

FREE PREVIEW

16 pages of the full 229-page guide - not the paid edition

FREE SAMPLE CHAPTER

BARATELLI INSTITUTE - PRACTITIONER GUIDE SERIES

Business Operator's Blueprint

TOC - TPS - Deming - Danaher

SAMPLE CHAPTER IN THIS PREVIEW

Chapter 3 -- The Goal -- Finding Your Constraint

16-page preview - drawn from the 229-page full guide

BARATELLI INSTITUTE

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MENTORING AT SCALE

ABOUT THIS FREE PREVIEW

Business Operator's Blueprint, Free Preview

The Business Operator's Blueprint is a 229-page practitioner reference for the owner-operator and the fractional COO carrying the operating system of a \$2-30M EBITDA lower-middle-market business. Twelve chapters synthesizing the four operating-system schools that have produced the disciplines this work runs on -- Goldratt's Theory of Constraints, Toyota's lean / TPS, Deming's fourteen points and System of Profound Knowledge, and Danaher's DBS / Hoshin Kanri management cadence -- with the integration framework that decides which method to deploy when, for which symptom. Industry-vertical layouts for nine common LMM business types. AI prompts inline. Companion Excel workbook with twelve tabs of worksheets, scorecards, and operating-review templates.

This free preview gives you the cover, the table of contents, the lifted Persona Routing Table (which tells you which chapters to read first for your business type), and one complete chapter at full quality -- Chapter 3, The Goal -- Finding Your Constraint. Goldratt's voice carried into the LMM context: the Five Focusing Steps, the Drum-Buffer-Rope production discipline, the worked plumbing and restaurant examples, the constraint-identification worksheet, and the Deeper Treatment on why DBR often beats JIT at sub-\$30M scale.

Read it the way an operator inheriting a recently-acquired business reads a reference: find your business type in the persona table, then read Chapter 3 cover-to-cover and identify the single constraint that is throttling your business right now. Then -- before you read another chapter -- go fix it.

WHAT YOU GET IN THIS PREVIEW

Cover - About This Preview - Table of Contents - Reading Map by Role - one full sample chapter

Sample chapter: Chapter 3 -- The Goal -- Finding Your Constraint (Goldratt voice: TOC, Five Focusing Steps, DBR).

The full guide is available at baratelliinstitute.com. Single-user license; not for redistribution.

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READER ORIENTATION

Persona Routing Table

Find the row that best describes you. The reading order is the order of operational value, not the order of the book. Use the Reader's Roadmap (preceding pages) for the day-by-day reading rhythm; use this table to decide which chapters to read first.

YOU ARE...	READ IN THIS ORDER
HVAC distributor / 12 trucks Services business, dispatch-driven	Ch 3 (Constraint - likely your dispatch system) Ch 4 (Toyota - eliminate waste on the trucks) Ch 9 (People - your techs are the asset) Ch 10 (Financials - daily revenue per truck) Ch 8 (Continuous improvement cadence)
Dental practice / 8 employees Professional services, schedule-driven	Ch 1 (Operator mindset shift) Ch 3 (Constraint - chair time or hygiene capacity) Ch 5 (Deming - quality is the differentiator) Ch 9 (People - hygienist retention) Ch 10 (Financials - collections vs production)
Paint supply / 3 locations Distribution, inventory-driven	Ch 4 (Toyota - inventory is the worst waste) Ch 3 (Constraint - location-by-location) Ch 6 (Danaher - multi-location operating system) Ch 10 (Financials - turns and contribution by SKU) Ch 8 (Standard work across locations)
30-employee distribution business Small industrial, mixed workflow	Ch 2 (First 90 days) Ch 3 (Find the constraint) Ch 6 (Danaher operating system - applicable at this scale) Ch 4 (Toyota - value-stream mapping) Ch 9 (People - A/B/C players) Ch 11 (Operator to owner - exit math)
80-employee manufacturer Discrete manufacturing, multi-shift	Ch 4 (Toyota - SMED, kanban, jidoka apply directly) Ch 5 (Deming - SPC, common vs special cause) Ch 3 (TOC - drum-buffer-rope scheduling) Ch 6 (DBS - your scale supports it) Ch 12 (Integration framework) Ch 11 (Owner-stage transition)
Family-business successor Inheriting an operating company	Ch 1 (Operator mindset - buyer vs operator) Ch 2 (First 90 days - even if you have worked here) Ch 9 (People - manage the legacy team) Ch 8 (Continuous improvement) Ch 11 (Eventual transition)
Search-fund operator First-time buyer, lower-MM target	Ch 1 (Mindset) Ch 2 (First 90 days - critical) Ch 3 (Find the constraint) Ch 10 (Financial operating framework) Ch 6 (Danaher - your blueprint for scale) Ch 11 (Exit timing)

Fractional COO Multi-client operator	Ch 12 (Integration framework - which method when) Ch 8 (Operating-review cadence) Ch 6 (DBS - your portable operating system) Ch 9 (People - A/B/C across clients)
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Chapter 7 - Industry Vertical Layouts applies across personas. Every reader benefits from the layout, metric, and software pages for their specific industry. Reference it after the persona-route chapters above.

CHAPTER THREE

The Goal — Finding Your Constraint

Where Do You Start?

In 1984, Eliyahu Goldratt published *The Goal* — a business novel that changed how manufacturing managers thought about their operations. Its central idea was radical in its simplicity: every system has exactly one constraint limiting its output. Everything else is secondary until you find and fix that constraint.

Goldratt called this the Theory of Constraints (TOC). His protagonist, Alex Rogo, runs a failing factory. His mentor asks him a deceptively simple question: 'What is the goal?' Not 'what are your problems?' Not 'where is the waste?' But: what is the single thing this operation exists to produce — and what is the one thing preventing you from producing more of it?

START HERE

Before you apply Toyota, Deming, or Danaher — apply Goldratt. Find the constraint. Eliminating waste everywhere else while the constraint remains untouched produces almost no improvement in output.

What Is a Constraint?

A constraint is any resource, process, policy, or person that limits the rate at which your entire system can produce output. In Goldratt's factory, it was a specific machine — the Herbie — that ran slower than everything upstream and downstream. Everything piled up before it. Everything sat idle after it. The bottleneck determined the pace of the entire plant.

In your acquired business, the constraint might be:

- A single person whose approval is required before anything moves forward
- A step in your service delivery that takes much longer than everything else
- Your own capacity as owner — your time is the constraint
- A key piece of equipment that limits how much you can produce
- Your sales process — you can deliver more than you can sell
- Your cash position — you have more demand than you can fund

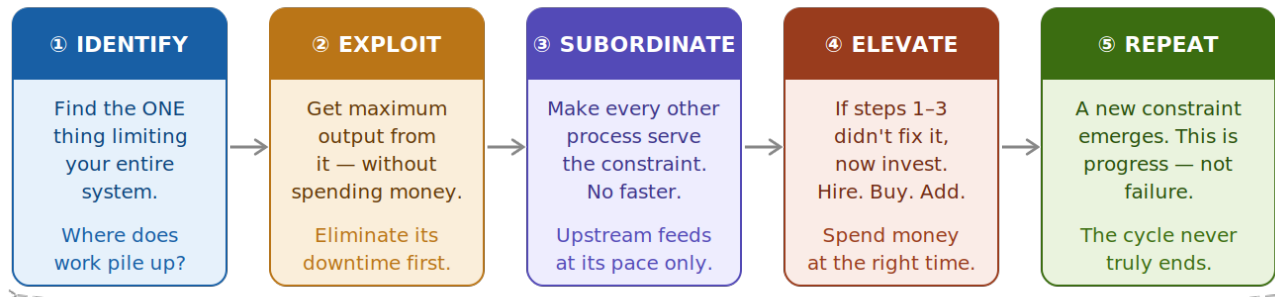
EXAMPLE — PLUMBING COMPANY

Owner of a 6-technician plumbing company cannot figure out why revenue hasn't grown despite adding two technicians last year. After applying TOC analysis, he discovers the constraint is his own dispatch process — he personally approves every job assignment, and he's only available 8am-5pm. Technicians are waiting an average of 47 minutes from customer call to departure. The constraint is not capacity. It is the owner's involvement in dispatch. Solution: build a decision rule that lets dispatchers assign jobs without approval. Revenue grows 28% in 90 days without adding a single technician.

Goldratt's Five Focusing Steps

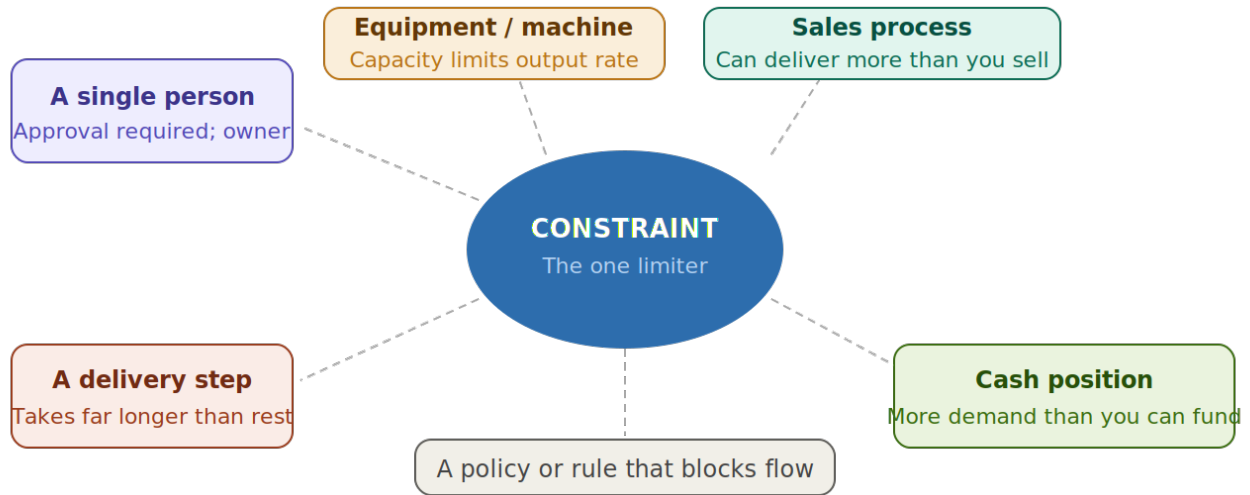
Goldratt gave operators a five-step process for managing constraints. This is not a one-time exercise — it is a continuous cycle. Each time you fix a constraint, a new one emerges. The goal is to keep the cycle moving.

①	②	③	④	⑤
IDENTIFY the Constraint	EXPLOIT the Constraint	SUBORDINATE Everything Else	ELEVATE the Constraint	REPEAT
Find the ONE thing limiting your entire system	Get maximum output from it without spending money	Make all other processes serve the constraint	If steps 1-3 didn't fix it, now invest to expand it	Once fixed, a new constraint emerges. Find it and repeat.



Chapter 3 — Goldratt's 5 Focusing Steps

A continuous cycle — each time you fix a constraint, a new one emerges.



Chapter 3 — Where Constraints Hide in Your Business
 Every system has exactly one constraint limiting its output. Find it first.

Step 1: Identify — Where Does Work Pile Up?

The constraint is almost always where work piles up before it and where resources sit idle after it. Walk your process and look for the queue. Where is there always a backlog? Where do people wait? Where does the owner get called most often?

SYMPTOM	LIKELY CONSTRAINT	WHAT TO DO
Work always piles up before one step	That step is your constraint	Apply steps 2-4 to that step
Customers wait too long for your product/service	Delivery capacity or owner bottleneck	Map the full delivery process; time each step
Revenue is flat despite adding staff	Sales process or owner involvement	Map the sales process; where is the delay?
Cash is always tight despite adequate revenue	Billing/collections process	Map cash flow cycle; find the delay
You are always the last step before anything ships	You are the constraint	Build decision rules; delegate authority

Step 2: Exploit — Get More From What You Have

Before spending money, squeeze more output from the existing constraint. If a machine is the constraint, eliminate its downtime. Keep it running during breaks. Assign the best operator to it. If a person is the constraint, eliminate everything they do that someone else could do. Protect their time ruthlessly.

EXAMPLE — RESTAURANT

The constraint in a 40-seat restaurant is the kitchen — specifically the single grill station. Rather than buying a second grill (elevate), the owner first exploits: pre-marinating proteins reduces grill time 30%; redesigning the ticket system eliminates the chef reading and re-reading orders; adding a prep cook to handle sides removes those tasks from the grill station. Output increases 25% with no capital investment.

Step 3: Subordinate — Align Everything Else to the Constraint

Once you know your constraint, stop optimizing everything else independently. An upstream process that runs faster than the constraint just creates a pile-up before it. A downstream process running faster than the constraint creates idle time after it. Everything should run at the pace of the constraint — no faster.

CRITICAL INSIGHT

This is where most operators get it wrong. They optimize every process independently and wonder why overall output doesn't improve. If your constraint can process 10 jobs per day, running 15 jobs per day upstream just creates a backlog — it does not increase output.

Step 4: Elevate — Invest to Expand the Constraint

If steps 1-3 did not eliminate the constraint, now you invest. Hire a person, buy equipment, add a shift, implement technology. This is the right time to spend money — after you have extracted maximum value from the existing constraint.

Step 5: Repeat — The Constraint Moves

Once you fix a constraint, the system's capacity increases — and a new constraint emerges. This is not failure. This is progress. The Five Focusing Steps are a continuous improvement cycle, not a one-time project.

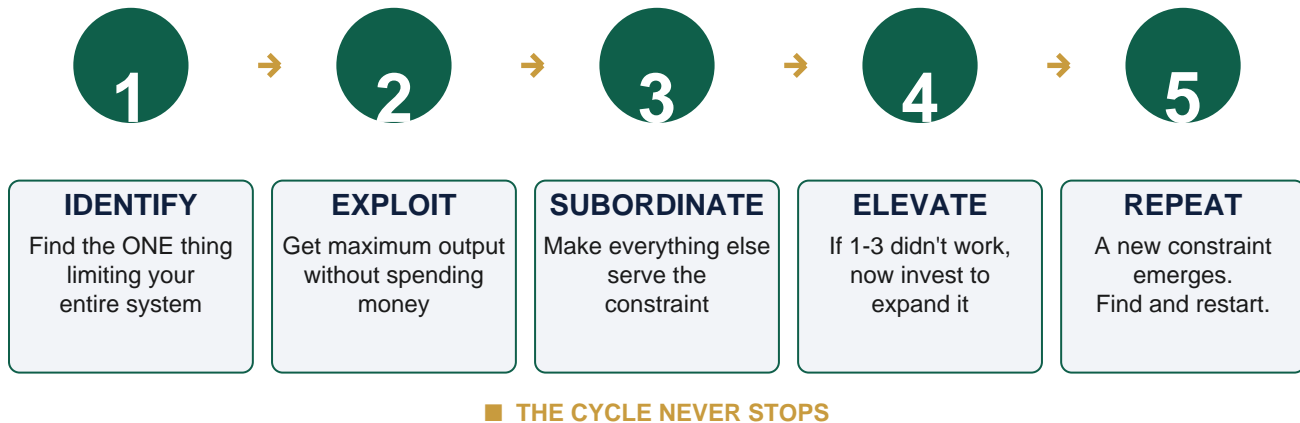
How TOC Connects to the Rest of This Guide

Now that you have found your constraint, the other frameworks in this guide tell you what to do about it:

FIGURE 3.1

Theory of Constraints — The Five Focusing Steps

Goldratt's five focusing steps are the core operating discipline of constraint management. They are a continuous cycle — each time you fix a constraint, a new one emerges. The goal is to keep the cycle moving.



WHERE CONSTRAINTS HIDE

- A step in your service delivery that limits how many customers can be served
- Your own time as owner/founder — the organization's hidden rate-limiter
- A single piece of equipment that everything else waits on
- A supplier relationship with constrained capacity
- A regulatory approval or licensing limit

TEST: where does work pile up? Where do people wait? Where does the owner get called most often? Answer these three questions honestly and your constraint usually reveals itself within 10 minutes.

AFTER TOC...	USE THIS FRAMEWORK	TO DO THIS
You know WHERE the constraint is	Chapter 4: Toyota / 8 Wastes	Eliminate the waste building up around your constraint
You know what waste to eliminate	Chapter 5: Deming's 14 Points	Build quality in so the waste doesn't come back
You have the system designed right	Chapter 6: Danaher Playbook	Run it consistently with a management operating system
You have the operating system running	Chapters 7-11	Maintain the rhythm, culture, people, and financials

* Using AI in This Chapter

- Help me identify the constraint in my [type] business. Walk me through a series of questions I can answer to find where my system's output is being limited.
- I think the constraint in my business is [describe it]. Help me apply Goldratt's Five Focusing Steps to exploit, subordinate, and elevate it.
- My constraint is my own time as owner. What specific tasks should I delegate first, and what decision rules should I create so others can act without me?

WORKSHEET

WORKSHEET 3

Constraint Identifier

Find the one thing limiting your entire system

Where does work pile up most consistently in my business?

Where do people wait most often — for approvals, information, or capacity?

What is the one thing I am personally involved in that slows everything down?

My Constraint (best current hypothesis):

My Five Focusing Steps Plan

STEP	ACTION	WHAT I WILL DO	BY WHEN
1. Identify	Name the constraint		
2. Exploit	Get more from it without spending		

3. Subordinate	Slow down what feeds it		
4. Elevate	Invest to expand it (if needed)		
5. Repeat	Find the next constraint		

CHAPTER 3 - DEEPER TREATMENT

The Goal - The Five Focusing Steps, Drum-Buffer-Rope, and Throughput Accounting

This section expands the chapter's core ideas with the operating mechanisms and field practice the rest of the chapter assumes. Read it after the preceding chapter pages, not instead of them.

The Five Focusing Steps, walked through

Goldratt's framework is named simply but applied with difficulty. The five steps are: (1) identify the constraint; (2) decide how to exploit it; (3) subordinate everything else to that decision; (4) elevate the constraint; (5) if the constraint is broken, return to step 1.

Step 1 - Identify. The constraint is one of: a physical resource (a single machine, a single skilled employee, a delivery vehicle); a policy (a credit-approval limit, an SLA commitment that forces expedited work); a market (you can produce more than customers will buy); or capital (you cannot fund the working capital required for more volume). Walk your process. The constraint is where work piles up before it and resources sit idle after it. Most lower-middle-market operators initially misidentify the constraint as something downstream of where it actually lives.

Step 2 - Exploit. Make the constraint produce more without spending more. The constraint is the most valuable resource in the system; the discipline is to make sure it never sits idle, never works on the wrong thing, never works defective inputs. If the constraint is your senior estimator, exploitation means: pre-staging every quote with the data the estimator needs; protecting the estimator's calendar from internal meetings; never sending the estimator into the field for tasks an intermediate-skill employee can perform.

Step 3 - Subordinate. This is the hardest step. Everything else in the company must serve the constraint, even when that means non-constraint resources run below capacity. Sales doesn't sell beyond the constraint's ability to produce. Finance measures non-constraint productivity differently. Dispatch routes work to keep the constraint fed at all times. Most operators skip this step - and that is why most TOC deployments fail.

Step 4 - Elevate. Only after exploitation is mature and subordination is consistent does the operator add capacity at the constraint - hire a second senior estimator, buy a second machine, install a second dispatch desk. Elevating before exploiting wastes the investment, because the system absorbs the new capacity without producing more throughput.

Step 5 - Repeat. Once the constraint is broken, it moves. The new constraint is now somewhere else in the system. The discipline is to go back to step 1 and find it, not to assume the old solution still applies.

Drum-buffer-rope scheduling

Drum-buffer-rope is Goldratt's production-scheduling mechanism. The drum sets the pace - the constraint's actual processing capacity. The buffer is a small protective inventory in front of the constraint, sized to absorb upstream variation. The rope is the signal that releases new material to the floor at the drum's pace - no faster.

For an HVAC distributor where the constraint is a single dispatcher who can route a maximum of 60 service calls per day, DBR looks like this: the drum is 60 calls per day. The buffer is the small pool of calls staged for routing in the next half-day. The rope is the rule that the customer-service team only accepts new calls (or holds them in queue) at a rate matching the dispatcher's actual processing pace. Without the rope, the queue grows; with the rope, the queue stays at the buffer level and the dispatcher is never overwhelmed.

Why DBR often beats JIT for lower-middle-market businesses. JIT requires both supplier reliability and quality discipline to function. Most acquired businesses have neither. DBR works around the constraint without requiring the upstream cleanup that JIT presupposes. DBR is a faster path to a stable production system in the first 24 months.

Throughput accounting

Goldratt's accounting frame. Throughput equals revenue minus truly variable costs (the materials and direct labor that vary with each unit sold). Everything else - operating overhead, salaried labor, facility costs - is operating expense. Investment is the cash tied up in inventory, equipment, and receivables.

What this changes. Traditional cost accounting allocates overhead to products and tells the operator which products are 'profitable.' Throughput accounting refuses the allocation: overhead exists whether or not the product is made. The decision rule shifts. A product with low full-cost margin but high throughput-per-constraint-minute is more valuable than a product with high full-cost margin but low throughput per constraint minute. Many product-mix decisions reverse under throughput accounting.

The operator does not have to throw out the financial statements. GAAP requires cost-accounting allocation for financial reporting. Throughput accounting is the internal management lens - used alongside the GAAP statements, not instead of them.

The constraint moves as the business grows

The constraint at \$2M revenue is rarely the constraint at \$5M revenue. What was the bottleneck - the senior estimator, the dispatch desk, the single CNC machine - becomes adequate as the business doubles, while something downstream (delivery capacity, accounting close, customer-service follow-up) becomes the new constraint. The operator who keeps solving the old constraint while a new one has emerged is the operator whose growth slows and they cannot figure out why.

The discipline: re-walk the value stream every quarter. Re-identify the constraint. Re-engineer the subordination if it has moved. This is why TOC step 5 is not optional.

AI PROMPT BOX - Chapter 3

Prompt 3.1 - Five Focusing Steps walkthrough

I run [BUSINESS TYPE]. Help me apply the Five Focusing Steps to my operation. Recent symptoms: [WHERE WORK PILES UP, WHERE STAFF SIT IDLE, WHERE CUSTOMERS WAIT]. For each step (identify, exploit, subordinate, elevate, repeat), give me: (1) the question to answer; (2) the data to collect; (3) the most likely conclusion based on what I described; (4) the specific action I would take this week. Be specific. Flag if you think I'm misidentifying the constraint.

END OF FREE PREVIEW**Decide. Act. Now.**

What you just read is one chapter of twelve. The full guide takes the same level of care into the operator mindset, the first-90-days listen-diagnose-implement playbook, the Toyota Way (Jidoka, Andon, Kanban, SMED, Poka-Yoke, VSM), Deming's fourteen points with the SoPK / variation / PDSA mechanics, the Danaher Business System with Hoshin Kanri and the Daily Visual Management cadence, nine industry-vertical layouts, the continuous-improvement culture, people / performance / accountability with the A/B/C player framework, the financial operating framework with throughput accounting, the operator-to-owner exit roadmap, and the Chapter 12 integration framework (which method, when).

The companion Excel workbook operationalizes the frameworks -- the constraint-identification scorecard, the policy-deployment planner, the worksheet 6 cascade, the operating-review monthly template, the conversion-rate diagnosis worksheet, and the owner-independence scorecard.

If you are the operator, the fractional COO, the family-business successor, or the sponsor backing one of the above, this is the reference. Goldratt, Toyota, Deming, and Danaher each built their frameworks over decades; the integration framework is how you stop having to pick between them.

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