

Institute for Enterprise Excellence



Bringing Purpose To Life

True, True North

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Executive Summary:

Our first White Paper “Foundations for Transformation: Linking Purpose, People and Process”¹ described the common patterns that we have observed as executives and managers have attempted to create a sustainable culture of continuous improvement in their organization. Many find themselves trapped in a cycle of “program of the month” approaches that never seem to produce the sustainable transformation of management that is necessary. However, there are some who desire to break away from this pattern, and wish to reverse the direction of their efforts by understanding the power of purpose, as well as learning and practicing new principles of management.

Moving beyond the program approach and into a philosophy path requires a fundamental shift in direction and mindset. We’ve learned that organizations that pursue this pathway make a connection (or re-connection) to the organization’s purpose. This is a necessary first step to more fully understand and apply the principles of enterprise excellence. This understanding helps us to define and model the ideal behaviors, as well as design the systems that are needed to create a sustainable culture of continuous improvement.

A deeper understanding of these principles, and the connection to the organization’s purpose, then reveals an understanding of what we call the “SEE – DO – GET” relationship. How we SEE (the purpose) will drive what we DO (ideal behaviors guided by principles of enterprise excellence). What we DO (ideal behaviors) are the leading indicators that will determine what we GET (the desired results). Most organizations are familiar with the GET – the lagging indicators. This is often described as key performance indicators (KPIs). But what is seldom understood is the DO – the ideal behaviors. We call these the key behavior indicators (KBIs).

A full understanding and appreciation of the SEE-DO-GET relationship is what we call “True, True North.” This is a broader understanding of True North as defined by most organizations as the measures, or results (the GET). In this paper, we discuss the benefits of more fully understanding True, True North and how this can avoid the trap of the narrow definition of True North only as measures. This matters, because without this understanding the pursuit of true north can merely be “management by results” in disguise.

True North – The common view and approach (measures only)

We hear a lot of talk in multiple industries about the importance of defining “true north” for the organization. A search on the internet provides many definitions of true north and examples from organizations. Here is a sample:

- The company’s governing objective. Example given: deliver double-digit returns to our investors.
- The company’s shared objectives and values. Example: provide the best customer service in our industry.
- The core of what the organization is in business to do. Example: meeting budget, achieving 95% performance in the country on all quality indicators and, having all our staff members on Kaizen events.

Will these definitions help to create “constancy of purpose?” In many cases, the answer may be “no.” True North should help everyone in the organization to understand the common direction (the what), and see how they play an active role in supporting that direction. True North should also speak to the hearts and minds so that everyone understands why (the organization’s purpose).

True North is also most commonly associated with results. What shall we measure? How will we know we are getting closer to our True North? The common categories of results usually include:

- Quality (sometimes including “safety”)
- Financial (usually including revenue, expense and productivity)
- Delivery (timeliness or throughput)
- Engagement (of staff)
- Satisfaction (of customers)

¹ <http://bit.ly/IEFoundations7>

This usually reveals an “explosion” of the many measures that organizations typically try to track. Sometimes this is due to requirements from outside agencies (the government or payers) but many times the additional KPIs (Key Performance Indicators) are due to the thinking by upper management. One of the beliefs from the prevailing style of management seems to be, “if you want better results, you focus on results.” James Womack, former CEO of the Lean Enterprise Institute, described it this way when he spoke at the 6th Annual Lean Healthcare Transformation Summit, “The more MBAs who produce more KPIs will only result in the ‘triple M’ – more, meaningless measures.”

To handle the volume of measures, it’s not uncommon for organizations to adopt a scorecard (balanced of course). One example of such a chart in healthcare is shown in Figure 1 (right)². Color coding is intended to help identify where the parts of the organization are “off track.”

Figure 1

Department & Measure	Goal	January	February	March	April	May	June	July	Aug	Sep
Med Surg Unit A - Patient Sat	>= 90%	0.83	0.91	0.8	0.95	0.91	0.9	0.86	0.82	0.89
Med Surg Unit A - Productivity	<= 8	7.5	8.1	7.9	8.2	8.3	7.3	7.8	8.1	7.9
Med Surg Unit A - Avg LOS	<= 3.5	3.7	3.8	3.5	3.9	4.1	3.85	3.4	3.9	3.7
Med Surg Unit B - Patient Sat	>= 90%	0.91	0.91	0.89	0.8	0.9	0.83	0.82	0.95	0.91
Med Surg Unit B - Productivity	<= 8	8.1	7.3	8.3	7.9	7.8	8.1	7.3	8	8.2
Med Surg Unit B - Avg LOS	<= 3.5	3.8	3.9	3.85	3.5	3.7	3.9	4.1	3.7	3.4
Ortho Unit - Patient Sat	>= 90%	0.82	0.95	0.91	0.89	0.91	0.95	0.83	0.82	0.9
Ortho Unit - Productivity	<= 10	10.1	10.2	9.8	9.7	10.3	10	9.5	9.9	10.25
Ortho Unit - Avg LOS	<= 9	8.8	9.5	9.3	9	8.9	8.7	10	9.9	9
Laboratory - Client Sat	>= 90%	0.91	0.82	0.95	0.9	0.89	0.82	0.95	0.91	0.82
Laboratory - Productivity	<= 17.6	18	17.5	17.8	17.85	17.9	18.1	17.4	17.6	17.9
Laboratory - Cost per test	<= 1.12	1.1	1.18	1.2	1.11	1.14	1.17	1.09	1.19	1.12
Outpatient Rehab - Patient Sat	>= 90%	0.82	0.95	0.82	0.9	0.91	0.89	0.9	0.82	0.95
Outpatient Rehab - Productivity	<= 11	11.3	11.8	10.8	10.9	11.2	11.3	11.9	10.9	11
Outpatient Rehab - Avg. FIM Score	>= 2.5	2.6	2.7	2.4	2.9	2.7	2.8	2.6	2.98	2.5

This approach typically does not lead to improvement, but rather to fear. Are the changes due to random variation or are they special cause? How would they know? Viewing the organization as a set of parts, and then managing those parts separately will not lead to constancy of purpose. How could it?

Fortunately, there are some organizations that are trying to break away from the thinking from the “machine view of the world” to one that helps people see and manage systemically. It is difficult work and the progress can be swiftly and permanently undone by any higher-level manager who continues to “manage by results.” For instance, an executive who views the world by spreadsheet and scorecard from his or her office or the board room and imposes results to others (even if he calls them “true north” measures) is only going to make matters worse.

Some people are understanding that we can’t improve results by focusing on and reacting to results. You improve results by understanding the systems that are producing the results and engaging everyone to work together to test ideas for improving those systems.

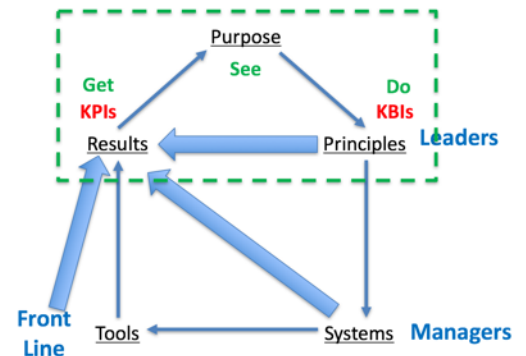
Understanding and managing toward True North is not the same as management by results. Understanding and managing toward True North requires new knowledge, management by results only requires the skill to read and react to a spreadsheet.

True, True North – A more comprehensive view and approach

In our first white paper¹ we described the relationship between how we SEE (purpose) what we DO (behaviors) and what we GET (results) as highlighted in Figure 2 (right).

Purpose (SEE) - Leaders in an organization may have created a clear purpose for the organization. This may be through the creation of mission, vision and value statements. While this is a fine start, we’ve noticed that these alone will not provide clarity around the common purpose and direction for the organization. We’ve noticed that the organizations that are very good at creating and maintaining constancy of purpose will help everyone resonate with and connect to a short purpose statement that allows everyone to see how their role in the organization connects to the broader purpose. We discussed this briefly in our first White Paper¹ and we repeat that discussion here:

Figure 2



² This chart was produced by data generated by random variation only. More information can be found by going to the webinar recording found at these links: <https://youtu.be/JkalHmlIPc> and <https://youtu.be/ZtkQThgSszo>

Working towards a common purpose is more than “true north measures,” pursuing strategic initiatives and bolted-on mission, vision and value statements. An organization’s purpose statement is simple, succinct and easily understood by all. The statement answers this question: “What is the need in society that this organization meets?” The purpose is not to make money – that is an outcome.

Individuals want purpose in their lives. Why do people get out of bed and come to work? What gives their life meaning? When an organization’s purpose aligns with the purpose of the individuals who work at all levels of the organization, then alignment and engagement are not difficult to achieve.

Here are some examples of some organizations that have discovered the power of purpose:

- AutoLiv - “We Save Lives”³
- US Synthetic - “We Improve Lives”⁴
- Southwest Airlines - “We connect people to what’s important in their lives”⁵
- Sandoval Regional Medical Center - “Putting You First”⁶
- Winneshiek Medical Center – “Most Trusted Partner in Healthcare”⁷

Ideal Behaviors based on Guiding Principles (DO) – Since the principle-based approach and model is unfamiliar to organizations, we rarely see the connection to this part of the SEE-DO-GET relationship. The conversation goes something like this:

“We have worked hard on creating our vision for where we want to go. Here it is.”

“That looks great! What are you going to DO to achieve this purpose?”

“We’re going to measure quality, cost, delivery, employee engagement and customer satisfaction. These are our targets.”

“That sounds like what you want to GET. What are you going to DO to GET those results?”

Typically, the response is silence, followed by something like, “We’re going to hire the best people.” Well of course any organization wants to hire good people. But that alone will not suffice. Neither will “holding everyone accountable.”

The conversation then leads us to a discussion of the need to define the ideal behaviors you want to see in the organization and the importance of understanding and applying the principles of enterprise excellence. If leadership does not define and model the ideal behaviors they wish to see, and design the systems to drive these ideal behaviors, people (good people) will try to get the desired results by any means necessary. The common approach is through what Dr. Deming called “best efforts and hard work.”⁸ Other descriptors are: fire-fighting, work-arounds and heroic efforts. If this is how people are achieving the desired results, this is the definition of your organization’s culture.

Leaders need to take the first step to define ideal behaviors that they will model and exhibit using their best understanding of the principles for enterprise excellence. We discussed this process at a high level in our fourth white paper⁹ as we described one approach to deploying principle-based architecture. Similarly, ideal behaviors for managers and front-line staff will need to be defined through a catch-ball process with these respective groups. Some organizations “anchor” the key guiding principles to their organizations stated values. We have found this process helps to connect the ideal behaviors to concepts that are familiar to the organization.

Results – (GET) Just as an organization defines key performance indicators (KPIs) an organization that is serious about a sustainable cultural of continuous improvement will define the key behavior indicators (KBIs). Ideal behaviors are the

³ <https://www.autoliv.com>

⁴ <http://www.ussynthetic.com>

⁵ <https://www.southwest.com>

⁶ <http://unmsrmc.org>

⁷ <http://www.winmedical.org>

⁸ W. Edwards Deming, *Out of the Crisis*, 1986; *The New Economics*, 1993.

⁹ <http://bit.ly/IXDeploy4>

leading indicators that management can adjust TODAY so that the lagging indicators (KPIs) will result. This is accomplished through the design of key support systems that align, enable and improve all the work systems toward the organizations purpose. One method for designing key systems that drive both desired results AND ideal behaviors is discussed briefly in our eighth white paper¹⁰.

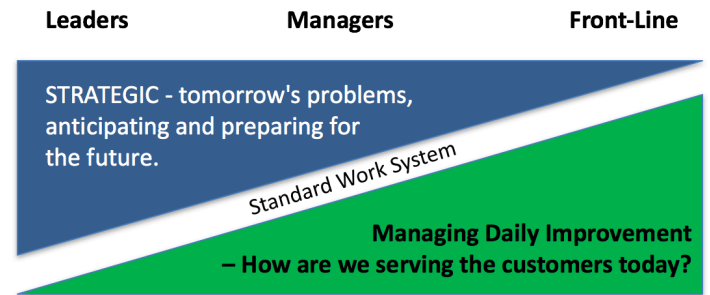
Where will people spend their time? (Ideal state)

As leaders better understand the more comprehensive view of “True, True North” they will develop key systems that will help them to leverage the SEE-DO-GET relationship. We have identified three primary systems that seem to evolve in these organizations:

- 1) Daily management
- 2) Strategy deployment
- 3) Standard work.

Figure 3 illustrates these 3 interdependent systems in relationship to where leaders, managers and front-line staff will be spending the majority of their time. The details behind this diagram are described in our tenth white paper “Side (By Side) Management.”¹¹

Figure 3



True, True North – A Summary and connection to other thought leaders

A narrow definition of True North that focuses only on results will likely be seen as “management by results in disguise.” True, True North encompasses a broader view that includes what and how we want to SEE. This includes the succinct articulation of the organization’s purpose, as well as a common philosophical mindset based on principles of enterprise excellence. When leaders are clear about the purpose and philosophy that drives their thinking and acting, they can then articulate and model the ideal behaviors that represent what people will need to DO. These ideal behaviors can be considered the leading indicators that can be studied and adjusted TODAY in order to yield the kind of results that the organization needs to achieve. We call these key results what the organization needs to GET.

We are not alone in this viewpoint. A review of the literature and research confirms the benefit of a broader view of true north. Here are two examples of the value of the broader definition of True, True North.

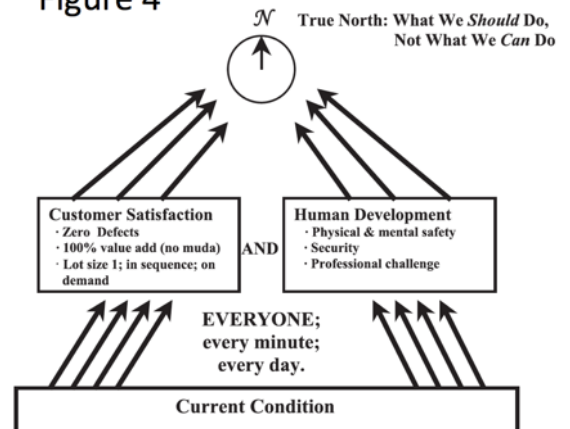
“Lean” and the Toyota Production System, Robert W. Hall, AME¹²

In his 2004 paper published by the Association for Manufacturing Excellence (AME) in their trade journal *Target*, Robert “Doc” Hall described some of the differences between the Toyota Production System (TPS) as practiced by Toyota, and lean manufacturing. The biggest differences relate to how TPS, much more than lean, emphasizes developing people to solve basic process problems.

Figure 4 (right) shows how the Toyota views True North as equal contributions from human development and customer satisfaction. This is not too dissimilar from our view of True, True North being comprised of a) purpose (what we want to SEE), b) ideal behaviors (what we will DO) and c) results (what we will GET).

Mr. Hall observes that, “Toyota ‘creates’ TPS and lean practitioners are more likely to ‘implement lean’”. Toyota stresses that TPS is human

Figure 4



Adapted from presentation diagram by TSSC, a subsidiary of Toyota Motor Manufacturing North America

Note that development of people, all personnel, to head True North is equally weighted with the development of processes toward True North.

¹⁰ <http://bit.ly/systemsbydesign3>

¹¹ <http://bit.ly/sidebysidemgmt>

¹² http://www.ame.org/sites/default/files/target_articles/04-20-3-Lean_and_TPS.pdf

development, while lean organizations frequently try to stretch the worker-to-supervisor ration. At Toyota, the human side, learning new patterns of working and thinking is the highest hurdle.”

In a recent conversation, Mr. Hall provided these additional comments regarding our idea of “True, True North”:
“I’ve seen lean with KPIs monitored from CFO’s offices that were nothing more than management by results without \$ signs. That’s a big dampener of lean, if not a killer of it at times. If employees feel that they are burning imagination just to funnel more money to ownership, enthusiasm wanes.

“People need a “moral” reason to come to work every day. If they have a common reason, they are bound together by that reason. Monetary goals (and empty KPIs) tend to be dividers, not uniters. “

“De facto, Ventana Medical Systems¹³ had an inspiring purpose statement - ‘Find Cancer Faster.’ People dedicated themselves to that, and it made a big difference. Quarterly meetings with the founder did not address profit, KPI goals, or even personnel learning progress. They talked about lives they had saved and those that they so far had failed to save.

“The first time I saw Toyota, all installations had a ‘purpose’ on the wall, sometimes in English, ‘Cars to Love the World Over.’ That faded in time, I don’t know what happened.

“Komatsu¹⁴ had a cute purpose back when they were giving Caterpillar fits, ‘Maru Shi,’ literally ‘the ocean around an island labeled C’ - the Caterpillar logo. But all Japanese understood the message that it implied, ‘be where Caterpillar isn’t: Serve the customers they don’t serve’. Design equipment in niches Caterpillar does not cover. Stay out range of the big guns on that island. Basic strategy and a bit of inspiration in one symbol.

“If a company cannot formulate a socially beneficial purpose for its existence, they should re-think their existence. Maybe the whole thing is waste.”¹⁵

Getting the Right Things Done: A leader’s guide to planning and execution, Pascal Dennis¹⁶

In his 2006 book, Pascal Dennis explains what a strategy deployment system might look like in an organization. Mr. Dennis also outlined many of the key points regarding strategy deployment in a webinar hosted by the Healthcare Value Network.¹⁷ Here are some excerpts from both the book and webinar related to a broad definition of True North:

- The problem is management. Specifically, it’s the tenacious hold of traditional mass production management with its top-down, management-by-results mindset that never examines the process for deploying policy.
- Strategy deployment is a *human* system. People respond because it acknowledges their individuality. With strategy deployment, we don’t *tell* – we *ask* questions. We don’t *command* – we *engage*.
- If lean serves the core needs of the customer – safety, quality, delivery and cost – and is introduced at the highest levels of the organization, it’s forever. By contrast, if lean is peripheral or introduced at lower organizational levels, it’ll have a limited half-life – a major loss, given the exceptional track record of lean thinking.
- Tools are important, but the tools make a *management system*, and a *way of thinking* underlies the tools. Lean transformations most often fail because people have the wrong mental models.
- Mental models are a person’s assumptions about how the world works, based on their experience, upbringing, and temperament. Mental models are the glasses we all wear, which filter and often distort reality. The world we see is our own.

¹³ <http://www.ventana.com>

¹⁴ <http://www.komatsu.com>

¹⁵ Personal correspondence and conversations with Robert “Doc” Hall, January 2017.

¹⁶ Pascal Dennis, *Getting the Right Things Done*, 2006, www.lean.org

¹⁷ <https://youtu.be/HJnr6nysVWk>

- Mental models are important because they affect what we *see* and what we *do*. We have to talk about them, so we can understand and improve them. Until we accept the fact that the constraint is between our years, nothing will change.
- The right mental models are set in stone for management as physical laws are for engineers – because they are based on universal principles.
- Words reflect mental models, which determine behavior.
- True North defines a philosophical and strategic direction. It expresses needs that must be met *and* exerts a magnetic pull. True North is a contract, a bond, and not merely a wish list. True North defines a company's *broad-brush* goal, a short phrase which expresses our vision, direction and will. The Japanese would call it a *hoshin*. It is not a marketing slogan. We need to feel it in our *guts*. Who are we? What do we believe in? Where are we going? What have we learned? A good hoshin makes an emotional impact and creates a sense of excitement.

Our White Paper Series:

Our first white paper "Foundations For Transformation: Linking Purpose, People and Process"¹ describes the common patterns that we have observed as executives and managers have attempted to create a culture of continuous improvement in their organization. Many find themselves trapped in a cycle of "program of the month" approaches that never seem to produce the sustainable transformation of management that is necessary. However, there are some who desire to break away from this pattern, and wish to switch the direction of their efforts by understanding the power of purpose, as well as learning and practicing new principles of management.

Our second white paper "Evolving World View: Implications for All Industries, Including Healthcare"¹⁸ describes the sources of knowledge that will be needed to manage effectively in the twenty-first century. We described how the world view is changing from the "machine age" mindset that has driven the traditional "plan, command and control" approach, to a "systems view." We explain the evolution of thinking that is the foundation for the principles of enterprise excellence.

Our third white paper "Practical Wisdom for Addressing Problems"¹⁹ describes the practical benefits of understanding the difference between convergent and divergent problems, including what we can reasonably expect from ourselves and from others when attempting to address the important problems of management. The tendency for most executives and managers is to look to recipes and formulas to tell us what to do – a prescription for how to deploy a lean management system. There is no recipe, formula or prescriptions. But there is knowledge that can guide our actions.

Our fourth white paper "One Approach to Deploying a Purpose and Principle-Driven Transformation"⁹ shares our current thinking about "deploying a cultural transformation" based on the knowledge and contributions of many thought leaders, as well as observing patterns in organizations from many industries that are attempting and succeeding at a cultural and management transformation.

Our fifth white paper "Principles for Personal and Organizational Transformation – Align"²⁰ describes the principles behind the IEX model, specifically those principles primarily focused on aligning the improvement efforts so that individuals can have a clear "line of sight" between the work they do every day and how it connects to and supports the organization's purpose.

Our sixth white paper "Principles for Personal and Organizational Transformation – Enable"²¹ describes the principles behind the IEX model, specifically those principles primarily focused on enabling people to be engaged in, and improve their work systems.

¹⁸ <http://bit.ly/evolvingworldview4>

¹⁹ <http://bit.ly/practicalwisdom4>

²⁰ <http://bit.ly/alignprinciples3>

²¹ <http://bit.ly/enableprinciples3>

Our seventh white paper “Principles for Personal and Organizational Transformation – Improve”²² describes the principles behind the IEX model, specifically those principles primarily focused on improving the work.

Our eighth white paper “Systems By Design”¹⁰ describes the importance of design and redesign of key systems, in particular supporting systems of alignment, enabling and improvement. We describe a method, including a “system standard” that can help any executive and manager design and redesign key systems that will help them contribute to their organization’s purpose.

Our ninth white paper “True, True North”²³ describes the benefits of more fully understanding True, True North and how this can avoid the trap of the narrow definition of True North only as measures. This matters, because without this understanding the pursuit of true north can merely be “management by results” in disguise.

Our tenth white paper “Side (by Side) Management”¹¹ describes a more useful view of the traditional hierarchy model, and the implications for connecting strategy deployment to daily management in order to provide value to customers, as well as facilitating true knowledge creation in the organization.

The Institute for Enterprise Excellence

The Institute for Enterprise Excellence (IEX) was established in 2013 as a research, education and coaching institution that focuses on helping organizations build principle-based architecture to achieve world-class results.

We bring purpose to life by advancing the use of practical application of principles, systems and tools in pursuit of enterprise excellence.

What differentiates us is our Principle-based Deployment Model, the culmination of many years of application experience and continuous research in the field of behavior and performance.

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²² <http://bit.ly/improveprinciples2>

²³ <http://bit.ly/truetruenorth3>