

'True North' Strategy Development

You would use this approach to identify your key focus or goal as a business (your 'True North') and to ensure that all your activities are helping you to get there.

Projected performance gains



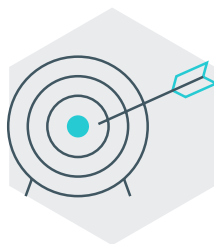
Increased

- Probability of your business achieving your preferred outcome.

Consider how best to use this approach for your business. For instance, if you have significant challenges to turn around a current situation, it may be better to look 18 months ahead. On the other hand, if your business situation is more stable, then a 3-5 year view (or longer) will be useful.

What investment is needed to understand the concept?

DIFFICULTY



Challenging

Use this approach in a way which is appropriate for the maturity and stability of your business.

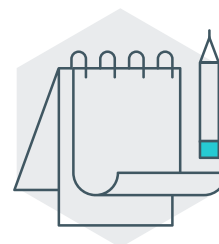
ACTIVITY



Team

The activity starts with senior leadership.

EQUIPMENT



None

No equipment is needed.

Explanation of the concept

'True North' literally means the direction you must take along the earth's surface towards the North Pole. The use of 'True North' in Lean management emerged from the approach used by Toyota.

Essentially, the context of a 'True North Direction' is to give the organisation a compass by which improvements and decisions can be evaluated.

This can be expressed in terms of mission, vision and values:

- **Mission:** our purpose, why we exist
- **Vision:** where we are going / what we want to be like
- **Values:** how we will behave with our customers and each other.

For example, Herb Kelleher, the businessman behind South West, the U.S. low cost airline, famously used the vision of 'becoming a low-cost carrier' to challenge every decision. He applied this to meal provisions on flights saying: "If chicken salad doesn't support our vision, there ain't going to be any".

More specifically, Toyota used 'True North' to describe an ideal state for its operations. These are:

- Zero defects
- 100% of activities are value-adding (e.g. creating no waste)
- Every product is produced one at a time, in the sequence required by the customer, on demand
- People are physically and emotionally safe, have job security, professional challenge and development.

Although this state might never be reached, it provides a guide for improvement activities and decision making for teams and individuals who understand that if their actions lead in this direction, they are doing the right thing.

It is vitally important that these guide measures for 'True North' describe what will be needed for the business to be successful in the coming period. An organisation facing competition in a market which is requiring faster product development and variety, may select 'True North' characteristics based on innovation and speed, as well as expected needs for low cost.

Other organisations use categories of measures to describe their 'True North', often based around safety, quality, cost, delivery and people. However, these should always be adapted for what is most relevant for your business. For example, a well-known healthcare provider in the U.S., which has successfully used lean techniques, focused on patient safety, satisfaction and loyalty.

In order to decide the 'True North' characteristics required for your organisation, a range of analysis tools are available including the Ansoff Matrix and Kano Model on which you can find Factsheets available in the Recommended Reading section. A simple SWOT analysis is a powerful tool and a PEST analysis may also be useful. These tools provide different lenses through which to answer the questions:

- Where are we now?
- Where do we want to be?

From this direction, the next step is to determine the strategies that will help to achieve the vision:

- What do we need to do differently?

These strategies need to be developed with initiatives and plans to deliver them and the Balanced Scorecard Factsheet can help you with this – details are in the Recommended Reading section.




E.g. (for production operations):

- Zero Defects
- 100% Value Added
- One-piece flow, in sequence on demand
- Security for people.

MANUFACTURING INSTITUTE PLANNING MODEL		
Collect Data and Analyse	Who	Customer Analysis and Segmentation Target Market Size and Trends Market Share and Trends
	What	Products / Services provided
	How	How do your Products / Services add value
	Why	What is your purpose and what are your values
	PEST	Assess external factors affecting business
	Core Competencies	Key differentiators
	SWOT	Strengths, Weaknesses (Internal), Opportunities and Threats (external)
Options and Objectives	ANSOFF	Consider options and develop Strategic Objectives
Plan	Marketing Plan	- Products, Pricing, Route to Market (Channels), Marcomms plan
	Value Proposition	- Define your Value Proposition for each product and segment
	Operations Plan	- Manufacturing route map, Value stream models, Supply chain and key partners
	Strategy Map	- Learning and Growth - Customer perspective - People, teams and leadership - Goals (Financial, stakeholders, success) - Infrastructure and Processes
Communication	Communications Plan	Consider all stakeholders, people and customers
Implementation	Strategy Implementation	Balanced score card / X Matrix combined Define constraints / resistance to change and focus on removal Create action plans with timescales and owners


What action should I take?

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Reflect on your business to define how clear the ‘True North’ direction is, for you and the whole business.
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Consider if this is relevant to your current business situation and if it guides decision making and improvements.
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Define your actions by clarifying the long-term Mission, Vision and Values of your business.
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Develop a True North plan with no more than 3-5 key strategies.
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Use the resources and templates below to help refine this activity.

Recommended resources



Dennis, P. (2006). Getting the Right Things Done. The Lean Enterprise Institute.
ISBN 0-9763152-6-2



Toyota's True North Concept. Art Smalley, The Lean Edge:
<https://www.theleanedge.org/3343-art-smalley-toyotas-true-north-concept/>



[GC Business Growth Hub Manufacturing Factsheet 12: Growth Strategy – Ansoff Matrix](#)

[GC Business Growth Hub Manufacturing Factsheet 23: The Kano Model](#)

[GC Business Growth Hub Manufacturing Factsheet 35: The Balanced Scorecard](#)

Glossary

PEST: Political, Economic, Socio-cultural and Technological – A framework of factors used when scanning the environment in which your business operates, in order to understand and develop strategic decisions.

SWOT: Strengths, Weakness, Opportunities, Threats – A simple way to brainstorm where you are. Typically, Strengths and Weaknesses are internal. Opportunities and Threats are external.

For more advice, case studies and additional factsheets visit: www.businessgrowthhub.com/manufacturing

Simple Action Plans to Drive Projects

Exercise: Create action plans for each project with objectives and KPI's. Hold regular reviews with project owner to assist in progress.

PROJECT TITLE	
Objective	Specific project objective
KPI's	Measurable indicators of success
Owner	A N Other
Team	All team members

	ACTION	OWNER	27 JUN	04 JUL	11 JUL	18 JUL	25 JUL	01 AUG	08 AUG	15 AUG	22 AUG
1	Specifications	AB	█	█	█	█	█				
2	Specifications	DC		█	█						
3	Specifications	LK					█				
4	Specifications	MR	█	█							
5	Specifications	TB	█	█	█						
6	Specifications	WL					█				
7	Specifications	SP						█			
8	Specifications	VL	█	█	█						
9	Specifications	LK								█	█
10	Specifications	AB	█	█	█				█		
11	Specifications	DC			█	█	█				

A3 Improvement Plan

BACKGROUND

Why are we concerned about this?

CURRENT SITUATION

Where are we today?

Use visuals

GOAL

What outcome do we need?

ANALYSIS

What are the root causes?

Use visuals, simple tools...

COUNTERMEASURES

What options?

Why have we selected this option?

How will this affect root causes?

IMPLEMENTATION PLAN

What activities required?

Who, what, when?

What measures?

FOLLOW-UP

How will you follow-up (PDCA)

Share learning