Chapter 28
Theory of Constraints and Human Resource Management Applications

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ABSTRACT

This purpose of this article is to assess constraints and suggest a theory that can improve Human Resource Management Systems (HRMS's). It investigates the relationship between Theory of Constraints (TOC) and operation management, which is based on the Critical Chain PMs book entitled The Goal. In 1984, the author, Goldratt, introduced an entire management philosophy about the TOC. The mental process and improvement theory tools discussed in his book mainly focus on manufacturing environments. However, the practice and examples in the book helped many organizations succeed, even in the private sectors. This study offers definitions of throughput, operating expense, and inventory measurements, and uses the principle of TOC to identify bottlenecks and constraints in every business process. By using these analyses, the study remodels the system to increase performance measurements of HRMS.

1. INTRODUCTION

"If you can't measure it, you can't manage it." (The W. Edwards Deming Institute Blog)

The author of *The Goal* visited the Human Resources (HR) Departments (HRD) of many organizations and asked if they implemented process management. Many HR representatives responded, that they have not done so because it is a difficult task to measure the HR process, which contributes to overall the business outcome. Process management is used as a tool for HR to outline the process for tasks. The new age of HRD requirements is to hire a highly qualified line manager who's actively involved in managing

people and then filtering the highly trained workers. Employing this process promises to deliver, to the organization, productive employees to reduce company stakes (Anderson et al., 2006; Andersen, 2014).

The typical set of high-level HR process consists of: (Process Management)

- Plan people requirements
- Provide people
- Develop people
- Manage people performance
- Reward and recognize people
- Lead people exists

In 1984, Dr. Eliyahu M. Goldratt introduced his philosophy on Theory of Constraints (TOC) to help organizations continually achieve their goals. The book titled *The Goal* (Goldratt, 1984) highlights a dispute to the factor of constraints for not achieving the goals. The book provides a comprehensive range of examples of a manageable system with limited numbers of constraints. This research paper focuses on employee evaluation processes, based on the below factors from the book *The Goal:*

1. The role of the HRD needs to identify:
   a. Who customers are?
   b. What are their requirements?
2. Based on the above Fundamentals, HR needs to:
   a. Plan a process.
   b. Check the procedure with:
      i. Line Managers
      ii. Financial Department
3. Timeline for Vacancy Filling
4. Employee Training Plan
5. Cost Process for Measurements

2. RESEARCH PURPOSE

The research application of this paper arises from the need turn functionally managed organizations into more process-managed entities. It is important for any organization to be clear about its goals before determining processes. The business process management discussed in Chapter 3 of *The Goal* (Goldratt, 1984), is one example of a common constraint.

Alex, the manufacturing manager, was given one year to improve the division. If improvements were not made, the entire division would be eliminated. At the end of the meeting, he was given a handout with new targets for the upcoming years (Ward & Daniel, 2012). Management was unaware of the intricacies of the factory environment or the workflow within the organization. All management knew was that the plant was losing money due to late orders, high cost, low efficiencies and 20% cutbacks. Providing new goals without any process control measurements can result in the biggest failure (HR Manager Toolkit). Therefore, the role of HR is to establish performance focus before providing any goals. The next step is to deliver ongoing training aligned with the performance plan. In addition to the business process man-

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