

Chapter 7

How Can Human Resource Management Help the Theory of Constraints

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ABSTRACT

*Now, more companies consider human resource management (HRM) as part of strategic business management. A critical analysis of *The Goal: A Process of Ongoing Improvement* by Goldratt as it relates to HRM allows for discussion and evaluation of HRM implications. However, does HRM implementation support achieving a companies' strategic objectives? If so, how is it related to *The Goal*? This report seeks answering these questions by evaluating HRM in the book's context. This article discusses the role of HRM in companies, HRM principals that impact operations, roles of stakeholders and their value in the Theory of Constraints (TOC), HRM and its impact on the TOC, roles of HRM management and leadership, and the relationship between technology and human resources. Discussing these topics, this article provides an overview of HRM's impact on organizations. The main findings indicate that HRM implementation is a strategic management resource to be implemented by any businesses.*

1. INTRODUCTION AND BACKGROUND OF THE GOAL

A company's main resource is its people, who contribute to achieving the company's strategic goal to be a profitable business (Goldratt, 2014; Galli, 2017). Human Resource Management (HRM) is defined as a process of strategic decisions for the benefit of both employees and companies to improve profits and business performance. Further, HRM focuses on management processes such as recruitment, job analysis, training programs, performance appraisals, incentive plans, and health and safety programs with the purpose of increasing motivation and employee engagement (Dessler, 2017). HRM integrates human resource and management strategies to support decision-making and aids companies in effectively

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overcoming economic challenges that they may face. However, the question is, does implementation of HRM support the achievement of strategic objectives? If it does, how is that related to the book *The Goal* by Goldratt? The book describes how a manufacturing company implements changes to meet its strategic goal (Anderson et al., 2006).

Eliyahu M. Goldratt and Jeff Cox wrote the book, *The Goal: A Process of Ongoing Improvement*, based on an analysis of a manufacturing plant. The first edition was published in 1984, and the story still influences people today about continuous improvement. Goldratt was the pioneer in presenting the Theory of Constraints (TOC) in this story. The TOC is a systemic manner that identifies constraints, or bottlenecks, that impedes the success of a business and the changes needed to eliminate those constraints. Furthermore, this theory encourages companies to achieve their goals through methodologies that can allow them to control strategies in the short and long terms. Overall, the book describes a UniCo manufacturing plant, located in a small factory town called Bearington. This plant experienced a critical financial situation that can occur in other businesses as well, but, thanks to the strategic management and implementation of TOC, it was rescued from being closed down (Anderson, 2014).

This paper discusses and evaluates the HRM implications and moral effects that impact the achievement of strategic goals as they relate to *The Goal*. The paper is organized into two sections. The first section presents a review of the literature on Human Resource Management (HRM), *The Goal: A Process of Ongoing Improvement*, and the Theory of Constraints (TOC). The next section discusses the role of HRM, its principles and their impact on companies, the role of stakeholders and the TOC, the relationship between HRM and TOC, the role of management and leadership in HRM, and the relationship between technology and human resources. This paper ends by providing conclusions and brief suggestions on opportunities for future works.

2. LITERATURE REVIEW

The following section analyzes the concepts of Human Resources Management (HRM), the book *The Goal: A Process of Ongoing Improvement*, and the Theory of Constraints (TOC). It begins with a brief explanation of the HRM concept and its impact on organizations. Following these concepts, a brief review of *The Goal* is conducted. Finally, the selection describes the impact of implementing TOC on the achievement of a company's objectives.

The following section provides literature in the concepts mentioned above.

2.1. Human Resource Management (HRM)

For the development of this paper, it is important to emphasize there is no one common definition of HRM, but it was identified that some researchers share the notion that HRM assumes a significant role in organizations. HRM is considered, in this paper, as the process by which companies manage their main resources, including employees, to achieve objectives (Dessler, 2017). According to Aswathappa (2005), HRM includes the processes that should be implemented by managers such as hiring, motivating, and engaging employees (Atkinson, 1999; Bakker, 2010). In other words, HRM can be considered as management strategies that optimize decision-making processes and improve profitability and performance of a company (Dessler, 2017). HRM impacts management processes, as discussed in the book, *The Goal*.

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