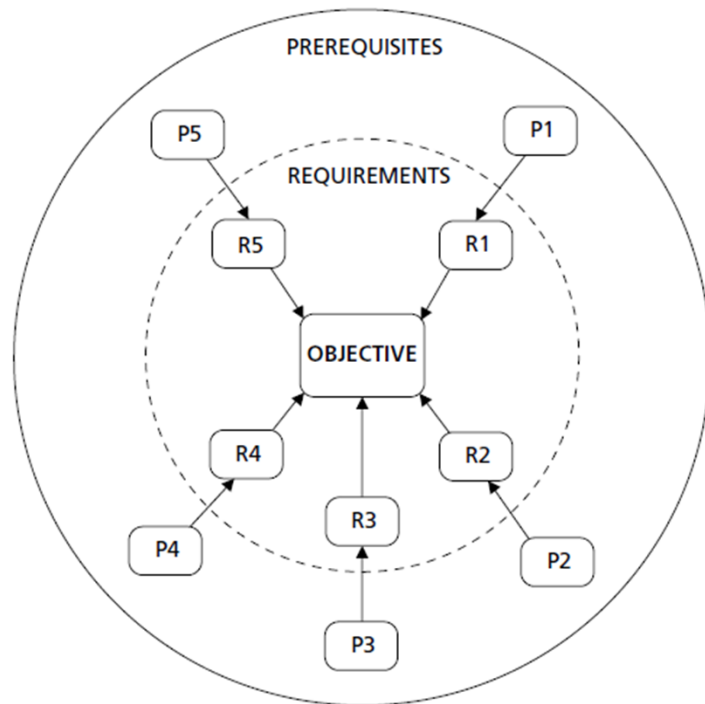
# Evaporating Cloud development...



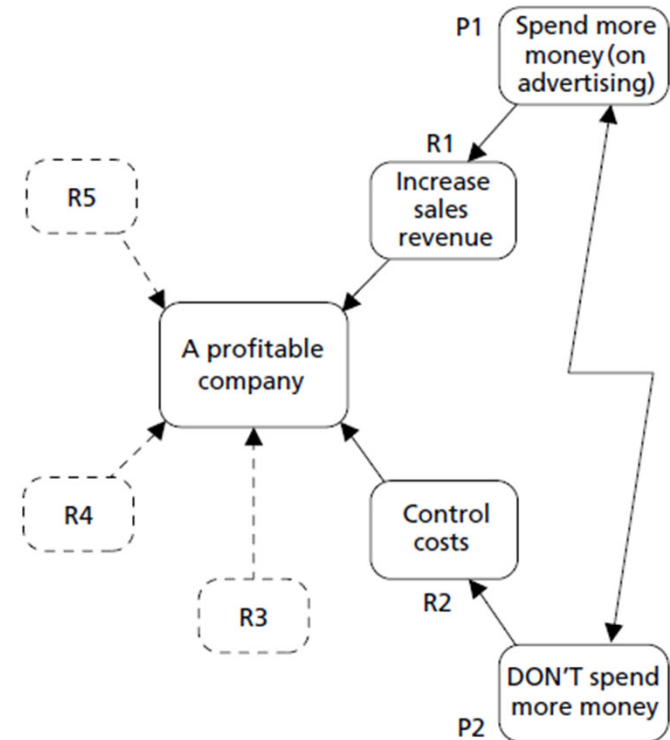
*Conditions Necessary  
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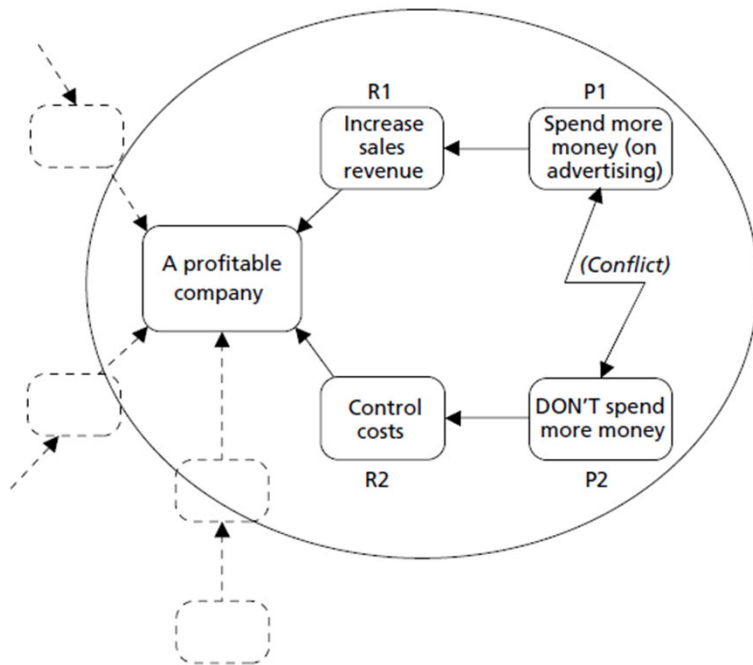
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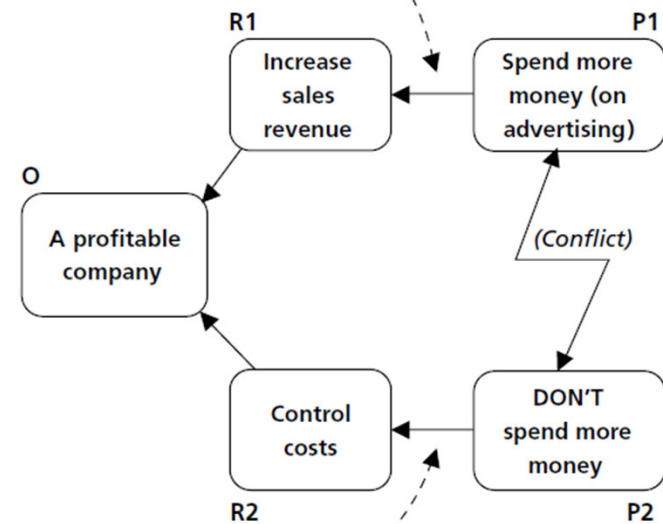


# Evaporating Cloud development...



## ASSUMPTIONS:

1. Our markets traditionally respond well to advertising campaigns
2. Our superior value proposition allows us to avoid competing via price reductions
3. Spending more money on advertising is the ONLY way to increase sales revenue
4. Bigger advertising expenditures ALWAYS produce more sales
5. Bigger advertising expenditures are ALWAYS cost-effective



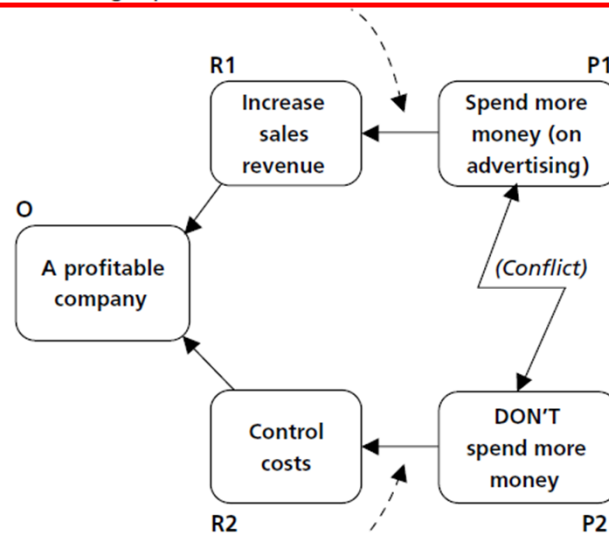
## ASSUMPTIONS:

6. Limiting spending is the ONLY way to control costs
7. Not spending more money ALWAYS provides cost control
8. Not spending more money NEVER has a negative effect on revenue generation
9. No other part of the operation is EVER adversely impacted by holding the line on spending
10. Bigger advertising expenditures are NEVER cost-effective

# Evaporating Cloud development...

## ASSUMPTIONS:

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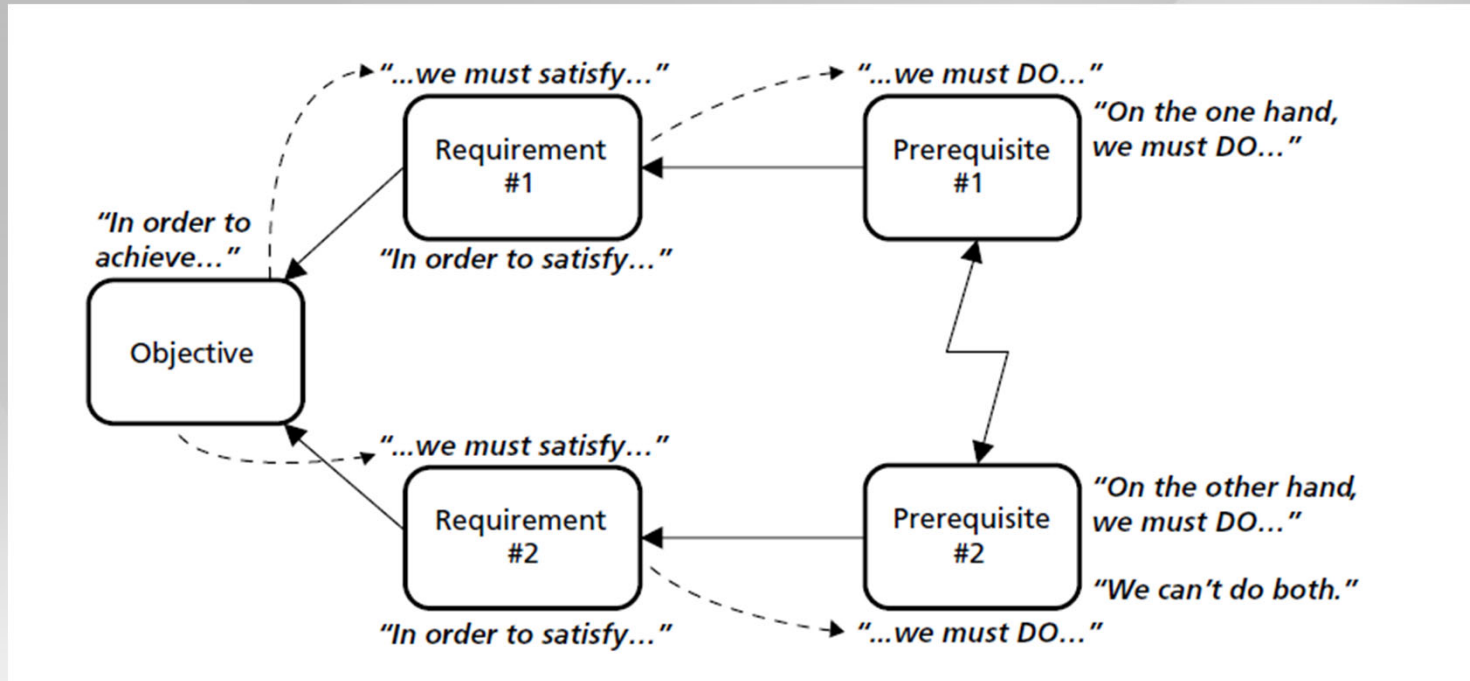
### Injection

What ways are there to spend more money without sacrificing cost control?

### Injection

What OTHER ways can we increase sales revenue besides advertising?

# Evaporating Cloud Template



**THANK YOU**