

The Goal: A Process of Ongoing Improvement Book Summary, by Eliyahu M. Goldratt

by Allen Cheng

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1-Page Summary of The Goal: A Process of Ongoing Improvement

Overall Summary

Alex manages a factory for UniCo that is in financial distress. One day, his boss Bill Peach comes to the plant and tells him to ship an order by that night or else he'll shut it down. Alex knows they can't keep up this pace, but if he doesn't do so then his wife will be unhappy with him because she wants to go out with him.

Alex is at a meeting with his employees, and he thinks that they don't know how to manage the plant. He remembers advice from Jonah two weeks ago when they ran into each other at an airport. Alex had mentioned problems in the plant, but Jonah was able to identify exactly what those problems were by just listening for a few minutes. Jonah advised Alex that any business's goal should be making money, so he could measure productivity based on whether it helps make more money. Lou agrees with this idea and says that if you want to measure something like this, you need specific metrics for it.

Alex calls Jonah and explains the problem he's having with Bob, Lou, and Stacey. They're concerned that the robots are creating more inventory than they're generating in throughput. Alex decides to fly to New York City to meet with Jonah for advice on how to solve this problem. However, Julie is angry at him because he didn't tell her about his plans in advance. When he arrives at Jonah's office, Jonah tells him that a plant where everyone is always busy isn't efficient or effective because it can be ruined by statistical fluctuations in production output. He doesn't understand this either but has an important meeting so leaves without explaining further.

When Alex gets home, he and Julie fight about how little time he spends with her. He promises to spend the entire weekend with her, but on Saturday he realizes that he promised to go with his son Dave on an overnight Boy Scout hike. On the hike, Alex figures out that hikers are a set of dependent events like stages in a manufacturing system, which causes compounding delays for everyone behind them in line. However, by placing slowest kids at the front and fastest kids at the back of the line can mitigate this problem.

Alex is excited about what he has learned and believes that he can put it into practice at the plant. However, when Alex and Dave get home from their hike, Julie has left him. He asks his mother to move in and help take care of the kids while he deals with work and figures out where Julie went. Meanwhile, Alex observes the same compounding delays due to statistical fluctuations in the plant even when each machine or person is individually efficient. Alex realizes that they need to optimize their entire manufacturing system rather than focus on individual efficiencies. When Alex reports this to Jonah, Jonah tells him his next step is identify bottlenecks within his plant since these slow down the entire manufacturing system. They realize that there are two bottleneck machines which cannot be sped up but through which most of parts they make must go. Jonah advises them that if they can increase capacity of those bottlenecks then they will have increased capacity for whole production line as well as throughput rate. They develop a tagging system for sorting parts by bottleneck machines so people know where parts should go before being processed by bottleneck machines.

Alex finds out that Julie is living with her parents and considering divorce. To prevent this, he starts going to see her several times a week, as well as going on outings together. Meanwhile, the plant's production has improved considerably: it now stocks fewer parts than before and ships orders more quickly. Within two months, the plant is once again profitable. Jonah teaches Alex how to let bottleneck machines regulate the pace of the entire system and keep it from getting backed up with inventory. Despite their progress so far Peach feels that they will close down unless there's a 15% improvement in sales during their third month; however Jonah believes that they can do it if Alex cuts batch sizes by half so time-to-market is halved improving yields at idle capacity where little or no material handling cost exists compared to running materials through the takt time which are increased costs for conveyance equipment services labor fixed overhead direct labor variable overhead raw material

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