MANAGEMENT IS A WAY OF THINKING MUCH MORE THAN IT IS A BODY OF KNOWLEDGE

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The Journal of Innovative Management is a peer-reviewed quarterly journal for people who are improving the way their organization runs. The purpose is to facilitate increased learning and innovation by providing people with cross-discipline stories of transformation through participative planning, problem solving, and innovation. It is written to help leaders, managers, and workers to:

- Cope with the growing need to integrate quality management, systems applications, and creativity and innovation into their organization dynamics
- Integrate academic thought with real-world applications
- Cope with learning time pressures by using an article format that enables faster reading and improved initial learning
- Facilitate a sense of community as readers see how people from various organizational settings and sectors face and solve what are essentially common leadership and managerial problems
- Achieve performance excellence throughout the organization.

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Management is a way of thinking much more than it is a body of knowledge

Carl Sagan said: “Science is a way of thinking much more than it is a body of knowledge.” The same can be said about management: Management is a way of thinking much more than it is a body of knowledge.

One way we can observe our own thinking about management is to pay attention to the thinking of other people. We can easily do this by considering statements that have become popular quotations. For example, consider the following statements about management from Henry Ford and you can see how your thinking compares with his: “There is one rule for industrialists and that is: Make the best quality of goods possible at the lowest cost possible, paying the highest wages possible.” “A business that makes nothing but money is a poor business.” “The highest use of capital is not to make more money, but to make money do more for the betterment of life.” “Wealth, like happiness, is never attained when sought after directly. It comes as a by-product of providing a useful service.”

As citizens in a democracy, we have the right and responsibility to be attentive to the way the affairs of our society are being managed, including what we allow the managers of our corporations, nonprofits, and local, state, and national governments to do.

War and peace are a part of life in the world, for example, and the last century has seen many technological advances that are helpful to life, as well as many dangerous, deadly, and destructive conflicts. How do we think about that? Two early twentieth-century leaders said the following:

“The unleashed power of the atom has changed everything save our modes of thinking and we thus drift toward unparalleled catastrophe.” —Albert Einstein

Non-violence leads to the highest ethics, which is the goal of all evolution. Until we stop harming all other living beings, we are still savages. —Thomas A. Edison

Sometimes we don’t want to face the consequences of our thinking and the actions that flow from it. We may be well-off and oblivious to paying attention to the needs of others. We may be struggling and feeling discouraged and disheartened about the world and our perceived inability to change things for the better. Physicist David Bohm wrote: “And thought struggles against the results, trying to avoid those unpleasant results while keeping on with that way of thinking. That is what I call ‘sustained incoherence.’”

Science-minded readers will recognize that in physics, "coherence" describes two or more waves that are in phase- or frequency-lock together to produce a constructive waveform, such as a laser. There is also a mental and emotional coherence that we can have some personal control over that affects stress levels and thinking capability. From its research, the Institute of HeartMath reports:

When the physiological coherence mode is driven by a positive emotional state, we call it psychophysiological coherence. This state is associated with sustained positive emotion and a high degree of mental and emotional stability. Observed outcomes include: Reduced stress, anxiety and depression, decreased burnout and fatigue, enhanced immunity and hormonal balance, improved cognitive performance and enhanced learning, increased organizational effectiveness. (www.heartmath.org)

A conclusion we can draw is that humanity is capable of maintaining current systems of sustained incoherence—or of creating systems of sustained coherence—as a result of how people, especially the management of various organizations in the world, think and then act individually and collectively on their thoughts and beliefs.
Leaders changing the way they think leads to better organizations

Bronson Methodist Hospital won more than a Baldrige Award at the end of 2005. It achieved a cultural transformation that enabled many improvements. Frank J. Sardone, President and CEO of Bronson Healthcare Group, reports:

Using the Baldrige Criteria, took the fuzziness out of our world, changed how we looked at the work we do every day, and helped us sharpen our focus and our vision. It became much clearer who we were and who we wanted to be.

As a result of using the Baldrige Criteria, we received an award, but we also received a tremendous reward: the transformation of our culture. The criteria helped us strengthen and clarify our vision. The clarification allowed us to engage the collective energy of our entire workforce. It resulted in excellent clinical outcomes, high satisfaction levels from all of our stakeholders, increased marketshare, and strong financial performance.

H. Thomas Johnson, named one of the 200 leading management thinkers by Harvard Business School Press in 2003, is well acquainted with financial controls, various “types” of management, and the management theory and practices of Toyota. In his 2007 Shingo Prize for Excellence in Manufacturing Research winning article, Johnson says:

Businesses everywhere have given enormous attention to “lean” management programs. However, none emulates what Toyota, the creator of “lean,” has achieved. To be sure, many businesses temporarily improve their performance, some greatly, by adopting Toyota practices. But none succeeds as Toyota has at continuously improving lead time, cost, productivity, quality, and overall financial performance year after year after year, for decades.

The prevalence of management accounting control systems in business probably contributes more than any single thing to the confusion of levels that causes American managers to believe they can run operations mechanically by chasing financial targets, not by nurturing and improving the underlying system of human relationships from which such results emerge.

In “Managing Belief to Enable Better Choices,” Laurence Smith points out how our beliefs lead to patterns of thinking that become habits that we stop thinking about, and even resist thinking about, simply because—right or wrong—we believe it.

We constantly make choices about how we will behave, what we will pay attention to, and what to spend time and money on; those choices are often based on what we believe is true or false, right or wrong, winning or losing, possible or impossible, likely or unlikely, good or bad, probable or improbable, profitable or unprofitable, easy or hard, pleasant or unpleasant. Sometimes we manage by whim, doing what feels right or what we want in the moment, trusting our gut instincts; measuring what feels good, or dollars-in-and-dollars-out, and then praising our good judgment when we succeed and blaming ourselves, other people, or external forces when we don’t get what we want or expect. We may not learn why things are or aren’t working well for us.

Toyota’s Ken Kreafle tells us a bit about the Toyota Production System, which some try to copy, generally without the success that Toyota enjoys. Kreafle says a major problem is that the management of these other firms wants to change the tools they use, but not their thinking about how to lead and manage.

There are some common pitfalls that occur when companies bring in people who think differently—consultant groups, for example. Everything starts working very well within the small pocket of people involved, and top management gets excited. But these managers are not changing the way they’re thinking. Instead, they believe that because they hired a consultant, they have purchased success.

So by “royal decree,” a leader who has not changed his thinking, says, ‘I like what I see, I want the rest of you to spread it throughout the entire company.’ That’s when the new system fails. You can’t spread a transition beyond the thinking that is supporting it. It is impossible.
Organizational Profile and Leadership

Frank J. Sardone, President & CEO, Bronson Healthcare Group—If I had to sum up the Baldrige Criteria into one word, I would say “focus.” I use the analogy of contact lenses. Using the Baldrige Criteria was like putting in contact lenses at Bronson Methodist Hospital. It took the fuzziness out of our world, changed how we looked at the work we do every day, and helped us sharpen our focus and our vision. It became much clearer who we were and who we wanted to be.

As a result of using the Baldrige Criteria, we received an award, but we also received a tremendous reward: the transformation of our culture. The criteria helped us strengthen and clarify our vision: to be a national leader in healthcare quality. The clarification allowed us to engage the collective energy of our entire workforce. It resulted in excellent clinical outcomes, high satisfaction levels from all of our stakeholders, increased marketshare, and strong financial performance.

Overview

Bronson Methodist Hospital was founded in 1900 and is the flagship of the Bronson Healthcare Group. We’re a 343-bed tertiary medical center located in downtown Kalamazoo, Michigan. Our service area includes about 1 million people in the southwest corner of Michigan. We’re a Level 1 trauma center, and we have one of the highest volume emergency departments in the state of Michigan, with nearly 80,000 visits per year. As the largest downtown employer, with nearly 4000 employees, more than 700 medical staff members, and 400 volunteers, we bring our culture of excellence to life each day. Bronson is the healthcare market leader in our region, and we touch more than 700,000 lives annually with our services.

In the mid-1990s, we had a once-in-a-lifetime opportunity to build a new facility, and in 2000, we opened the $200 million new Bronson, immediately adjacent to our old campus. The new Bronson was designed to create a state-of-the-art healing environment. It became a best practice site for hospital facility design. Literally hundreds of healthcare professionals and architects from across the country, as well as from overseas, have come to view the new Bronson. We’ve had the privilege to strongly influence the future of hospital design.
Many of those who visit are intrigued by the fact that all of our patient rooms are private. Private rooms have really been a home run for us. They’re great for patient, physician, and family satisfaction. But they do more. We were able to demonstrate, through a research study done both before and after the move, that we were able to reduce hospital-acquired infections by 11%—very important in an industry that’s focused on patient safety. Experts are now recommending that in the future of hospital design, all patient rooms be private.

But the new Bronson was always about more than bricks and mortar. It was a forum for change and an opportunity to transform our culture. The year before we opened the new Bronson, 1999, also happened to be the year that we adopted the Baldrige Criteria. The criteria proved to be an excellent tool for us to refine our vision and focus on the culture necessary to achieve that vision.

To ensure that our culture matched the beauty of the new architecture required the full engagement of our workforce—and the Baldrige Criteria helped do that through our plan for excellence, focusing on the most important elements of the Bronson culture. The plan for excellence includes our vision, mission, and values, as well as our three corporate strategies, our requirements for excellence, our philosophy of nursing excellence, our values, and our commitment to patient care excellence.

Our vision, once again, is: To be a national leader in healthcare quality. A few years ago, our vision was to be the regional leader. Having achieved this, we raised the bar. We set our sites on being a national leader. When we did this, the pride in the organization was palpable. You could feel the momentum building. This was a vision that everyone, from physicians, to housekeepers, to food service employees, to administrators, could rally around.

Our mission: To provide excellent healthcare services.

Our values are:

- Care and respect for all people
- Teamwork
- Stewardship of resources
- Commitment to our community
- The pursuit of excellence

Also very important are our three corporate strategies, or the three Cs, as we commonly refer to them:

- Clinical excellence
- Corporate effectiveness
- Customer and service excellence

Clinical excellence is at the top of the list, to depict the importance of patient care in our organization.
Case Study • Bronson Methodist Hospital

Philosophy and commitment

Also vital to our plan for excellence is our philosophy of nursing excellence: We connect with patients, families, colleagues and community through relationship-centered caring, shared decision-making, evidence-based practice and accountability — utilizing the principles of respect, compassion, expertise, impact, and pride; and our commitment to patient care excellence: Healing with knowledge. Caring with our hearts. Working together for Bronson patients and families.

Bronson leadership system

The Baldrige Criteria helped us think through how we lead the organization. The criteria made it clear that we needed to outline the specific steps needed to achieve our vision. Before reading the criteria, I’d never really been asked the question: How do you lead? A small group of us on the executive team got together in one of our conference rooms one day and wrestled with that question. After we came up with a number of concepts, we ran them by our leadership group, which includes more than 200 people, and after many further iterations, we arrived at the Bronson leadership system, which we evaluate annually.

The Bronson leadership system really brings that plan for excellence to life. Once we formalized the process of how we lead, it helped us define and improve how we establish, communicate, and deploy our mission, values, and vision throughout the organization.

The most important element of the Bronson leadership system is at its very core. That’s our key customer: patients and their families. Patient requirements drive all of our leadership actions in alignment with the plan for excellence. Putting patients at the center actually changed the way we spent our time. A decade ago, we spent a lot of time on peripheral business issues. Today, we still have to focus on business, but much of our time as a senior leadership team and an entire organization is spent working to make patient care better. We can often answer difficult questions by posing a simple one: What’s best for the patient?

Strategic planning cascade

Very often, an organization’s strategic plan gathers dust on a shelf. We were no exception. But a strategic plan is only effective if it’s taken off that shelf and comes alive through the actions of employees. Bronson created a strategic plan cascade to ensure deployment and bring our three Cs to life. Cascading creates alignment throughout the organization through individual employee goal setting—it helps connect the dots for staff members. They understand how the work they do every day helps achieve our strategies and ultimately, our vision.

Three Cs results: clinical excellence

Perhaps the ultimate measure of clinical excellence in a healthcare organization is the mortality rate. How many people died compared to how many people were expected to die? For the past two years in a row, Bronson has achieved best practice in this area.

Another indicator involves ventilator-acquired pneumonia. Patients on ventilators in critical care units are at high risk of developing ventilator-acquired pneumonia, or VAP, as it’s called. For the past three years, our organizational goal has been to reduce incidents of VAP. In 2003 we had about forty-six VAPs in our organization, a pretty good rate. By 2005 we were down to ten. And it’s notable that in two of our units, our cardiac surgical unit and our pediatric intensive care unit, we’ve had zero
ventilator-associated pneumonias in the past year. In addition to great clinical care, this represents a huge savings. We've been able to estimate that through this one strategy alone, we were able to save about $1.4 million, which has the resulting effect of reducing the cost of care in the community.

For the second year in a row, Bronson was recognized by the Leapfrog Group, which is sort of a *Consumer’s Report* for healthcare, with the “full circle” designation, which means we comply with twenty-seven of its national quality safe practice areas.

Bronson also received a five-star rating from HealthGrades for treatment in several areas.

Since 1998, we've been able to achieve patient satisfaction levels of 95% or better. Ninety-six percent of our patients are loyal to Bronson, and would return if they needed our services. We also measure our employee satisfaction rates annually. In our last survey, we had about a 90% participation rate from our employees. We listen with respect, and I believe that's why we have such a high participation rate. Employees know that we will take their feedback and do something with it. Not only did we do better than the national average in that survey, but Bronson was best practice in 32% of the dimensions measured.

Another indicator of organizational culture is staff turnover and vacancy rate. Since 2001, not only have we been better than the national average, we are now best practice in nursing turnover. It's common knowledge that there is a nursing shortage across the nation. But really there isn't a shortage of nurses: There's a shortage of nurses willing to work in hospitals. We are doing our best to change that situation.

At a very conservative estimate, it costs us about $25,000 every time we replace a nurse. Consider the savings, the dollars we can reinvest in education, when we are not constantly replacing nurses. And, for the third year in a row, Bronson was recognized by both *Working Mother* and *Fortune* magazines as one of the 100 best companies to work for in the nation.

Recently Bronson was named one of the nation’s top 100 hospitals by Solucient, which evaluates hospital performance in five critical areas, including outcome of care, patient safety, efficiency, financial performance, and community service. This recognition really cuts across all of our strategies. We’ve also grown by 41% in the past four years, positioning Bronson as the market leader. For the past three years, the National Research Corporation has named Bronson the consumer choice hospital in our region.

Another measure of corporate effectiveness is our commitment to the environment. For four years in a row, Bronson has received the Hospitals for a Healthy Environment award for making significant progress in reducing waste, pollution, and mercury. We were also named one of the top ten “green” hospitals in the nation.

And finally, in an era when many hospitals around the nation are struggling, Bronson has been able to maintain a healthy financial margin, and this is while serving double the number of indigent or Medicaid patients as our nearest competitor.
Bronson’s journey continues. We still have many opportunities for improvement, and many more cycles of improvement to look forward to. Deployment is still an issue for us. We’ve been told that we’re great idea generators, but we need to make sure everyone in the organization understands where we’re going. Physician engagement is also an opportunity as we partner with physicians to deliver the highest quality care against a backdrop of conflicting economic incentives. And, we’ll continue to raise the bar in everything we do.

Strategic Planning

Sue Reinoehl, Vice President, Strategy and Communications—One of the beauties of the Baldrige Criteria is that they really do help you get your strategic plan off the bookshelf, out of the executive suite, and where it needs to be so you can achieve the results the plan is designed to seek.

We’ve been able to achieve outstanding results not only in clinical areas, but in finance areas and in our market share and elsewhere. An extra and unanticipated benefit is that we’ve actually been able to achieve our results in a much faster timeframe than anticipated. In fact we achieved several of our 2010 goals in 2005.

A strategic plan on a bookshelf is a “What.” But in the entire first section of Category 2 of the Baldrige Criteria, there’s not a single “What” question. The point is how you’re developing your strategy: a “How” question. Back in 2001, we had a Michigan Quality (our state equivalent of the Baldrige award) site visit. And at one point there were just a few of us in the room, having a Category 2 interview. We had a very good plan, and excellent results. But the examiners kept asking: How do you do this?

Finally the examiners said, “Sue, we understand how you’re doing it but what if you’re not here in a couple years? How will the organization be able to sustain these outstanding results? How will they know how the strategic planning process continues and operates?” That’s when we realized we needed to be much less people-dependent and much more process dependent in order to achieve and maintain our results in the long run. Dwight D. Eisenhower figured this out a long time ago. “…plans are useless, but planning is indispensable.” It’s the process that’s important. We think about not only what step do we do at what time but who’s involved in that step, and most important, what is the input and output for each of those steps. This was a gap that we found in our planning.

So we started applying the Baldrige Criteria to what we were already doing, and created our strategic management model, with specific steps for each season of the year. The first step in winter for example, is our process effectiveness review. We survey everyone who’s been involved in the planning model for the year, asking multiple questions about whether the model itself met our goals. We also do a timeliness assessment. What was the timeframe for each step and did we actually meet that timeframe? If not, why not? Do we need to make changes in the timing of our process?
Step two for winter, and an area in which we made many improvements early on, involves our SID, our strategic input document, which is compiled by our business development division. From an input and output perspective, we hadn’t necessarily been doing a good job of formally collecting information, or of making it a very distinctive step of input into our planning process.

We created a thick document that contains all the assumptions—our patient requirements, who our customers are, our SWOT analyses, our competitor analyses—that underlie our strategic plan. The benefit of doing this has been that the collective review of the SID by our executive team and by many of our key leaders has improved our planning process tremendously and has been a very good improvement step in our plan. In doing so, we merely formalized the informal. We had already been looking at these sources of information: We just weren’t bringing them together in a formal way.

There’s a reason why we call it the strategic management model and not the strategic planning model, which was its name for the first few years. We want the model and the way we do our strategic planning at Bronson to be integrated, which is very much about how we manage the organization, not how we just develop the strategic plan. Earlier on, our strategic plan was not integrated with our financial and budgeting plan or our capital plan or our human resources staffing and educational plans. All these were on different tracks, though they did come together at the end of the year in terms of getting the budget and the plan approved. Now we’ve integrated all the key processes in the organization into our strategic management model, and when we go to the board, we take one plan, our strategic financial plan, which incorporates all of these particular processes.

Healthcare is very dynamic, with rapid changes in many areas. It’s hard, when you do the SID, to anticipate everything that’s going to happen in the next full cycle of planning. Data is difficult to get and difficult to make available at the time you need it. So we have to build flexibility and agility into our processes.

Baldrige asks us what if you need to change your processes? How do you modify your action plans or execute an action plan in a faster time frame? It’s very important to design in a step to provide that agility, so we added another improvement in our process: Each week, we review our performance indicators in a systematic way at the executive team meeting. We review our strategic scorecards every month, and every quarter. We also review our tactics grids, and our updates, tactics, and barriers every quarter. We also look at current information, everything that happens in our environment each week, competitor information, changes in regulations reimbursements. Whatever it is, we keep track of it.

Here’s an example of how this agility has helped us. When we did our SID a year ago, we knew that there were some surgeons planning to develop a surgery center on their own. But at the time we completed our plan, there wasn’t enough information for us to build a response into our planning. But because we kept up every week with what was happening, we were able to identify the physicians and when they were going to develop the surgery center. Consequently, we were able to rapidly develop a comprehensive tactical plan and the result is that we were able to reduce the impact that the surgery center had on us by about half what we’d anticipated.
For many of us in strategic planning, our role ends once we get the “book” done and it’s put on the shelf. The organization then takes on deployment. It wasn’t until we’d been working with Baldrige for a while that we understood the importance of integrating strategy deployment with all the categories. It has been so critical.

The first thing we had to do was take our plan off the bookshelf and out of the executive office and share it with everyone. We hadn’t done this before. We tended to keep our plan confidential, only giving out little pieces of it to people on a need-to-know sort of basis. But we changed all that when we put our plan for excellence on the wall. We give it to every employee on a two-page document when they orient, and once a year hereafter on the computer. It’s on our screensaver.

It was a very important step for us to start talking about our plan with everybody. And a funny thing happened when we did that. Dr. Wayne Dyer had said this and it’s so true for us: “When you change the way you look at things, the things you look at change.” Once you start getting your plan out there and talking about it, sharing it with your employees, your medical staff, and your other stakeholders, they give you input about your plan. You get a really good sense about whether that plan is driving the organization, whether it’s inspirational, and whether the organization really understands it.

We learned some things that surprised us. One of them was our vision. We were going to be the system of choice in our region. But quite frankly, we already were the system of choice in our region—it really wasn’t an inspirational vision. We went through an entire year’s process, getting input from all of our stakeholders, to create an inspirational vision. We used the BHAG term—the Big Hairy Audacious Goal—back in 2000 to create our vision for 2010, that Bronson would be a national leader in healthcare quality.

We also looked at our mission, which was this: We are committed to improving the health of those we serve by providing services that are of value, comprehensive, and accessible, through an integrated network of cooperating providers. We had a little problem with this mission. We couldn’t remember it. I couldn’t recite it, the CEO couldn’t recite it, the board couldn’t remember it, and we couldn’t even articulate very well what it meant.

One day I happened to pop on an elevator with some Joint Commission on Accreditation of Healthcare Organization (JCAHO) surveyors who were visiting. They asked another employee on the elevator, who was in housekeeping at the time, “What’s the mission at Bronson? What’s your purpose?” Of course I panicked—oh no! They’re not going to know the mission and then they’re going to turn to me and I’m supposed to know it, and I don’t. But this employee simply said, “To provide excellent healthcare services.” It took about a week to review this with all our stakeholders and decide that this was really our mission. It is perfect. It is about what we are and what we’re doing. It’s very simple and understandable.

We realized at that point that we’d been writing our plan in the past to make sure that it covered all of our stakeholders and didn’t offend anyone, but we forgot the most important audience: the people who are actually helping us to carry out our plan. So our plan for excellence is now focused on our employees, our volunteers, and our medical staff—those who are assisting us in carrying it out.
Ownership is really the second piece of deployment. We now have what we call Strategic Oversight Teams (or SOTs), which are led by executives. All our executives are on at least one of the SOTs. The teams oversee the strategy development and deployment for a particular “C” (clinical excellence, customer and service excellence, and corporate effectiveness) strategy, and they are multi-disciplinary. We have physicians on many of the SOTs, as well as executives, and some key department leaders, and these teams have sub teams. They are responsible, many of them, for carrying on the work of the organization for that particular C. This system has worked very well for us.

But of course we need to bring the three Cs to life with our employees. Just having the executive team and some leaders with ownership isn’t going to achieve effective results. To do this, we use a strategic plan cascade. First we develop a comprehensive strategic plan, which we boil down into a one-page document, which outlines our short- and long-term goals. From there we create our scorecards and performance indicators, and then secondary scorecards at a department and service level, and from that we develop our staff performance management system. We cascade our goals to our staff two ways: gainshare, which is very much a team-oriented program, and through individual employee goals.

Here’s an example of how cascading works in my division of business development. We begin with our vision of being a national leader in healthcare quality. Our corporate effectiveness goal this year is to achieve our cardiac growth targets. One of our tactics is to increase referrals to the cardiologist. As a result of cascading, you would see some individual or team goals in a number of areas. Last year, one of the service line’s goals was to roll out the heart scan, a product using MRI technology for early detection of heart disease. In marketing, you might see a goal related to developing a cardiac campaign about the heart scan. And in the emergency department for the year, there might be a goal related to getting chest pain accreditation for our chest pain emergency center. Does this cascade actually work? Can you really get everybody on board? Absolutely. We were a small provider in the cardiac market, and are now the market leader in cardiac services.

We think of the cascade as a thread with which you can link strategy to the work of every employee and every medical staff member, so they understand how they’re helping to achieve our vision every day.

We’re looking at ways to get more formal stakeholder input into the planning process, particularly with the community and with our vendors. We also want to examine ways to reduce the planning cycle time so that we are doing our planning closer to the year in which we’re going to be implementing it. Last, we still need to improve deployment. We’ve done a good job in deploying our plan, but we are particularly interested in how to bring on board and engage our medical staff more thoroughly, especially those that are independent, which represent a large number in our planning process.
Focus on Patients, Other Customers and Markets

Michele Serbenski, Executive Director, Corporate Effectiveness & Customer Satisfaction—Category Three of the Baldrige Criteria asks two key, multi-part questions. The first: How do you determine your customers? What are their requirements? What are the markets you’ll serve? The second question asks how do you build customer relationships and foster loyalty, and how do you determine if your customers are satisfied?

Category Three for Bronson is all about customer service. Our definition or concept of customer service has two key components. The first is pretty obvious. We want to give customers what they want. But we think excellent customer service has a second component. It’s about fulfilling the less obvious customer needs. What I mean by less obvious is perhaps listening with empathy when a customer has a problem. Or providing options when we can’t meet your needs. Or using gowns that cover you up in all the right places. Or a room-service style menu that lets you order what you want, when you want it. Those are the less obvious customer needs—things we don’t have to do, but want to do, so that we can provide excellent customer service.

At Bronson we learned early on in our Baldrige journey that excellent customer service doesn’t just happen. You need to make it a strategic imperative in your organization.

It begins with our plan for excellence. We align our work plans and measures around our three corporate strategies. Our strategic objective of customer and service excellence is the most important way we make customer service a strategic imperative at Bronson.

We examine all of our customer-focused processes during our strategic planning process. The strategic management model provides the forum for us to systematically define who our customers are and what their requirements are. What markets will we serve and what services will we provide? What are our customer focus processes? Who are our partners and our stakeholders?

Here are what we define as patient requirements at Bronson.

- **Quality outcomes.** In the simplest or perhaps crudest of terms, our patients tell us, don’t kill me, don’t hurt me, please make me better.
- **Communication.** Keep me and my family informed.
- **Empathy.** Treat me with dignity and respect.
- **Responsiveness and efficiency.** Don’t waste my time or my money.

As I mentioned, our key customer and our only customer are patients and their families. We have other stakeholders such as staff, community, suppliers, and physicians who are our partners.

It didn’t always work this way at Bronson. There was a time in our journey when
every single one of these groups was a customer. We really wrestled with balancing all their needs. Who do you serve first, if you have to look at resources, and effort? Where do you put your effort? So for our strategic planning process and our cycles of improvement, we determined our key customers. What business are we in? We came to the conclusion that our one and only customer group was going to be patients and families. This has really helped us focus on what’s most important.

Through our strategic planning cascade, customer service comes to life. At every step of this cascade there’s a focus on excellent customer service. At the very bottom of the cascade, every employee at Bronson has an individual goal focused on providing excellent customer service, one that relates to the work he or she does, one that makes sense and is relevant to what they do every day. And we have a gainshare program that all employees participate in, and a third of that program is focused on customer service and specific goals related to it. It’s yet another way that we keep our eye on the ball and make excellent customer service happen in our organization.

Providing excellent customer service is part of everyone’s job at Bronson. Our focus on staff begins with our investment in leaders. Back in the early 2000s, Bronson made a strategic decision to invest in and create a leadership development initiative. It’s called LEADERship. Its mission statement: To fully develop excellence within each leader to move Bronson from good to great.

The basic components include off-site training retreats for our leaders several times a year, lunch-and-learn sessions that happen at our facility to keep the learning going between these retreats, and homework and accountability.

How do we foster staff commitment to service excellence? It begins with the selection process. If you’re interested in working at Bronson, the initial screening interview includes questions that focus on customer service. You will also sign a commitment to excellence so that you understand the expectations before you even begin. When you interview, which is actually a peer interview process, some of the questions that your potential co-workers are going to ask you focus on customer service. All of these things help us to ensure that we select people who are focused on providing excellent customer service.

After hiring, we do training, which begins with new hire orientation, and doesn’t stop there. Bronson has a customer service institute, an in-house training component that has a variety of courses focused on service training that you customize when needed, and also service coaching.

Then we have standards: expectations that are clearly defined and outlined for our staff so they understand what’s expected of them. We then hold them accountable to those standards.

No one wants to return to a hospital. You’d rather stay healthy and not have to come back. The reality, however, is that you might have to come back, and we want...
Creating great, memorable experiences is key, continued

to make a connection with you in some positive way so that you remember us—so that you say, if I ever have to go to a hospital again, I want to come to Bronson.

So how do we build a great, memorable experience in healthcare? Maybe it’s our robes that keep you warm. Or our concierge service. You can call them up to borrow a laptop so that you or a family member can access our wireless network when you’re on site. Maybe it’s the valet parkers who are there to greet you, or escorts and greeters, who will take you where you need to go in our facility. Or maybe it’s the staff, the nurse who held your hand when you were frightened during your surgery, or the patient care assistant who took some extra time to fix your hair just right so you looked nice when your family came to visit. All of these things add up to create that great memorable experience.

Service recovery is part of the tool kit

Service recovery is a simple three-step process that we follow when we want our staff to respond to a customer concern:

• Acknowledge. Restate what you heard. Show empathy.
• Apologize. “I’m sorry about…” “I apologize for…”
• Amend. Tell what you can do. Offer options.

We introduce this process at orientation and provide training to staff, and coaching as well, so that they’re comfortable with handling complaints and issues that might come up. We want them to be able to handle complaints right there at the point of service, in a consistent manner. We certainly don’t want to hear from folks after they’ve gone about something we could have addressed when they were with us.

Interaction processes are standardized

We set expectations for every interaction that our staff has with customers. They are basic but important: Greeting, exchanging, and closing; things like body language, a smile, a handshake, contact, tone of voice.

Telephone answering is a key interaction. It’s important that we answer the phone in a systematic manner that focuses on what the customer needs. The customer has told us they want to know they’ve reached Bronson, what department they’re talking to, who the person is and what their title is. Certainly they want a friendly interaction, and help with whatever they need. We put together a simple process for telephone answering, and there was a time early on when consistent telephone answering was the goal for customer service with regard to our gainshare program. The entire organization was assessed on how we answered the phone. At the time it was the right thing to do for us to get people focused on what is important.

Suggested scripted phrases are another tool

Employees helped us create some scripted phrases for interaction with patients that focus on providing excellent customer service every day. For example, when the environmental service staff is in a patient’s room, cleaning, the scripted phrase a staff member might use is: “I think I’m done. Is there anything that you see that I have missed?” What an opportunity to engage the customer. “Tell me if you see a dust bunny under your bed that’s been bugging you. I want to take care of that now.”
The Baldrige Criteria ask you how you build relationships and foster loyalty with your customers. We do it first by hiring competent staff with the skills they need to provide high-quality care and excellent service. Second, we develop the service standards that I’ve described, and we hold our staff accountable, with the expectation that everybody will provide excellent service. Last, we attend to those less-obvious needs—the amenities, we call them. An example would be the concierge service I mentioned. We also have pagers in our out-patient testing area so that you can wander about our facility when you’re waiting for your family member to finish a procedure or an appointment. And we are always looking at what else we can provide at low cost or no cost to our customers that might not be obvious, but that they would greatly appreciate.

To formalize the listening and learning process, Bronson created our customer research program:

- Satisfaction surveys
- Focus groups
- Post-discharge calls
- Analyzing complaints
- Rounding
- Industry research

We’d used these processes for years, but they were done at different times throughout the organization, by different people. All we did was formalize the processes and bring them together in a systematic manner. Once a month, three of us in the organization sit down together with information from these separate sources, analyze the information, then make recommendations to the customer service excellence SOT as necessary. We didn’t add resources to do this, and we don’t use any high tech analytical tools.

We have used the Gallup organization since January of 2005 to do a telephone satisfaction survey of all of our patients. We hold focus groups every quarter to listen to patients, some of whom have had service with us, and some who haven’t. We want to understand expectations even if you’ve never come in contact with Bronson.

We analyze all our complaints, and then through our customer research program put those together with what our focus groups tell us and what our satisfaction survey tells us, to see if we have an ongoing problem or separate one-time events. All of our leaders, and our patient relations representatives, round on a regular basis, asking our patients and our staff how we’re doing.

Last, we also look at industry research—not just healthcare but other industries that follow what customers want and need.
All this focus on excellent customer service provides excellent results. Since 1998, we’ve enjoyed 95% or better overall patient satisfaction. We look at five different satisfaction surveys administered by Gallup: in-patient, out-patient surgery, out-patient testing, emergency room, and home health, and we aggregate the data, because we want one score for our whole organization, and that’s what the 95% or better is.

This does take into consideration both an outpatient surgery center that has 99%/100% satisfaction rates, and an emergency department that is incredibly busy and bursting at the seams, where people aren’t as satisfied, because they’re waiting and we’re busy. All the results are put together and we’re pleased with our 95% or better history of satisfaction, which ranks us in the top 5% of the Gallup database with other hospitals.

In 2005 we added top box, a new way for us to raise the bar for our focus on customer and service excellence. The Gallup survey has a 1-4 satisfaction scale, with the higher numbers representing higher satisfaction. The 3s and 4s on the survey get added together and represent your overall satisfaction score. The 4s, or the very satisfied scores, are what we call top box. So of the 95% of people who are overall satisfied, 67% of those people are very satisfied.

We want to aim for that very satisfied level, the 4s, so we’ve raised the bar in the way we look at service. It’s been a culture shift for our organization. We all had to get comfortable with the fact that we were now working with a number in the 60s, because we were just adding up top box scores. People thought something had happened, that we had messed up. But we explained that we’re aimed instead at delighting our customers, working toward the highest possible score we can get. The Gallup organization tells us that 60% or better is a very high-performing organization. We have targets of 70 and higher for the future, and we keep our eye on the ball with this, and we keep our money where our mouth is because it’s part of our gainshare program as well.

Our journey continues, and we still have plenty of OFIs. First, we have lumped our customer group of patients as patients and families together in one bucket. Our Baldrige feedback report challenged us, saying, one customer, that’s fine, but how do you treat families differently? Do they have different needs? We think that they do and we want to better understand that.

We are also aiming to make every complaint an opportunity. We do a good job of managing and analyzing and handling the complaints that bubble to the top—the biggest complaints. But what about the little things? We’ve got people at the bed-side, every day, resolving little issues. Maybe the pillows are too lumpy. If patients are complaining about lumpy pillows in one unit, and they’re also complaining about them in another, we want to be able to put that information together—a lot of patients are complaining about pillows—and act on this opportunity.

Last, we want to achieve our top box targets.
Measurement Analysis and Knowledge Management

Mac McClurkan, Vice President, CIO—Here’s a quote from a RAND Study as it appeared in an article in USA Today in 2004:

“There’s a tremendous explosion in what we know works, but we’re still relying on humans to keep track of all that information and to use it every time they see a patient.”

— Elizabeth McGlynn, co-author

My contention is that managing information is necessary to improve healthcare. The way Bronson manages information centers around three basic ideas: How do we convert data into actionable information? How do we access that information, how do we get to it? And then what do we do with it?

These three ideas are reflected in our information management strategy: information, access, and leverage.

At the start, we collect, digitize, and organize information, and place it in context with regard to our three Cs. One of the approaches we use to do this is our organizational performance review process, which is basically a scorecard process. We do this process throughout the organization at all different levels. So we have overall scorecards but we have scorecards for each one of our strategic oversight teams that is responsible for each one of the three Cs. We have scorecards for divisions of the organization and for individual departments, all the way to individual leaders, employees, and physicians. We integrate these different layers in order to maintain a line of sight so that an individual is connected all the way up to the overall strategy that we’re pursuing at Bronson.

The next stage of our model involves access. Once you take data and convert it into information, how do you get to it? In some cases, this is relatively straightforward. It could be a function of making sure that there are enough PCs in the patient care area so that physicians and nurses don’t have to wait in line to get to a working device. Are all these devices working? Does the desktop look the same on each PC so you don’t have to figure out how to do things on different machines? You know, for example, what printer a device is pointing to when you want to print a document—basic stuff like that.

We have an intranet for access. Much of the site is secure, but a good part of it is not secure, because it’s really a marketplace of information for us. We set it up so that everybody, all of our internal stakeholders, physicians, employees, volunteers, and others go here to get information.

When physicians and nurses want to access internal medical records, they do so through our intranet. When they need to look at our filmless radiology system and all of our digitized images, that’s where they go. When our employees check their e-mail—every employee has an account, and they’re expected to check it once per
that's where they go. If they want to sign up for or change their benefits or look at their pay stub, that's where they go. When a surgeon wants to confer with a pathologist, to look at a particular slide before surgery is performed, that's where the surgeon goes. We web-enable the pathologists' microscopes so that even though they're in physically separate locations from the surgeons, they can still be looking at the same image together. This is where people go to see what's being served in the cafeteria.

We know that we're getting thousands and thousands of eyeballs looking at this site every hour of every day. It's in constant use. What a perfect environment, therefore, to share information within the organization. If one particular area of the organization has come up with a really neat idea—a new, better way of doing something, they can put it on the intranet and everybody can learn about it.

Another approach, from an access standpoint, is what we call our petting zoo. Before we deploy new technology, we build it, test it, and document it. Then before we go live we set it up and invite the targeted users to come in and use the system and give us feedback as far as what they like.

We had a petting zoo recently with regard to nurses interacting with different types of portable devices. Some were using a portable device that's speech enabled (speech to text). Others used hand-held devices or cart-based devices. We were trying to find out what worked. And it's not necessarily a one-size-fits-all scenario. Different users have different needs.

Relatively few organizations internationally have achieved Help Desk Institute site certification. Honda, AT&T, Barclay's Bank, and Lockheed-Martin are some of them. Bronson was the first healthcare organization to achieve this certification. We did it by benchmarking our performance and improving that performance. For example, one of the metrics is first-call resolution rate. If a user is having a problem, and he or she calls the help desk, how frequently does that user's problem get fixed right then, while the user is on the phone with the support center? Best practice is 80%, and we've been able to get to that point and sustain it for a little over two years. This means that four out of five times when a physician, nurse, or employee calls in with a problem, they're able to get it taken care of right then.

We spend a lot of time on support, and the reason is pretty simple: If you expect your stakeholders to use information in order to improve processes, sooner or later, they're going to have to use technology, and if they're going to use technology, sooner or later, it's going to break. How you manage that little golden opportunity when the technology doesn't work is key to your success. What you do determines whether that stakeholder is going to embrace and use information in the future, or back away from it and be turned off by it.

The group that focuses on support within Bronson also focuses on security. We see support and security going hand in hand. Security means confidentiality, based on HIPAA, the health insurance portability and accountability act, under which we have to keep patient information very secure and confidential, but it also means reliable disaster recovery. We maintain a disaster recovery data center. Every time we register a patient or do a lab test, or create nursing documentation, we're writing trans-
actions simultaneously to two different data arrays at two different data centers. So if there’s a problem at one data center, we can fall over to the other. That’s enabled us to maintain a very high level of uptime, and to avoid problems if we ever were to encounter a disaster.

Through these efforts and others involving access, we’ve been able to generate a very high level of stakeholder satisfaction. One of those stakeholders is our medical staff. This is a group that can be tough as customers. They’re under huge time constraints, have many demands, and very little patience for change and new technology if it’s not carried out well. They deserve to have good implementation.

We use an outside firm to measure physician satisfaction along many different dimensions. One of the questions asks how satisfied they are interacting with our information technology. We’ve steadily increased since 2001 into the most recent year, 2005, where we achieved the 99th percentile. Out of 161 hospitals surveyed, we’re in the top 1% in terms of physician satisfaction. We also have 100% physician technology adoption. Every physician interacts with our computer systems in order to do their work. We’re very proud of these results.

The third part of our information management strategy model is leverage. We convert data to information, and enable access to that information. Now what’s important is what we do with it. A non-clinical example deals with days in accounts receivable. How quickly do we get paid from the time the patient is discharged until the time the cash comes in the door? In 2005 we were at about thirty-five days, on average. This is significantly better than the overall best practice and the overall median for the bond rating agency. If you compare that thirty-five days to the best practice, which is about forty-five days, that’s ten days of AR. For Bronson, each day of accounts receivable is worth about $1 million. So that’s money we don’t have to go out and borrow, and money that we can invest in property plant equipment in order to take care of our patients.

We do this by leveraging the information. First, we collect the information at the time of registration, correctly and once. We capture all the charges during the patient’s stay, making sure all the clinical records and documentation support those charges, then doing the coding in health information management (our medical records area) accurately and quickly. There is no paper in health information management. All information is entered and processed digitally.

Next, we create the bill, verifying that it conforms to the contracts we have with third-party payers, then send the bill electronically, and receive payment electronically. We did all this by leveraging the information we had available.

Innovation offers another perspective on leveraging. On our journey to become an innovative organization, we started out with defining what innovation meant for us. As we were doing that, we made an interesting discovery involving competitive convergence. We benchmark, but so does everyone else. We all try to identify best practice, and what we can do to achieve it over time. This is great, and helps everyone, and the industry, overall. But what is also happening is competitive convergence. If everyone is moving toward that best-practice level, everyone is clumping together
on that graph. That’s improvement, which is good. But Bronson’s vision is to be a national leader in healthcare quality. And if we’re going to lead, we have to at least in some respects be better than and different from the rest. That’s where innovation comes in. The way we define innovation, therefore, is being not only better, but seeking opportunities to be different, to create our own best practices.

The way we recently leveraged a single investment, in this case, wireless, embodies the idea of innovation at Bronson. A Wi-Fi network is not cheap. How could we take that one investment and leverage it to do many different things? We started with telephony. We set up a voice-over-IP network so that nurses could have their phones with them, so when they needed to place or receive a call, they could do it as they’re roaming, rather than having to go back to the nurse’s station. That worked out really well. Then we thought, why don’t we integrate this with our nurses’ call system so that our patients can connect directly to their nurse rather than waiting for their nurse to arrive at their room? That worked well. Then we thought, we’re already doing this for voice over IP, why not data over IP? That’s what it was originally designed for. We already had an electronic medical record, and we had a picture archiving system. So we started using portable devices over the wireless network.

This was all good from a clinical standpoint, but what could we do from the standpoint of another of the three Cs, customer and service excellence? We decided to divide the network into two parts: a highly secure wireless network to access medical records and similar information, but also a non-secure environment to provide free wireless internet access anywhere on our campus, not just in the waiting rooms, not just in the cafeteria, for our patients and their visitors. Then we took it a step further, working with others in Bronson, so that if a patient or a visitor doesn’t have a wireless-enabled device, our concierge can provide one for them.

Then we considered something completely different. We had a real challenge that we hadn’t found a solution for yet involving wheelchairs. We were never able to ensure that wheelchairs were where we needed them to be, when we needed them, so that we could move patients from point A to point B. This might sound trivial, but it is a serious issue, because we’re trying to move patients efficiently through the process, and if you can’t physically move a patient where they need to go to have a procedure done, you slow down the whole flow, not only for that patient, but for everybody else. It’s a kind of domino or a snowball effect. We’d also buy wheelchairs and then they’d end up missing. They would just vanish.

So we came up with the idea of using the wireless network for asset tracking, specifically to keep track of those wheelchairs. Working in partnership with some third-party technology experts, we developed and deployed a GPS application for tracking wheelchairs. This has been a big time and process saver for us.

From an information standpoint, here’s what we’re working on now to raise the bar: We’ve created a web-based electronic medical record environment for our physicians and nurses, and other caregivers, but we really haven’t done a lot for our patients and families. Wouldn’t it be nice if, when you signed up your child to go to summer camp and you needed the immunization record, you could just click on the web site and get it right then rather than having to schedule an appointment with
the pediatrician? Or register for your own clinical visit?

We’re also looking at process management tools. Ours is primarily PDCA—Plan Do Check Act—which works really well for us. The Baldrige Criteria have worked well for us too. But there are other tools out there, like Lean and Six Sigma, and if we’re going to continue to improve, we need to add some of those powerful tools to our kit, and we are just now beginning that journey.

Another goal involves evidence-based medicine. Every patient deserves evidence-based best-practice care every time they walk in our doors or anyone’s doors. We owe it to them, and that’s something from an information management standpoint that we see as our primary goal, moving forward for clinical excellence.

Staff Focus

Susan M. Ulshafer, Retired Senior Vice President, Human Resources & Organizational Development—At Bronson we believe it is absolutely critical to harness the creativity, the enthusiasm, and the energy of our workforce to create excitement, to bring our strategies to life, and to reach our vision. Using the Baldrige Criteria, we made a workforce development plan that encompasses our commitment to workforce excellence; addresses staff learning and motivation; reinforces high performance through our staff performance management system; and achieves results, for which we reward and recognize employees.

Our commitment to workforce excellence has been raised to a strategic level. All of our strategies for workforce excellence are embodied under our customer and service excellence strategy. We believe that having a strong workforce must be an integral part of everyone’s strategies at Bronson.

First and foremost, invest in leaders. It is the greatest return on investment that you can make in your organization. Through our leadership development initiatives, we provide the skills, the abilities, and the tools necessary for our leaders to be great leaders, as well to create the kinds of environments in which employees want to grow, thrive, and stay.

Our philosophy is simple: Employees don’t leave organizations. They leave leaders. So through our leadership development initiative we educate and train leaders to create those environments. Our leaders, including our first-level supervisors up through and including the CEO, are required to attend mandatory off-site sessions. We reinforce those with shorter sessions called lunch and learns, or breakfasts and learns. After every learning experience, mandatory homework is assigned, and all leaders are required to fill out an accountability grid, which we track to ensure that learning is applied across the organization.

We try to conduct all our learning activities in an atmosphere of fun. All of our initiatives and development programs are themed. Learning is a lot more fun when you create a fun environment. But for us, it’s not education just for education’s sake. We want to know what value those development activities have had.
We measure the value and effectiveness of our leaders through a formalized process—our employee opinion survey—on a yearly basis. We ask those being led to evaluate not only overall leadership but individual leaders as well.

Here are some of the leadership traits we measure on our employee opinion survey:

- Competent
- Ethical
- Caring
- Fair
- Strategic
- Approachable
- Honest
- Open

We drill down through our employee opinion survey results to individual leaders, not only to serve as a bit of a scorecard for their skills and abilities, but also to reinforce and improve opportunities, and create additional leadership development plans, which are tailored to individual leaders.

We began this formalized process several years ago. Since then, our employee opinion survey results regarding leadership effectiveness have consistently improved. To be truthful, we went from the bottom, the worst in our database, to enjoying the status of best practice in our database in leadership effectiveness.

Through our succession planning process, we’ve tapped individuals to ready them for positions at the executive or senior level. Additional leadership development programs and plans are specifically tailored for those individuals, and special training on coaching is a part of that curriculum, because we believe that to be a great leader, you must be a great mentor. We’ve integrated that particular program with others in the organization, such as our management mentor model, which taps individuals for first-time opportunities in management. The way we’ve integrated that is to have the mentees in our management mentor program learn along with those in our succession program. Those in the succession program serve as coaches and mentors to our mentees, and that way they can learn and grow together for the future. Through our workforce development program, we have also created a variety of career pathways or ladders.

Respiratory therapists are a critical-need occupation in healthcare. When we looked at our vacancy and turnover rates, we recognized that we needed to do something different with our respiratory care program. So we created a career pathway that provides not only part-time employment, but a financial stipend and educational assistance to ensure that those who are in the respiratory care pathway are able to complete the requirements. We strive to offer work/life balance.

Our results for this pathway have been excellent. In 2003 we had a vacancy rate of 23% for respiratory therapists. At year-end of 2005, and continuing, our respiratory therapist vacancy rate is now zero percent.
While our commitment to workforce development is strong, it must also be visible and tied to our plan for excellence across the organization. We do this through our strategic plan cascade, and we begin to reinforce high performance through our staff performance management system. The system is grounded in two parts, and is where we bring our strategies to life in clinical excellence, customer and service excellence, and corporate effectiveness through the creation of both individual goals and team goals.

Our individual goals are established each year in collaboration with leaders. We ask employees to establish three annual goals, one aligned with each of our three Cs strategies. We ask them to have a conversation with their leaders about the work they do every day. How does that contribute to the success of the organization? Are they personally committing to contributing?

Let’s say you’re a housekeeping associate in your organization. Your goal for clinical excellence for the year might be: I will wash my hands before and after any patient contact. Your goal under customer and service excellence might be: I will close every customer interaction with, “What else can I do for you? I have the time.” Your corporate effectiveness goal for the year might be: I will clean my assigned rooms within the established timeframes and in accordance with the established standards each and every time.

One of our great lessons in establishing goals was keep them simple and understandable, in control of our own employees, and focused on what’s important in our strategies.

Every employee then transfers their goals to what we call badge buddies. These are little cards that outline the strategies on the front and list individual goals on the back. The cards are then attached to their ID badges. So if an employee ever has a question about the direction they’re headed in, and what they need to be accountable for, they can look at their badge buddy to be reminded.

Team goals are embodied in our gainshare program, a quarterly financial incentive that rewards our employees for achieving pre-established targets under our three Cs. The beauty of our gainshare program is we’ve engaged our employees in working with their leaders to establish the targets before the beginning of our fiscal year. Employees know every year what the targets are, what needs to be hit, and how they contribute to it.

In the last seventeen quarters, we have paid gainshare fifteen times. This has resulted in a payment of about $11 million to the employees of Bronson.

It’s not enough for us to focus on just our current workforce. Some startling information and statistics in the healthcare industry include that by 2010 there’s going to be a need for 3 million more healthcare workers. This is due to the aging of our population, and also the aging of the workforce in our industry. Baby boomers are preparing for retirement. An additional study shows that of the ten occupations expected to grow exponentially over the next several years, eight are healthcare-related.

These forecasts have caused us to reassess our workforce development plan and to begin looking at our future workforce. We have a full continuum of new strategies...
Future workforce needs must be considered, continued

and initiatives, and we involve our employees in both the creation and the implementation of those initiatives. We partner with schools and begin reaching into schools to educate kids and interest them in healthcare careers beginning at the fourth, fifth, and sixth grade levels. It’s an opportunity for us to begin engaging them in learning about healthcare and healthy lifestyles, as well as in opportunities to job shadow, have fun, and learn.

Youth initiative

We conduct summer camps, asking our leaders to serve as chaperones for some of those initiatives. For campers, we reach into our schools but also into our employee population to interest the children or the grandchildren, nieces, and nephews of our employees, to become camp attendees. Campers learn, but they also have a good time—they tie-dye lab coats, take excursions. At the end of camp, they host an ice cream social for their parents, relatives, or friends, and share a news video that they have written, recorded, choreographed, and filmed.

Listening to and acting on employee feedback is critical

Our employees need to know that we are committed to them. We expect them to be committed to us, and they need to know that we care about their opinions and the work that they do.

The cornerstone for employee satisfaction in our organization is listening and acting. Securing the input of our employees is very important, but acting on it is even more important. At other organizations, it’s not uncommon to hear things like, “I told them but I don’t know what they did about it,” and we had heard that too at Bronson. Now we try to share with our employees how we’ve used their input. We have a formalized process of regularly providing feedback. And we’ve developed a special symbol. Employees know when they see this they have had a hand in whatever is marked with that symbol. Whether the input comes through our formalized survey or other venues such as focus groups, open office hours, department meetings, or leader rounding, employees know that we’ll take this input, act upon it, feed the results back to them, and let them know exactly how their input has been used. Many organizations have suggestion programs, idea boxes, or similar input methods. At Bronson, the bubbling of ideas is part of our culture.

Valet parking for expectant employees

Rosetta Jones, a nurse on our cardiac unit, was aware that we provide valet parking to patients and visitors. She looked around and noted that at any given time, a number of our employees were going to be pregnant. Why not leverage the resource of valet parking for our pregnant employees? And that’s how the Baby on the Way Valet service began. Taking her input was a wonderful success story and is well utilized by our employees.

Reward and recognition

Rewarding and recognizing employees is a way of life at Bronson. We try to do it in fun and creative ways. Based on our customer feedback and research, our patients and families told us, your employees are great; they’re wonderful—but maybe you could clean them up a little. Now, implementing a dress code in an organization isn’t usually fun. We involved our employees in setting the appearance standards, but even with that, we were beginning to get a bit of pushback. So we took this
tough management issue and turned it into fun. We threw a fashion show. Our employees were the models. We did it with runways, music, appetizers, and sparkling juices, and we invited everyone. Seven hundred came to see their colleagues model our “spring collection.” Once they saw how great their colleagues looked, we had no problem encouraging our employees to dress to appearance standards before the deadline date. So taking that tough management issue and turning it into fun was a good thing for us.

Our employees know when our organization does well, we want to share that with them. When we were honored by being appointed one of Fortune’s 100 Best Companies To Work For, we wanted to show our employees that we appreciated all the work they had done in having us appointed to that list. Two thirds of the scoring for the Fortune application is based totally on employee feedback. We wanted to ensure recognition and we did this at a time when gas prices were going through the roof. So we gifted them with small gas cards.

It’s not just the significant events that we reward and recognize. It’s a way of life. All of our leaders have toolboxes with small items that they can use to reward and recognize right on the spot. It may be a pass to the cafeteria. It may be a very small gift certificate to our concierge service, or a piece of logowear. It doesn’t cost much to do this, and our leaders are required to use those toolboxes, because we know that our employees do great work. But it doesn’t have to cost anything. We know that the biggest impact are thank you notes. These are often sent to the home, so they can be shared with families. For us, fun and fabulous prizes, and reward and recognition, all create the kind of environment where an employee wants to stay.

Turnover is particularly important to us, and a great source of metrics. One is employee satisfaction, but another is cost reduction, because we know that conservatively estimated, it costs us $25,000 to replace a registered nurse. The third reason is that we know and believe that a stable, competent staff ensures greater patient care—better safety and better outcomes. We’ve chosen to share registered nurse turnover because nurses are a critical-need occupation and secondarily the largest job classification in our organization. About 900 nurses are associated with Bronson. We have gone from an 18% to a 5% turnover rate, which is now best practice in the nation. Applying that $25,000 to our turnover number, we have been able to enjoy cost-avoidance savings in recruitment, overtime, and any number of issues, of about $2.6 million.

Vacancy rates are also important. We want to assure our employees that they will always have the resources available to them to do their work in an excellent way. This means also having peers and colleagues to rely on to deliver care in our organization. We’ve had consistently low vacancy rates over the last few years, and we’re very proud that in our organization there has been no mandatory overtime for the last two years.

Employees must see change happening with regard to surveys. When they see change happening, and when they see that their input is being used, they will continue to provide that input, because they believe in the organization, and that bond between management and employees has been forged. Within a short few years, we
have been able to increase participation on our yearly survey from 48% to more than 87% because our employees know that we listen and will act. We also make it fun. We use small incentives and we theme it. Last year’s was a baseball theme. Get in the game and participate. And they did, in record numbers.

It’s important to us what staff says inside and outside the organization, and we track that. Staff are now our number one recruitment source. We know that when a staff member speaks well of an organization, it will attract similar types of people, with the same work ethics and values. Last year, 37% of all new hires came from staff referrals.

Validation is important, and we are flattered and honored to be among Working Mother and Fortune magazine’s 100 Best Companies To Work For. But the reward is not in the award, but in the opportunity to gain additional knowledge to continue to improve our workplace excellence.

Areas for growth
We have some areas for improvement. We need a deeper succession plan at Bronson, beyond our executive and director levels. We also want to take our culture to the next level, and that’s a coaching culture. We want to ensure that every interaction we have with our employees always becomes a teachable moment and an opportunity to create more development. Last, we want to enhance our diversity efforts, so we can continue to celebrate our similarities and our differences.

Process Management

Introduction
Katie Harrelson, Vice President, Patient Care Services, Chief Nurse Executive—I’ve been an employee at Bronson for twenty years, and over the course of that time, I’ve seen the organization go through many cycles of change—some good, some not so good. And the organization’s response to that change could be described as the good, the bad, and the ugly. So as we began our journey for performance excellence, we realized that we needed to find a framework that would help us organize our work, give us guidance, and most important, help us minimize the bad and the ugly part of organizational response.

I’m a nurse by profession. When I was in nursing school, the nursing process was ingrained into my head as a way to manage care for my patients. So when my colleagues asked me to be the category lead for process management, I thought it would be easy! I quickly got a team together and we started to manage the Baldrige Criteria. It was my first introduction to our opportunities for improvement. We quickly realized that though we had process management tools, what we needed was to define a model. We had to define how we work. We believe at Bronson that having a defined model for process management that’s understood by everybody is important in order to achieve exceptional results.

PDCA wasn’t used every day
At Bronson, our model for improvement is focused PDCA. We’ve had this model for years. But as the teams started to examine the Baldrige Criteria, we realized that people only used the tool when The Joint Commission was coming through, for example. It got pulled off the shelf for problem solving. We wanted people to...
understand that we were going to be a culture of learning and innovation. And in order to do that, we needed to make PDCA more than just an occasional tool. It had to be how people worked every day. So we spent a lot of time training. Every new employee now receives training on our focused PDCA model, and annually as well during the performance review cycle.

The first step is to focus, and it is probably the most critical. We find an opportunity to improve, organize the right team, clarify everyone's current knowledge of the process, and uncover the root cause. Then we start our PDCA cycle.

The plan for excellence provides the focus for everything we do at Bronson. One of our strategies is clinical excellence. We want to achieve excellent patient outcomes. A few years ago, we used our focused PDCA model to do just that. Late in 2003, our medical intensive care unit, the staff nurses, and our infection control committee realized that the patients were getting ventilator-acquired pneumonias. This was an opportunity. They started to research the problem, and found that getting a ventilator-acquired pneumonia increases the risk for the patient of in-hospital death by as much as 40%. And it can increase length of stay by up to fourteen days.

These entities organized a team of expert clinicians, pharmacists, and respiratory therapists, and they discovered the root causes. Our patients were on the ventilator too long, there were certain things we should have been doing for them while on the ventilator, and we needed to get them up and moving around much more quickly.

About this same time, Bronson hired intensivists, physicians specially trained in critical care medicine, for our medical intensive care unit. The physicians and the nursing staff quickly became partners and set forward to reduce the incidents of ventilator-acquired pneumonia. As part of their process, they developed a plan. They researched best practices, and then developed care guidelines late in 2003.

We created a strategic plan cascade. The work of the team started with our vision, to be a national leader in healthcare quality. One of our critical excellence objectives was to provide a safe environment for our patients. The fact that they were getting infections meant we weren't doing that. The team quickly defined the clinical excellence tactic: reducing the number of ventilator-acquired pneumonias. All of that was encompassed in the Plan and Do steps of our model. During the Check phase, they developed a scorecard that included both in-process and outcome measures. For example, an outcome measure was reducing the actual number of pneumonias. An in-process measure was percent adherence to the clinical practice guidelines they had just implemented. We then hardwired those measures by timed performance to individual and team goals.

However, an approach was not all that was needed. As part of our growth in learning to be better process managers, we realized that there are three key success factors: leadership, engagement, and accountability.

We start with **leadership**, probably the most crucial step. Picking the right leaders is essential because they provide direction and guidance for the team. We look for
leaders who have a vested interest in the process. In the medical intensive care unit, it was the physician director, and the two staff nurse champions who were in charge of the process team. Characteristics that we look for include passion. We want them to have passion about their work. They need to be self-confident. They need to be able to engage others. And they have to have a level of expertise with regard to the process they’re trying to manage or improve.

While leadership is essential, if your troops don’t follow, you won’t succeed. Therefore we believe in engagement. Demonstrating the value for the people who are doing the work. What’s in it for them? Why should they care? Another key concept is empowerment. At Bronson, our staff members are the experts. We trust them to provide excellent care. So we empower them to make decisions. We support them through that process. Our leadership role is to provide the resources.

For example, the medical intensive care unit team that was working so hard to improve our ventilator-acquired pneumonia rate had time to do the work. We paid them, they had workshop time to conduct their planning, and their research. They had access to best practices. Late in 2003, and in the beginning of 2004, our organization joined a collaborative with the Michigan Hospital Association and the Johns Hopkins University called Keystone ICU. This was a collaborative with the purpose of improving safety and quality in critical care units. We sent our physicians and our staff to the state conferences so that they could network, share their knowledge, and learn from others.

We also appoint executive champions for our teams. The executive champion’s role was to remove any barriers that the team might encounter as they’re doing their process management work.

The third key success factor for us is accountability. The people doing the work have to know what the expectations are. We document and communicate the expectations. By doing this, we’re making it very visible in the organization, not just to the team, but the organization. We can sustain performance over time. By tying the work to the goals we believe that we instill ownership.

The medical intensive care unit over the last three years has undergone many, many cycles of improvement during the course of their work. They always know where they’re going and what’s expected of them. Their work has led to exceptional results. Our ultimate goal is to have zero VAPs in all of our critical care units. In 2003, when the medical intensive care unit started its work, its ventilator-acquired pneumonia rate, which is the number of pneumonias divided by the number of ventilator days times 1000, was 7.6, and they’ve been able to reduce that to 1.4 in 2005. The medical intensive care unit team was the first to implement the new guidelines. And through our knowledge-sharing process, they were able to expand or spread their practice to our other critical care units: Our cardiac surgical care unit and our pediatric critical care unit have not had a ventilator-acquired pneumonia now in two years.

I am proud to say that in 2006, we’ve had only one, not zero, but one VAP, since January.

While we’ve been able to improve the quality of care for our patients, we’ve also been able to reduce the cost of care. Our infection control specialist says it costs us about $40,000 for every ventilator-acquired pneumonia: expensive antibiotics, more lab work, more radiologist services, and clearly, an extended stay in our ICU.
the most costly place for care. So as part of not only measuring our clinical performance, we’ve measured our financial performance. And we’ve been able to demonstrate almost $1.5 million in cost avoidance since we implemented the team’s work.

This team has been a great example in our organization of bringing people together. It’s the way they work. When we first started it was a little rocky, because we hadn’t fully embraced the concept of process management as the thread of our fabric. And it is now the way they work. And the beautiful part for me is that they’ve been able to take their knowledge and expertise and spread it to all the other critical care units. The whole team is engaged in the process.

We are looking at adding new tools to our process management model and will be embarking on Lean strategies over the next eighteen months. We want every employee to master this skill. And we really look at this as an opportunity for development for all of us. Part of our work will include really focusing in and honing our in-process measures. We want to make sure that when we see a blip, we can go in and look and see where the problem is. And last, we are really committed to being a leader in healthcare quality. That’s our vision. We are not perfect, by any stretch.

Journey to Excellence and Lessons Learned

Frank J. Sardone, President & CEO, Bronson Healthcare Group—The Bronson story has no ending. Using the Baldrige Criteria continues to be a work in progress for us. Receiving the Baldrige award is a chapter of which we’re incredibly proud, but it’s not the final chapter. And I can assure you that using the Baldrige Criteria in your organization will take you on a journey to reach your own vision.

In the late 1990s, we built a state-of-the-art replacement facility adjacent to our old campus, which had been around for about 100 years. It was in 1999, just prior to opening the new Bronson, that we adopted the new criteria, which truly provided the focus for us to develop our vision. This was a once-in-a-lifetime opportunity for us to develop the best environment for our patients, our staff, our physicians, our community, and all of our stakeholders. We wanted to ensure that the beauty of our architecture matched the beauty of our culture and our processes, and brought them to life in our new facility.

I want to stress that you don’t need a new facility or a major building project to adopt the Baldrige Criteria. You can start using it anytime. This just happened to be a very good time for us to adopt the criteria. By using Baldrige, not only did we receive an award, we received something much more important, a transformation of our culture. Our vision of being a national leader in healthcare quality became much clearer. We engaged the collective energy of our workforce, which resulted in excellent clinical outcomes, high satisfaction levels, increased market share, and consistently strong financial performance.
In our multi-year journey, we did have a major fork in the road that stands out in my mind. After we adopted the criteria in 1999, we submitted our very first application in 2000. We applied for the next three years in a row, and in 2001 we received the Michigan quality award. By 2003, our application had reached the consensus stage. We were making steady progress using the criteria.

But in 2004, the team that was writing our application came to me and predicted that if we had reapplied that year, our feedback report would probably be virtually identical to the feedback report that we had received in 2003. We had harvested all the low-hanging fruit, and we had still not made significant progress in 2003 to 2004. Why? Well, although we were working very, very hard on the Baldrige Criteria, it was on a parallel track with everything else we were trying to do. I think of it as skiing instead of snowboarding. One foot on each ski, and if you ski like I do, you go off track pretty quickly. We had one foot on our daily work and one foot on Baldrige work, so instead, we tried to truly integrate Baldrige into our work. We put both feet on a snowboard if you will, and once we did that, it became much easier to move forward. Making Baldrige the way we worked was our major turning point, and a huge lesson for us. We did not reapply in 2004. Instead, we focused our time and energy on our opportunities for improvement.

If I had to sum up the Baldrige Criteria into just one word, I would say focus. Baldrige brings your vision into focus.

I also learned as a CEO that commitment has to start at the top. It has to include the CEO, and the governance of the organization. You have to be willing to commit resources to this work. And remember, it’s not “new” work, it is your work. You’ll find that you’ll reap a huge reward from that initial investment.

Next, set a long-term goal for your organization. We set a long-term goal to be named a Baldrige recipient in 2010. Obviously, we were able to achieve that much sooner than we had anticipated. We talked openly about that goal in our organization. We never kept it a secret. It depends on your culture, but I think it’s important to put that goal out there for everyone to see.

Create and develop internal champions. This can be at all levels of the organization. Don’t keep it just in the executive office. You’ll move ahead much more quickly. We sent a number of people off to Baldrige training and we continue to send people to Baldrige training. Their insights into the Baldrige Criteria proved to be invaluable to us.

Next, I cannot overemphasize the importance of culture. Use the Baldrige Criteria to focus on that culture in your organization. The criteria challenge you to create systematic processes to better understand and shape that culture. At Bronson we wanted a culture that was focused on excellence and innovation. This was a huge reward of our journey. Understand your culture. You’ve heard those phrases: Culture eats strategy for lunch. Culture trumps strategy every time. This is really true, a very important lesson.

Raise the bar continuously. The term ‘raise the bar’ has become almost a mantra in our organization. We always strive to do better, measure what’s important, and continue to compare to the best. The Baldrige Criteria challenge you to continu-
ously raise that bar. We used to use a regional database for patient satisfaction, and we had become best practice in that database. We made a decision, even though we had been using that patient satisfaction company for over a decade, to move to a much larger national database. In doing so, we were able to drill down into what truly satisfied our customers. Now we’re focusing on that “top box” satisfaction.

A final lesson learned on our journey is that the criteria help you to formalize the informal. We had all kinds of processes, hundreds of processes in the organization, but they weren’t necessarily as formal or as systematic as they needed to be. For example, our process used to deploy strategy. We drew a picture to better understand them. That picture evolved into our strategic plan cascade. The process of cascading objectives into the work of the organization brought our corporate strategies to life. It creates alignment throughout the organization and brings our three Cs to life. It helps connect the dots for staff. They understand how the work they do every day helps us achieve our vision.

Being named a Baldrige recipient has absolutely been the most exciting chapter in our history, but it’s not the final chapter. Our journey continues, and we’ll continue to work on deployment to ensure that all of our stakeholders understand and buy into our vision. We’ll continue to raise the bar on everything we do.

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This article is based on presentations given at the Quest for Excellence Conference in Washington, DC.
Lean Dilemma: Choose System Principles or Management Accounting Controls—Not Both

H. Thomas Johnson, Ph.D., Professor of Business Administration, Portland State University, Portland, Oregon

Professor Johnson delivered a keynote address at a GOAL/QPC and CQM conference in Louisville, Kentucky, on April 24, 2007, where he highlighted the information contained in this paper. Johnson also accompanied a group of conference participants on a study-tour of Toyota's Georgetown plant to see first-hand some aspects of the Toyota production system.

This paper by Dr. Johnson received the 2007 Shingo Prize for Excellence in Manufacturing Research and is part of a volume of papers on lean accounting in Lean Accounting: A Living Systems Approach to Lean Management and Learning, Joe Stenzel, ed. (New York: John Wiley, 2007), chapter 1.

Businesses everywhere have given enormous attention to “lean” management programs for over a decade. However, none emulates what Toyota, the creator of “lean,” has achieved. To be sure, many businesses temporarily improve their performance, some greatly, by adopting Toyota practices. But none succeeds as Toyota has at continuously improving lead time, cost, productivity, quality, and overall financial performance year after year after year, for decades.

Failure to reach a desired goal despite repeated attempts often reflects a systemic pattern of problem solving in which people ameliorate symptoms of a problem without removing the problem’s root cause. Because they find relief from its symptoms, if only for a while, businesses postpone looking for the problem’s deeper root causes. The problem persists and continues to produce troubling symptoms that one temporary fix after another merely alleviates, without ever eradicating the core problem. Does this mode of problem solving characterize most “lean” initiatives? If it does, then such initiatives fit the popular definition of insanity: “doing the same thing over and over again while hoping for different results.”

All businesses desire high and stable profitability, period after period for as long as possible. That surely is the goal of most performance improvement programs, including “lean” initiatives. However, such programs invariably boost profitability for only a while, followed by increasing instability and reduced performance until the cycle repeats and management once again rolls out another improvement program that boosts profitability for a while, followed by another disappointing downturn that leads to yet another improvement program, and so on. As a consequence of such improvement-initiative cycles, average results over the long term move in opposite direction to the desired result, despite brief periods of improvement in the short run.

I believe this unintended consequence of improvement initiatives occurs in most businesses because management’s view of what causes business results differs greatly from how the business system itself naturally produces those results. In virtually all businesses today, and for the past fifty years or more, management actions meant to improve financial performance reflect a mechanistic view of what causes financial results. In that view, financial results are a linear, additive sum
of independent contributions from different parts of the business. In other words, managers believe that reducing an operation's annual cost by $1 million simply requires them to manipulate parts of the business that generate spending in the amount of $1 million each year, say by reducing employee compensation or payments to suppliers. Because managers assume that all parts of their operations make independent contributions to overall financial performance, like the parts of a machine, they would consider any or all of the following steps to be equally effective: lay off employees whose annual pay equals $1 million; reduce wages, salaries or benefit payments by that amount; force suppliers to accept reduced prices for their goods or services; outsource employment or contract purchases to less developed countries. It doesn't matter what steps are chosen, as long as they eliminate one million dollars of annual spending.

Were managers to assume, however, that the financial performance of business operations results from a pattern of relationships among a community of interrelated parts, and is not merely the sum of individual contributions from a collection of independent parts, their approach to reducing cost could be entirely different. In that case, managers might attempt to reduce costs by improving the system of relationships that determines how the business consumes resources to meet customer requirements. This would suggest that they view “improvement” primarily in terms of a system of relationships—the human social system that is the business—and not simply in terms of an arithmetic sum of separate parts. More specifically, this would imply that they define and “measure” continuous improvement in terms of a long-term vision of how work should be conducted to best satisfy customer needs with the least consumption of resources. Viewing current operations through the lens of this vision would enable everyone in the organization to see the direction that change must take to move operations closer to that vision.

This is how managers might act if they viewed the operations of a business as part of a natural living system. As I have noted many times in the past two decades, it is not uncommon for scientists today to view human social systems, such as business organizations, as examples of self-organizing and self-identifying living systems. However, such thinking has not yet influenced business education and practice. Indeed, the thinking and behavior of almost all managers in today’s business world reflect a worldview grounded in the whole-equals-sum-of-parts and win-lose competitive principles of nineteenth-century mechanics and eighteenth-century classical physics, not the systemic, cooperative and win-win symbiotic principles of twenty-first century cosmology and life science. In short, today's managers and business educators typically view the financial performance of a business as the sum of independent contributions from separate parts of a machine, not as the emergent outcome from complex interactions among the interrelated parts of a life system. That explains, I believe, why virtually all improvement initiatives, including so-called lean initiatives, inevitably generate long-run financial results that fall far short of what was intended by the initiatives' designers.

It all has to do with a “confusion of levels,” a phrase writers often use to describe what the twentieth-century systems thinker Gregory Bateson called a type of epistemological error. Bateson said that humans in any culture share certain premises about epistemology, that is, premises “about the nature of knowing and the nature of the universe in which we live and how we know about it.” Many of these premises, because they work at some levels and under certain circumstances, are misapplied to other levels. Problems occur when this happens.

People in Western cultures have premises for explaining or understanding the world at two main levels, referred to briefly above. At one level, call it the mechanical, all events are explained by the influence of external force or impact on independent
objects. At the other level, call it the living, all events are explained by patterns of relationships connecting a world of self-organizing beings. The premises at the first level have been successfully used for nearly two centuries to study mechanical processes and to promote engineering technology. They are the basis for scientific and business education and practice in the Western world today. But problems have grown increasingly severe from the erroneous application of these premises to human dealings with nature and to social organizations, such as businesses, that embody principles of living systems. For example, viewing reality through the premises of the first level, a management accountant in modern business views a spreadsheet of financial results as the company. Oblivious to premises at the second level, this person fails to see the system of human relationships that produces those financial results as the company. As a consequence, the person promotes policies to “improve financial results” by arbitrarily destroying relationships through layoffs or outsourcing, not by nurturing and reinforcing the features of those relationships that produce robust results. The long-term outcome, predictably, is less than expected.

In their customary way of doing things in business, managers confuse linear cause-effect connections at the abstract quantitative level of financial results with the nonlinear, complex cause-effect connections that naturally exist at the concrete level of relationships among employees, suppliers, customers, owners and community. Their business training and experience cause managers to believe that linear cause-effect connections at the abstract quantitative level apply everywhere in the world, including the level of real operations. Thus, they proceed to manipulate and control people and things at the complex and nonlinear operating level as though they behaved according to the linear principles that apply at the abstract quantitative level.

Therein lies what I refer to as a “confusion of levels”—failure to see that whereas in a mechanical system one-dimensional quantities can both describe results and enable one to control the linear process that produces those results, in a living system quantities can only describe results, but cannot explain or enable one to control the multi-dimensional interactions and feedback loops of the process that produces the results. As I discuss in more detail below, this “confusion of levels” invalidates all management accounting practices in which businesses attempt to use financial quantities to explain and to control financial results. Those practices, which are endemic to American management but are not evident at Toyota, are the main reason why lean initiatives fail to have their desired impact on financial performance in American business.

An example of the damaging impact of this confusion is in a case (co-authored with MIT Professor David Cochran) I describe elsewhere that compares the financial (and other quantitative) results in two automobile bumper-making plants.

One is run by an American “Big Three” automaker whose managers continually manipulate separate parts of the plant’s operations and arbitrarily increase output in order to achieve unit cost targets defined by an abstract financial cost equation. The other is run by Toyota, whose managers focus on nurturing systemic relationships in the plant according to a constant vision that has guided all operations in the company for many decades. The case demonstrates that the lowest cost and highest overall performance are achieved by Toyota, the company that does not confuse linear cause-effect connections at the abstract level of financial cost equations with the complex cause-effect connections at the concrete operating level of human relationships.

I believe it is because lean initiatives do not change the underlying mechanistic thinking that has guided management decisions in virtually all American businesses for the past half century or more that those initiatives fail to achieve results.
Case Study • Delphi’s Lean Enterprise Progressing Along the Journey

for American companies like the results observed at Toyota. Lean initiatives in non-Toyota companies invariably fail to embody the unique way of thinking about business and the fundamentally different approach to management in which Toyota’s practices evolved. Thus, businesses transplant Toyota practices into a context of alien thinking that overpowers and dilutes the effectiveness of those practices. As a consequence, such companies can demonstrate Toyota-style management practices, but not Toyota performance results.

The prevalence of management accounting control systems in American business probably contributes more than any single thing to the confusion of levels that causes American managers to believe they can run operations mechanically by chasing financial targets, not by nurturing and improving the underlying system of human relationships from which such results emerge. It is significant, then, to note that where this confusion of levels is not present, as in Toyota, one sees virtually no use of management accounting targets (or “levers”) to control or motivate operations. I argue that this is an important reason why Toyota’s financial performance is unsurpassed in its industry.

People at Toyota place great importance in problem solving on genchi genbutsu, or “going to the place” where the problem occurs to see for yourself, firsthand. You don’t rely on second-hand reports or tables and charts of data to get true understanding of root cause. Instead, you go to the place (gemba) where you can watch, observe and “ask why five times.” This attitude reflects, of course, no “confusion of levels.” Instead, it shows a deep appreciation that results (and problems) ultimately emanate from and are explained by complex processes and concrete relationships, not by abstract quantitative relationships that describe results in simple, linear, additive terms.

It should not be surprising, then, to realize that managers in a Toyota plant, unlike their counterparts in American organizations, do not refer to accounting documents such as standard cost variance budgets to discuss the state of current operations. Indeed, in 1992, during my first of scores of trips to Toyota’s Georgetown, Kentucky plant, I was told that the Toyota accounting system treats daily plant operations essentially as a “black box” that it does not enter. Accountants of course record everything that goes into the plant and all the products that come out. But within the plant they don’t track the flow between incoming resources and outgoing finished product. Everything one needs to know about the transformation that takes place inside the plant is inherent in the flow of the work itself. Indeed, a key feature of the Toyota Production System is that the work itself provides the information needed to control its state. In other words, all the information needed to control operations is in the work.

Professor Kazuhiro Mishina introduced me to this aspect of the Toyota Production System in 1992 when he showed me a high-level “material and information flow map” for the Georgetown plant. He explained that the map is designed to show material flowing from left (raw material) to right (finished autos) and information flowing from right to left. Basically there was only one line going from right to left—a line to represent the customers’ orders entering the plant each day and going directly to the body welding operation. Today this type of map is familiar to anyone who has studied “value-stream mapping.” But Kazuhiro pointed out to me that no lines representing information enter the plant from either the accounting system or the production control system. The work itself provides all the information that in non-Toyota plants customarily comes from computerized MRP and standard cost variance reports.
Management accounting control systems block lean, continued

Lean accounting answers the wrong question

While the value-stream mapping literature does an excellent job of showing how the Toyota Production System (TPS) dispenses with the need for production controls (e.g., MRP) in daily operations, it is silent on how TPS also dispenses with the need for accounting controls in daily operations. This is an unfortunate lapse, in my opinion, because it has left the door open to the idea that “lean” manufacturing programs must include “lean” accounting controls, something that Toyota people, especially the late Taiichi Ohno, often referred to as muda (waste).

In Toyota plants, all information needed to control operations is in the work simply because all work flows continuously at a balanced rate through virtually every operation, from the beginning to the end of the manufacturing process. The work has been carefully designed so that one can “see” its current state quite literally. Is it on time to meet the day’s orders? If not, how much additional time will be needed? Have defects or other errors occurred along the way? Are components to final assembly being replenished on a timely basis? Has any undue inventory accumulated anywhere? Are problems being identified and addressed according to standard procedures? Such questions, and hundreds more, can be answered every moment in every step of the process throughout the plant. No accounting system can alert managers as well or as fast if anticipated costs and revenues will not be achieved. Any “exceptions” that managers might need to address to keep financial results on track are visible real time as the work is being done, not days, weeks or months later in a report from the accounting department.

If traditional management accounting practices are the key problem preventing American businesses from emulating Toyota’s performance, what should companies do? Many proponents of lean accounting suggest that companies should reform management accounting itself by doing things such as activity-based value-stream costing, direct costing, cash-flow accounting, value-add capacity analysis, and more. These proposals should cause a sense of deja-vu among those who are old enough to recall some twenty years ago the proposals to gain better control over burgeoning overhead costs with activity-based cost (ABC) information. ABC seemed like a good idea at the time, but in retrospect it was a good answer to the wrong question. We see better today, when we understand more fully what Toyota does, that reducing manufacturing overhead costs requires a new way to organize work, not better cost information. The question that proponents of ABC should have been asking was how to organize work to eliminate the causes of overhead activity, not how to trace costs of overhead activities to products in more discriminating ways. Perhaps now is the time for companies interested in becoming “lean” to reframe the question that management accounting control systems are supposed to answer. It is time to recognize that management accounting controls are a good answer to a wrong question, that if the question were properly reframed management accounting controls probably would not be a valid answer.

The question most companies ask now is how to control the financial results of business operations as if financial results are a linear sum of individual contributions from separate parts of the business. Accounting control information seems the logical way to show how those contributions, and changes in those contributions, add up to the organization’s overall financial results. But if we assume that financial results emerge from complex interactions and nonlinear feedback loops in the interrelated parts of a natural living system, then attempting to control those results with linear accounting information is not only erroneous, but possibly destructive to the system’s operations in the long run. In this case, the new question is: how does one control, if at all, the financial results that emerge from operations that abide by the principles that govern a natural living system?
An early answer to this question was provided in the 1930s and 1940s by Walter Shewhart and W. Edwards Deming, both trained in mathematical physics and both experienced in using state-of-the-art statistical tools in business and government. One of their lasting contributions was to devise a scientific way to estimate the “control limits” within which a business system’s results would normally fall until one of two steps were taken that altered the limits. One step was to ignore all but abnormal variation in results and work to improve the system itself, thereby narrowing the control limits and improving long-term performance. The other step, a less desirable but more common way of managing, was to try to improve long-term performance by intervening in the system every time results varied from a desired target. The inevitable consequence of the second step, Shewhart and Deming proved, is to widen the system’s control limits and impair its long-term performance.6

In essence, Shewhart and Deming likened a well-designed business system to a living system in nature. Its results vary over time, but the range of variation has limits. However, in a human system such as the operations of a business, managers can improve performance by taking steps to reduce that range of variation. The key to performance improvement, then, is to nurture the system that produces results, not to drive the system to achieve targets that fall outside its normal performance limits. In his early work, Deming articulated fourteen principles (or points) that defined what he meant by nurturing the system. Those principles included things such as create constancy of purpose, constantly improve systems by reducing variation, cease dependence on inspection, do not base purchases on price alone, do not reward individual performance, institute training, eliminate management by objectives, and more.

This is precisely the approach that Toyota takes to manage its operations. Toyota lives by a set of deep underlying system principles that, after observing their system on many study missions to their plants in the 1990s, I tried to sum up in my own words with the concept “managing by means.” As I outlined it in my book Profit Beyond Measure, the essence of that concept, which compares Toyota’s system to a living system, is that satisfactory business results follow from nurturing the company’s system (the “means”), not from manipulating and wrenching its processes in order to achieve pre-determined financial results (a mechanistic strategy popularly known as “managing by results”).7 In his own recent and excellent synthesis of Toyota’s system principles, Jeffrey Liker articulates the same concept in his book The Toyota Way with the phrase “creating the right process will produce the right results.”8

This sentiment is central to the Toyota organization’s deep-seated belief that one cannot improve financial performance by intervening in the system and forcing operations people to achieve results targets. Instead, they emphasize the importance of defining the properties their operating system should manifest and of having everyone in the organization work assiduously to continuously move the system toward those properties. Frequently one hears Toyota people refer to those properties as “True North.” True North in Toyota’s system includes properties such as safety (for employees and for customers), moving work always in a continuous flow, one order at a time on time, with no defects, with all steps adding value, and with the lowest consumption of resources possible. The assumption is that the more that every process in the system manifests the properties of True North, the better will be the company’s long-term performance.

These three approaches to managing operations—the Shewhart-Deming approach, managing by means (MBM), and the Toyota Way—all suggest how different it is to nurture the system that produces a company’s financial results than it is to arbitrarily intervene in and wrench the system in an attempt to force it to produce a desired result beyond its current capabilities. The latter strategy is, of course,
followed by virtually all large companies in the United States today, especially the large publicly-traded companies whose top managers are pressured to deliver results demanded by financial markets and other outside interests. It seems unbelievable, but many of those companies are pursuing lean initiatives in the expectation of achieving performance like Toyota's. The fact that they will not or cannot forego pressure to drive operations with management accounting “levers of control” makes the likelihood of their realizing such expectations nearly zero.

If managers look primarily at financial information to judge the performance of a business, then they are certain to be working in the dark, unless I am mistaken and the operations they manage do in fact behave according to mechanistic principles. But anyone who is aware of modern life science can never again view a human social organization, such as a business, as anything but a natural living system. That being the case, it stands to reason that the key to favorable long-term financial performance is to design and run operations according to the principles that guide living systems. Such principles resemble Deming's fourteen points, the principles of managing by means (MBM), and those that Toyota refers to today as The Toyota Way or True North. Only if a company can describe its operating system in terms of such principles can it know whether or not the system is improving. Financial quantities cannot reveal if a system is improving or not. To assume otherwise is to fall prey to “confusion of levels.” If a company requires cost information to show the “savings” from “going lean” it is lost and will never get there. Requiring cost information to justify taking the steps that are necessary to become lean discourages people from continuously removing sources of delay and error that stand in the way of moving closer to achieving system principles such as those underlying living systems or Toyota's True North. Instead, they will create work-arounds such as rework loops, forks, and inventory to keep work moving (even if it is not continuously flowing) in the hope of eliminating unfavorable unit cost variances. In other words, the demand to justify operational decisions with cost information confuses levels, causing people to forego root-cause problem solving and, instead, to build “cost-effective” work-arounds that violate system principles. Eventually the system principles are forgotten and managers spend increasing amounts of time working to improve the efficiency of the work-arounds.

No company that talks about improving performance can know what it is doing if its primary window on results is financial information and not system principles. No amount of financial manipulation will ever improve long-term results. Performance in the long run will improve only if managers ensure that the system from which the performance emerges adheres more and more closely to principles resembling those that guide the operations of a living system. The dilemma facing all companies that intend to become “lean” is that they can follow a truly systemic path to lean or they can continue to use management accounting “levers of control.” They can’t do both.

Management accounting controls impose a curse on lean management programs; they cause managers to believe that addressing the imperative of growth is compatible with the possibility of systemic wellbeing. Abstract quantities by themselves can of course grow without limit. However, the universe has never allowed any real, concrete system within it to grow endlessly. Such attempts to grow endlessly inevitably fail. Had it been otherwise the universe by now would be only one thing—the system that never stopped growing until it became everything, and nothing.
Nevertheless, all businesses that chase accounting targets for revenue, cost, profit, or return on investment somehow believe they are an exception to this universal pattern. They “confuse levels” and are deaf to the primordial message being delivered every time their real operations fail to deliver the long-term performance that their abstract equations and their occasionally favorable short-term returns seem to promise. They fail to see that the pursuit of endless growth is incompatible with the long-term survival of the system.

This message applies to the entire human economy as well as to individual businesses in the economy. Even if every company in the world were to become as “lean” as Toyota, today’s economy in which they operate is not sustainable. Forces drive it to focus on quantitative goals, hence, on extensive growth. Government tax, spending, and monetary policies promote more and more production and consumption, to grow GDP endlessly. Financial markets drive companies, including Toyota, to play in the same game. But an economy that lives on steroids is no more sustainable than any growth-driven organization operating within it. Until they can escape the curse of endless growth, both the economy and all its members are doomed to collapse and die.

Our Earth and its life-sustaining biosystem, as well as all systems in the entire universe from which Earth emerged, reflect the existence of continuously open fields of possibility. The most fundamental and most pervasive process in the universe, and especially on our Earth, is the constant emergence of newness out of what went before. Nothing ever constrained the flourishing of possibility in that process until humans introduced the idea of quantitative choice to the system. Quantity automatically limits possibility and emergence to outcomes that can be measured. Quantum physicists have suggested that undisturbed systems in the universe naturally stay in multiple states simultaneously, unless someone intervenes with a measurement device. Then all states collapse, except the one being measured. Perhaps what you measure is what you get. More likely, what you measure is all you get. What you don’t (or can’t) measure is lost.

By using quantitative targets to manage results without regard to the effect our actions have on the underlying system from which the results emerge we close fields of possibility and limit ourselves to what our measures will produce. In effect, that describes existence inside a machine, not life. Life implies flourishing in fields of continuously renewing possibility. Mechanistic existence suggests a repetitive, homogeneous system running down to death, without hope of renewal or new possibility. Our worship of quantity virtually guarantees that the economy we inhabit today and the businesses within it are life-denying, not life-enhancing.

Businesses, like any living systems, should grow to be what they are supposed to be, not more. Ants grow to be ants, elephants grow to be elephants and humans grow to be humans. Each in its context flourishes in life, in being—not in growing, accumulating, or having. Sustainability, as my colleague John Ehrenfeld has said, is the possibility that humans and other life flourish on the Earth forever. Nurturing that possibility is the challenge that companies, citizens and the communities we inhabit must accept in the name of sustainability. “Lean” management in the sense of running companies according to living system principles is an important first step in meeting this challenge. Then comes the hard part: conducting our economic activities within the limits of Earth’s regenerative processes. To fail at that will make all the lean initiatives irrelevant. But we can succeed, as long as we choose to live according to the principles of living systems and not according to the imperative of quantitative growth.
Endnotes


5. Id. See a version of the material and information flow map in Figure 3-1, page 82.

6. A succinct and excellent introduction to Deming’s (and Shewhart’s) thinking, including applications of statistical process control tools, is in Brian L. Joiner and Marie A. Gaudard, “Variation, Management, and W. Edwards Deming,” *Quality Progress* (December 1990), 29-37.

7. See reference to the book in note 4 above.


Author information

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Johnson is an internationally-noted authority on economic history, management accounting, and quality management. Author of seven books and over 100 articles and reviews on these subjects, Johnson has received many honors for his publications, including Harvard Business School’s Newcomen Award in Business History, National Association of Accountants’ Lybrand Medal, and the American Accounting Association’s Wildman Gold Medal. His co-authored book *Profit Beyond Measure: Extraordinary Results through Attention to Work and People* (The Free Press, 2000), received the 2001 Shingo Prize for Excellence in Manufacturing Research. His best-selling *Relevance Lost: The Rise and Fall of Management Accounting* (Harvard Business School Press, 1987 and 1991), co-authored with Robert S. Kaplan, was named by Harvard Business Review in 1997 as one of the most influential management books published in the twentieth century. His controversial and internationally-acclaimed sequel to that book was *Relevance Regained: From Top-Down Control to Bottom-Up Empowerment* (The Free Press, 1992). His books have appeared in eight languages.

Among his many high-level professional and academic appointments, Professor Johnson
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Since the mid-1980s Johnson has given hundreds of presentations and workshops to corporate, professional, and academic audiences around the world in scores of major organizations, including Alcoa, AICPA, APICS, Arthur Andersen & Co., Association for Manufacturing Excellence, ATK Thiokol Propulsion, BDO Scan/Futura (Denmark), Boeing, British Petroleum, Chrysler, Consultique (South Africa), The Deming Institute, Ericsson Telefon, Ernst & Young, Ford Motor Company, Institute of Industrial Engineers, Institute of Management Accountants, Intel, Japanese Production and Inventory Control Society, National Bureau of Economic Research, The Ohio Productivity and Quality Forum, Pacific Bell, Pegasus Communications, Scania (Sweden), Schneider Electric (France), Schlumberger (France), Scott Paper, Skandia (Sweden), Society for Organizational Learning, Sprint, Studio Ambrosetti (Italy), TeleNord (Norway), Toyota Motor Manufacturing USA, Visteon Corporation, Volvo, Weyerhaeuser, and The World Bank.

His current research focuses on the intersection of systems thinking, modern life science, and sustainability operations management. He is exploring the application of natural living system principles to the design of sustainability-focused local business operations that emulate and extend the scope of the Toyota Production System.
Managing Belief
To Enable Better Choices

Introduction

Where we go in life, and how we think and behave in getting there, are results of leadership and management—how we lead and manage ourselves plus how we are led and managed by others. And all of it is influenced by the winds and currents of belief. When the beliefs we’ve chosen are wrong, even if we believe them to be correct, they function as hidden currents directing us and our organizations to places we didn’t expect to go.

As human beings we are constantly making choices about how we will behave, what we will pay attention to, and what to spend time and money on; those choices are often based on what we believe is true or false, right or wrong, winning or losing, passing or failing, weak or strong, possible or impossible, likely or unlikely, good or bad, probable or improbable, profitable or unprofitable, easy or hard, pleasant or unpleasant. Sometimes we see ourselves—and the world—only in terms of having to face these kinds of stark black-and-white either-or choices in life.

Sometimes we manage by whim, doing what feels right, or what we want in the moment, trusting our gut instincts, measuring nothing but feel-good or dollars-in-and-dollars-out, and then praising our good judgment when we succeed and blaming ourselves, other people, or external forces when we don’t get what we want or expect. We may not learn why things are or aren’t working well for us. Consider the following poem about choice, which seems to contain a subconscious building block of belief, by the Irish poet, senator, and Nobel Prize winner, William Butler Yeats:

The Choice

The intellect of man is forced to choose
perfection of the life, or of the work,
And if it take the second must refuse
A heavenly mansion, raging in the dark.
When all that story’s finished, what’s the news?
In luck or out the toil has left its mark:
That old perplexity an empty purse,
Or the day’s vanity, the night’s remorse.
—William Butler Yeats

It was in 1923, some two decades after what has been called the end of the second phase of the Industrial Revolution, that William Butler Yeats was awarded the Nobel Prize in Literature “for his always-inspired poetry, which in a highly artistic form gives expression to the spirit of a whole nation.” When we look at our own world today, as Yeats did a hundred years ago, how might we give expression to the spirit of our nation, the spirit of our profession or place of work, or the spirit of the world in which we live? And if we did express our thoughts and beliefs about that, how would we feel about it, and what would we then choose to do?
Might it be that during the past century we have as a human society accepted the notion that Yeats seems to be positing, that our intellect forces us to choose between improving life or improving work?

What are our underlying beliefs, assumptions, and intents if we think about improving life or work? What intensity or passion exists? Are we engaging—passionately, apathetically, lukewarmly—in some intellectual activity called “improving”? Are we caught up in something important and motivational? Are we committed to finding what we can and will do to achieve the quality of life or quality of work that we really want and need?

Quality, like love, is a multifaceted concept. Probably everyone thinks that they want good quality environments to live and work in, good quality goods and services, good quality relationships, and a good quality of life. Many people would also agree that those things are not so easy to obtain and maintain. Moreover, quality, like beauty, is in the eye of the beholder; yet while quality is often personal and difficult to define, people will generally say they know it when they see it, or when they experience it, and I think we all can have a sense of being able to understand that.

Quality becomes more controversial when used as a term describing a program for management, such as Total Quality Management (TQM), which was popular in the 1980s. TQM was controversial, not in principle, but in practice: By what process can quality be an organizational design and management discipline? There were various versions of TQM, and various interpretations and methods of both implementation and measurement of effort and results. Some CEOs had success with their version of TQM and some did not. There are other competing theories and programs for how to lead and manage organizations from people who believe in, sell, and teach their versions. Some are college and university based, some are consultant based, and some are organization based.

Among the competing ideas about managing for quality, the psychiatrist, author, and educational activist William Glasser notes that: “Managers must be aware of the fact that quality is at the core of what we want all the time.” (The Control Theory Manager, page 17.)

Dr. W. Edwards Deming included an understanding of psychology (along with an understanding of systems, variation, and knowledge) in his call for people to develop a more “profound knowledge” and become more effective leaders and managers. A working knowledge of psychology sounds like common sense because psychology is about mental processes and behavior. After all, how could one be a good leader or manager of people without understanding mental processes and human behavior?

But there is a major problem hidden in that word “psychology.” The problem is that psychology is not a single theory that all doctors of psychology or psychiatry agree about and then practice a common methodology around. The reality is that there are a number of different theories of psychology and some are competing theories and practices, although the average person may not realize it.

As with most fields of human endeavor, certain ideas become popular and are considered to be mainstream, and certain patterns of thinking become popular and are considered to be conventional wisdom. When that happens, practice becomes habit
and we no longer feel a need to think about what we are doing and why we are doing it that way. These may be thought of as prevailing theories or practices, or even paradigms. Once they take hold, they can be very difficult to uproot. For example, it took 359 years for the Vatican to admit, which it did in 1992, that Galileo was right and the earth did revolve around the sun. It took 62 years for the British Navy to adopt a proven practice of using fresh citrus juice to prevent deadly scurvy at sea, partially because the medical community espoused irrelevant theories about the cause of scurvy such as a bacterial infection, or acid intoxication of the blood.

It seems that the current prevailing theories and systems of psychology that are being used to improve how we relate to ourselves and others (that have been created from the thinking contained in those theories), are actually causing many of the problems that we are experiencing today.

We can get a glimpse into the contemporary world of psychology from the work of the psychiatrist and educational expert, William Glasser, MD. Dr. Glasser's work in psychology complements Dr. Deming's work in management in that both advocate theories of professional practice that are contrary to the prevailing style. Glasser proposes a new psychology that serves to provide a more solid foundation for good leadership, management, and a better quality of life. We begin to learn, in reading excerpts from the first chapter of Glasser's 1999 book, *Choice Theory*, that Glasser believes that the prevailing theories of psychology are causing dysfunctional behaviors in management, education, and personal relationships, rather than preventing them. Glasser calls the prevailing theories external control psychology, and he offers an alternative that he calls choice theory.

We need a new psychology that can help us get closer to each other than most of us are able to do now. The psychology must be easy to understand, so it can be taught to anyone who wants to learn it. And it must be easy to use once we understand it. Our present psychology has failed. We do not know how to get along with each other any better than we ever have. Indeed, the psychology we have embraced tends to drive us apart.

I call this universal psychology that destroys relationships because it destroys personal freedom external control psychology. The control can be as slight as a disapproving glance or as forceful as a threat to our lives. But whatever it is, it is an attempt to force us to do what we may not want to do. We end up believing that other people can actually make us feel the way we feel or do the things we do. This belief takes away the personal freedom we all need and want.

The simple operational premise of the external control psychology the world uses is: Punish the people who are doing wrong, so they will do what we say is right, then reward them, so they keep doing what we want them to do. This premise dominates the thinking of most people on earth. What makes this psychology so prevalent is that those who have the power—agents of government, parents, teachers, business managers, and religious leaders, who also define what's right or wrong—totally support it. And the people they control, having so little control over their own lives, find some security in accepting the control of these powerful people. It is unfortunate that almost no one is aware that this controlling, coercing, or forcing psychology is creating the widespread misery that, as much as we have tried, we have not yet been able to reduce.

This misery continues unabated not because we have thought it over and decided that controlling others is best. It continues because when people do not do what we want them to do, coercion and control are all we think of using. It is the psychology of our ancestors, our parents and grandparents, of our teachers and leaders, of almost all the people we know or know about. Coercion, to try to get our way, has been with us so long that it is considered common sense, and we use it without thinking about it. We neither care where it came from nor question its validity.

If external control is the source of so much misery, why is it the choice of almost all people, even powerless people who suffer so much from it? The answer is simple: It works.
It works for the powerful because it often gets them what they want. It works for the powerless because they experience it working on them and live in hope that they will eventually be able to use it on someone else. The lowest people on the totem pole look up more than they look down. But even more so, the powerless accept it because as miserable as they may be, they believe that they are not free to choose otherwise. They further believe, usually correctly, that to resist would be worse.

Many people like to feel that they’re in control of their lives and have some control over people and things that affect them. I have not met people who desire to feel that their lives are out of control. Having said that, it is also true that “control” is a complex phenomenon; control can mean different things to the same person at various times and in different situations in their life, including having the power to do things they want to do, as well as to not do the things they don’t want; it can include wanting to have “ownership” over people and things.

So if virtually everyone has a need for some control in his or her life, what does that mean for being in relationships? How does our thinking and behavior around control and relationships evolve at home and school, and then get brought into the workplace? Dr. Glasser offers some insights, again from Chapter 1 of *Choice Theory*:

The belief in and use of external control harms everyone, both the controllers and the controlled. For example, the abusive husband also suffers (though not as much as his wife and family). He, too, is a victim of external control psychology. In choosing to do what he does, he loses any chance for happiness. This psychology is a terrible plague that invades every part of our lives. It destroys our happiness, our health, our marriages, our families, our ability to get an education, and our willingness to do high-quality work. It is the cause of most of the violence, crime, drug abuse, and unloving sex that are pervasive in our society.

For example, using the only psychology you know, you punish your teenage son for not doing his schoolwork by grounding him on weekends. But after you ground him, he still doesn’t do his homework, and to make matters worse, you have a sullen teenager hanging around the house all weekend. After a month, you begin to think: Why am I doing this over and over? There must be a better way.

It may take a while to come to this realization because punishing your son is so much a part of your common sense that it doesn’t feel like a choice. It feels right. It’s what a good parent does in this situation—it’s probably what your parents did to you—and you are supported by everyone you ask. Giving you the benefit of an almost universal common sense, they say: Punish him. Why are you asking me this stupid question? Do you want him to grow up to be a bum? The only problem with this advice is that it rarely succeeds. As you continue to punish your son, he and you stop talking and listening to each other. You are both miserable, you blame each other for how you feel, and he does less schoolwork than before.

In the past hundred years, there has been considerable technical progress. Not so with human progress. Except for some improvements in civil rights in the 1960s and some recent movement toward better relationships between managers and workers since quality management surfaced in the 1970s, we are no more able to get along well with each other than we ever were.

Can anyone say that there has been any improvement in how husbands and wives get along with each other? Are families in better shape today than years ago? If they are, it’s news to me. I work in schools, and I have yet to hear a teacher say that things are better now than when he or she started teaching. Actually, I hear more of the opposite—that the kids are tougher to teach than ever. And in these days of the sacred bottom line and the heartless downsizing it takes to raise it, no one is making much noise about how much better the workplace is than it was years ago. In fact, even bosses are experiencing less job satisfaction.

As much as we haven’t been able to make any improvement in the way we get along with each other, there are enough situations in which we do that there is no doubt that we could do so if more of us learned how. Here and there, we find marvelous schools, in which all the teachers and students care for each other and everyone is learning and happy. All of us know happily married couples, solid families, and people who are well
satisfied with their jobs. But when asked to explain their happiness, many hesitate. They aren’t sure. Some say: “We work hard to get along with each other,” but others shrug and say, “Maybe luck has a lot to do with it.” What they never say is: “We have given up trying to control each other.” They don’t realize that they may be following a different theory, that inadvertently they have discovered [what I call] choice theory.

In the area of work, W. Edwards Deming has shown that high-quality work is dependent on driving out the fear that prevents people from getting along well with each other. He likens the manager in the workplace to the leader of a symphony orchestra in which everyone willingly follows the leader and contributes to the performance. No one is forced to make a contribution; they do so because they see that it is to their benefit.

We also do not see how widespread misery really is because, again guided by common sense, a lot of us think that misery is caused mainly by poverty, laziness, or how the powerful treat the powerless. But in the affluent Western world, there is no shortage of miserable people who are well off, hardworking, and powerful. I have noticed that there is a high rate of divorce among successful academics, with successful professionals and business leaders close behind. The failure of children and parents to get along well may be more extreme among the poor and powerless, but it is hardly exclusive to that group. Productive, high-quality work is assured in any organization in which workers and management along well together.

There’s an important teaching in a statement that I’ve heard the systems expert, Russell Ackoff, make that dramatically illustrates what having a wrong belief does to a system. Ackoff says that if you set out to improve a faulty system or process that isn’t producing what you want, and you try to improve it because you believe it’s the right thing to work on, the system will become “wronger,” not better. In other words, if the system is wrong to begin with, trying to improve it can only make the system worse; and if you refuse to consider that the current system may be invalid for current conditions, your belief will prevent you from solving the problem because you’re looking for answers in the wrong places. So if your attempts to improve a process or system results in a worsening of the problem, it is time to take a fresh look at the system, including the underlying beliefs that went into its creation. The condition you want to achieve will require designing a new system, not improving an old one. Believing that you can improve the old (faulty) one will never work; that system can only get worse.

We see this sort of thing happening over and over again in all of our social systems; it involves our beliefs about relationships and how people go about meeting their individual needs and the needs of society. William Glasser explains:

The name for what we usually do when we deal with each other is called the system. In an external control world, the system is naturally coercive. When it fails, as it is failing in marriages, families, schools, and workplaces, we use more coercion and focus on fixing the people. Many therapists stress the systems approach to counseling, in which they do not attempt to fix individuals as much as to help them figure out a way to make the family system work better for all involved. What I suggest is that we try to change to a choice theory system, which teaches everyone, not just unhappy people, how to get along better with each other. What makes external control doubly harmful is that not only does our belief in it create the problems we are trying to solve, but it is also used to deal with the problems. When punishment doesn’t work, invariably we punish harder. It’s no wonder there has been so little progress.

So far only a tiny fraction of the money spent to reduce misery has been spent on prevention, on teaching people how to get along better with each other before they get into the hard-core, adversarial relationships that are the result of too many attempts to control or manipulate. If we want to move the flat line of human progress up, prevention, which means changing from external control to a choice theory system, is a way we can do so. Once any human problem occurs, for example, when marriages begin to fail, the couples...
rarely get back together. No matter how skilled the counselor, it is often impossible to save a marriage or a failing student. The answer lies in preventing these failures, not in looking for better ways to fix the people who are failing.

To substantiate my claim that vast numbers of seemingly unsolvable human problems are relationship problems, take a look at your life and the lives of the people you know. I’m sure that many of you are unable to get along with your spouses, parents, or children as well as you would like to. You may also admit that the longer you are with them, the harder it seems to get along. Think about it. You were happy when you got married. Are you now miserable or divorced? Is there someone in your family you no longer speak to? Are your children as happy in middle school as they were in the early grades? Do you still find joy in the work you do?

If you experience any of the misery in the previous paragraph, you are involved in one or more of four variations of essentially the same attempting-to-control-someone-else situation.

1. You wanted someone else to do what he or she refused to do. Usually, in a variety of ways, some blatant, some devious, you were trying to force him or her to do what you wanted.
2. Someone else was trying to make you to do something you didn’t want to do.
3. Both you and someone else were trying to make each other do what neither wanted to do.
4. You were trying to force yourself to do something you found very painful or even impossible to do.

The first three variations are obviously different aspects of the same situation. Although the fourth is somewhat different, it is in the same genre. In this instance, you may have been trying to force yourself to stop smoking, stay on a job you hated, lose weight when you didn’t want to diet, or love someone you no longer even liked.

In the first three variations, you may be a wife complaining to your husband that you need more help with the children or a husband nagging your wife that her job has left her with no time for you. Or both complaining and nagging each other. You may be a parent or a teacher trying to motivate a child to do better in school. Or a boss coercing a worker to do something he doesn’t think is worth doing. As long as we continue to believe that we can control others or, conversely, that others can control us, the misery associated with common situations such as these will continue unabated. These variations are as old as history, and the resistance to this coercion is the reason we are making so little progress in our relationships.

One of the most puzzling exceptions to this widespread use of external control psychology is that we rarely use it with our best friends, people who have been with us through thick and thin for many years. With them, even though few of us are aware of it, we use choice theory. But whether or not we know the theory, most of us are well aware that we often treat our good friends differently from our mates, children, students, and employees.

We recognize that good friends are our most reliable source of long-term happiness. We seem to know we could lose them, and the happiness that goes with them, if we tried to force them to do what you want to do. I believe this reluctance to try to force a friend, when we have few qualms about trying to force almost everyone else, may be a good way to define close friendship. If we practiced choice theory with everyone, we would make and keep many more friends, and our happiness would be substantially increased.

What may also be involved here is ownership. Most of us believe that we should or do own our husbands, wives, children, students, and employees. I have the right to control my wife and kids because they belong to me. This is my classroom, and my students had better do what I say. I own this company and I own you, so do what you are told or look for another place to work—are all examples of ownership thinking. As long as we believe that we own people, we don’t hesitate to force them when they don’t what we want them to do. We feel differently with our friends; we accept that we don’t own them and they don’t own us. Caring for but never trying to own may be a further way to define friendship.

Without really thinking about ownership, most of us divide the world into two groups. The first group, those we own or try to own, is made up of lovers, wives, husbands, children, students, and employees. The second group, those we don’t own or try to own, usually a large group, consists of good friends, acquaintances, people who have some power over us, such as bosses; and, course, strangers.

A good way to learn choice theory is to take a close look at how you treat your best friend,
Glasser finds that choice theory enables us to find answers to these kinds of questions. And now that we have been introduced to choice theory and external control psychology, we can probe a little bit deeper to discover the underlying beliefs that influence and guide behavior. Glasser goes on to say:

I want to describe the three beliefs of external control psychology in some detail, so you can understand what most people actually believe. You will easily see that it is the second and third beliefs that are so harmful to human relationships. The easiest way to understand this traditional psychology is to think of how almost all of us use it in our lives.

1. First Belief: I answer a ringing phone, open the door to a doorbell, stop at a red light, or do countless other things because I am responding to a simple external signal.
2. Second Belief: I can make other people do what I want them to do even if they do not want to do it. And other people can control how I think, act, and feel.
3. Third Belief: It is right, it is even my moral obligation, to ridicule, threaten, or punish those who don’t do what I tell them to do or even reward them if it will get them to do what I want.

These three commonsense beliefs are the foundation of the external control psychology that essentially rules the world.

In the first belief, the ring of the phone or any other mechanical signal is the external control that most people think makes them answer. In the second, extrapolating from the first, the control is always someone outside the behaving person, for example, a parent telling a child, “Mow the lawn,” a teacher telling a student, “Stop talking in class,” or a husband saying to his wife, “You made me mad.” Following the third and most destructive belief, husbands, wives, parents, teachers, and bosses believe it is their right, their duty, and even their moral obligation to threaten, punish, or bribe children or adults who choose to disobey them because it is in these children’s or adults’ best interest to do what they are told.

The foundation of these beliefs, that we are externally motivated, is wrong. Just as the world was flat until someone began to question that belief, answering a phone because it rings seems right until we begin to question it. Once any external control belief is questioned, it becomes clear that what was right is actually wrong. For example, we do not answer a phone because it rings; we answer it because we want to. Instantaneous as our response may be, every time we answer a phone, we have decided that this is the best choice. If we didn’t think so, we wouldn’t answer it.

You may argue, “If I don’t answer the phone because it rings, then what’s the purpose of the ring? I certainly don’t go around answering phones that aren’t ringing.” The ring does have a purpose, but it is not to make you answer. It is to give you information, to tell you that someone out there wants to talk to someone here. The ringing of the phone, and all else we perceive from the outside world, including what we perceive from our own bodies, is information. But information is not control. Choice theory explains that stimuli, in the sense that they can consistently control a human being to make a specific choice, do not exist.

Since information does not make us do anything, we can choose to ignore it or act on it any way we see fit. We are not machines. We are not, as machines are, designed to respond in a specific way to an external control. When we do as we are told, it is because we choose to do it on the basis of the information we have. In the case of the phone, if we don’t want to answer it, we can let it ring, let a machine answer it, pull the clip out of the wall to disconnect it, or yell to someone else to answer it.

Whatever behavior we choose is generated inside our brains. Choice theory explains that we are, as all living creatures are, internally motivated. You may ask, “What difference does it make why I answer the phone or do anything else I do? I’ve done it, so what?” For simple mechanical information like the ringing of a phone or a red traffic light, it doesn’t make
any difference. It is not until we go from the first belief to the next, much more compli-
cated second belief—trying to make someone do what he or she does not want to do or
believing someone else can control our behavior—that you can begin to appreciate the
enormous difference between external control and choice theory. (From Choice Theory, Ch. 1.)

I now want to move on to a final quote from William Glasser about how a belief in
the goodness of using external control theory to lead and manage social systems vs.
a belief in the goodness of using choice theory in managing human relationships,
leads to the creation of our current realities in the world. I think it’s safe to say that
most people would like to have a happy work life, a happy home life, and happy chil-
dren, family, and friends. Yet it is probably true that all people do experience varying
degrees of unhappiness from time to time.

Having some understanding of happiness and unhappiness, and their causes, can
help us create better relationships with ourselves and others as we live our lives in
the numerous social systems we find ourselves in both in and out of work. And part
of the complexity of living in a global socioeconomic world is the need for emo-
tional intelligence and maturity that enables us to build and live in systems that wisely
pay attention to caring for the world, ourselves, and our neighbors. Glasser writes:

Unhappiness can lead people in two directions. The first unhappy group tries to fi nd the
way back to happiness, which I define as pleasurable relationships with happy people.
The second unhappy group has given up on fi nding happiness with happy people; they
no longer even try to have pleasurable relationships. But like all of us, they do not give up
on trying to feel good. They continually search for pleasure without relationships and fi nd
much of it by abusing food, alcohol, drugs, and by engaging in violence and unloving sex.
If we cannot create a society in which more people are happy, we will never come close to
reducing these destructive and self-destructive choices.

Recently a spokesperson for the Drug Enforcement Agency said on public radio that
there are a half million heroin and cocaine addicts in New York City. Even if this fi gure is
exaggerated, if we added alcoholics, who are also addicts, the number would be stagger-
ing. Almost all these unhappy people have abandoned good relationships for nonhuman
pleasure. They fi nd quick, intense pleasure easily in drugs because this pleasure requires
nothing more than getting the drug into their bloodstream. Except for fi nding the drug,
other people are not required.

Some of the unhappy people I am talking about are not necessarily poor or members of a
minority. They are not necessarily involved with drugs, violence, or unloving sex. Many of
them are responsible people who take care of themselves and do no harm to others. But
because of the way they choose to behave, they are unable to sustain satisfying relation-
ships with happy people, and, as a result they are miserable. Misery is among the most
democratic of all life experiences.

Because we don’t understand the difference between seeking happiness in relationships
and seeking pleasure without relationships, we don’t understand why unhappy, pleasure-
seeking people are so difficult to help. We assume that they are looking for the human
relationships that helping professionals like psychiatrists, psychologists, social workers,
and counselors ordinarily try to provide.

But with the second group of unhappy people, those who have given up on relationships and
are looking for pleasure without them, this assumption is wrong. They may talk as if they are
looking for relationships, but it’s only talk. They don’t make this attempt themselves, so the
job of helping them is much harder than if they were still seeking happiness. Whether we like
it or not, someone must reintroduce them to people who are seeking happiness.

Counselors and teachers are the most likely people to do so, but nonprofessional vol-
unteers who know choice theory and have good people skills (such as successful retired
people) are a source to be considered. For alcoholics, Alcoholics Anonymous (AA) offers
relationships they desperately need, and it is successful with about half who attend the
meetings. If there is a defining characteristic of AA, it is that the organization uses much
more choice theory than external control.
All of us, professional and nonprofessional alike, will have more success with this pleasure-seeking group (no matter how they behave) if we understand that what they are lacking is relationships. But to relate successfully to them, we must be scrupulous about not trying to control them. External control, their use of it and other’s use of it on them, has led them to where they are.

I would like now to shift our attention to belief. While Glasser does use the word “believe” a number of times, his emphasis is largely on the choices that we can and do make in managing our lives and our relationships. But he didn’t specifically write about belief and believing. What is a belief? How do we come to believe something? Why are some beliefs weak and others are strong? How do we add, drop, or change beliefs?

Does our human intellect force us to choose, as Yeats wrote in “The Choice,” “perfection of the life, or of the work?” Was Yeats commenting on what is, or is he proclaiming what has to be? What do we believe? What is the choice available to us? If asked to choose between cake or ice cream, for example, a child is likely to think in terms of having both, not one or the other. But as adults, we often tend to believe that everything in life has to be a question of trade-offs and either/or choices. Until someone proves that it really is possible to have both we may not believe it could be achievable, and even then we may doubt that it is possible for “us.”

What do we believe? Why do we believe it? Do we look to see the cause-effect relationships of our beliefs? Do we pay careful attention to our beliefs and belief systems, and think in terms of Plan-Do-Check-Act Cycles (or Plan-Do-Standardize-Act Cycles) around the impact of our individual and collective beliefs in creating our lives, organizations, social systems, and societies?

When we consider the fields of management and psychology, have many teachers and leaders in society chosen to believe in wrong and self-limiting theories? And have they designed our socioeconomic systems and processes with an intent to control other people and perfect work according to their beliefs, thinking that work as they see it is the important choice? Or might they be thinking that the perfecting of work will somehow automatically result in the perfecting of life, too? If so, do we think that what has been done, and what we are doing, is moving us in the right direction? Are work and life becoming more perfect? Or do we not try, or even inadvertently prevent, a focus on perfecting life because we believe it to be impossible or a distraction from perfecting work, or even because senior management in all fields likes the external control psychology because it currently serves them well?

Johann Wolfgang Goethe, one of the key figures of German literature, wrote: “Man is made by his belief. As he believes, so he is.” William James the pioneering U.S. psychologist and philosopher who wrote influential books on psychology, educational psychology, and the philosophy of pragmatism, noted that: “The world we see that seems so insane is the result of a belief system that is not working. To perceive the world differently, we must be willing to change our belief system, let the past slip away, expand our sense of now, and dissolve the fear in our minds.” It seems quite clear, therefore, that an essential and generally overlooked foundation of leadership and management is belief: what people—especially teachers and leaders and managers—believe about the world, about human behavior,
about what is possible and what is not possible, how to live and work together, and what the right things are and how to make them happen.

John W. Gardner, author of On Leadership, and former Secretary of HEW and president of the Carnegie Corporation, said that:

Humans are believing animals. They have beliefs that supply meaning in their lives, beliefs that tell them how to conduct themselves, beliefs that console. The leader who understands those beliefs and acts in terms of that understanding has tapped a source of power. The alliance between power and belief has never been a wholly comfortable one. Those in power are inclined to use the belief system as a convenience, appealing to it when they need it, violating it when they choose. Our constitutional system is based on a set of secular beliefs designed to function as constraints on power. (On Leadership, page 61.)

The leaders whom we admire the most help to revitalize our shared beliefs and values. They have always spent a portion of their time teaching the value framework. Sometimes the leader’s affirmation of values challenges entrenched hypocrisy or conflicts with the values held by a segment of the constituency. (On Leadership, page 14.)

The relationship among leaders, followers, and beliefs is important to recognize. A leader may believe something and want others to follow. People may believe something and want leaders to lead in the direction they want to go. I think we can properly make a distinction about leaders that parallels Peter Drucker’s statement that executives get things done while effective executives get the right things done. Leaders take people in new directions, effective leaders take people in right directions.

How do leaders go about motivating people to follow their lead?

Leaders do not create motivation out of thin air. They unlock or channel existing motives. Any group has a tangle of motives. Effective leaders tap those that serve the purposes of collective action in the pursuit of shared goals. They accomplish the alignment of individual and group goals. They deal with circumstances that often lead group members to withhold their best efforts. They call for the kind of effort and restraint, drive and discipline that make for great performance. They create a climate in which there is pride in making significant contributions to shared goals. (On Leadership, page 14.)

As we live our lives we have to attend to both leading and managing. Perhaps we can think about this in human terms as having two legs to take us along our way in life. The managing leg represents mechanical, mechanistic, habitual, performance-improving behavior. The leading leg wants to be innovative, seek new directions, go new places, try new things. Both legs are operating from their beliefs about what is right. Both legs are willing to fight for their “rights.” But what happens to the integrity and vitality of the whole? Gardner writes about this kind of thing happening in organizations:

All great performance involves improving the ways one achieves the result—better methods, better means to the goal. But means tend to triumph over ends. Form triumphs over spirit. People become prisoners of their procedures. The means and methods were originally designed to achieve some specific end, but when circumstances change and new means are called for, it turns out that the old ones have become sacrosanct; the means have become the ends in themselves—no longer effective perhaps, but enshrined. People forget what they set out to do. It happens all the time. So the organization ends up with a web of customs, procedures and unwritten rules that is extremely hard to cut through.

Organizations are created by their founders to serve vibrant, living purposes. But all too often the founding purposes fade and what finally get served are the purposes of institutional self-enhancement. It happens in hospitals to the detriment of patients, in schools to the detriment of students, in business to the detriment of shareholders and customers, and in government to the detriment of taxpayers. It is rarely the result of evil intent: It happens because means triumph over ends, form triumphs over spirit, and the turf syndrome conquers all. (On Leadership, Pages 124-5.)
The definition of leader that I find most attractive, useful, and belief-worthy is Thomas E. Cronin’s assertion that: “Leaders are people who perceive what is needed and what is right and know how to mobilize people and resources to accomplish mutual goals.”

In my own work I try to follow that belief. When I do, outcomes are better. I also use that definition of leader to evaluate others and it seems to me that the people who epitomize Cronin’s view of leaders are effective over time and in a variety of circumstances, while those who don’t display that sort of leadership are not effective in the long term and can often be destructive of other people’s lives and livelihood. We can contrast the leadership of George Washington and Abraham Lincoln with that of Adolf Hitler and Joseph Stalin, for example.

Being an effective leader—individually or organizationally—is especially difficult when one’s underlying beliefs are wrong and when one’s style of leadership is that of trying to control others in getting them to do what you want, in the way you want it.

Because leadership requires working with shared values and goals, the task grows difficult—eventually impossible—as shared values disintegrate. Leaders seek to bring about group action, and that can occur only when individual members are willing to lend themselves to common purposes. Descriptions of effective leadership rarely mention the extent to which group attitudes make leadership possible. People talk of the legendary leader “you would follow over a cliff,” not mentioning that it happens only when those doing the following are deeply committed to something the leader symbolizes.

Leaders today are going to have to help people recover an understanding of the mutual dependence of individual and group that has existed in all healthy communities since the beginning of time. Implicit in that mutual dependence is some measure of commitment on the part of the individual to the society’s shared purposes. Individuals must see themselves as having a positive duty to nurture and continuously reconstruct the community of which they are a part. They must be committed to a continuous reweaving of the social fabric, and leaders have an important role in bringing that about. (John W. Gardner, On Leadership, Page 187-8.)

In any functioning society everything—leadership and everything else—takes place within a set of shared beliefs concerning the standards of acceptable behavior that must govern individual members. One of the tasks of leadership—at all levels—is to revitalize those shared beliefs and values, and to draw on them as sources of motivation for the exertions required of the group. Leaders can help keep the values fresh. They can combat the hypocrisy that proclaims values at the same time that it violates them. They have a role in creating the state of mind that is the society. Leaders must conceive and articulate goals in ways that lift people out of their petty preoccupations and unite them toward higher ends. (John W. Gardner, On Leadership, Page 191.)

We all lead and manage our lives in and among a wide range of interdependent competing and cooperating institutions and communities. These include family, religion, school, work, recreation, profession, city, state, and nation, to name some prominent ones. When we use the word “community,” what are we thinking? How do we think about community? And what are the underlying beliefs about community that guide our thinking, and our behavior? John Gardner writes about the interdependence of leadership, community, making commitments, and finding meaning in life:

Commitment to community is not unrelated to the problem of finding meaning in life—an ancient problem but never more widespread than today. The meaning in your life is not just handed to you, as a wayward motorist might be provided with a set of directions. Young people run around searching for identity, but it is not handed out free any more—not in this transient, rootless, pluralistic society. Your identity is what you have committed yourself to—whether the commitment is to your religion, to an ethical order, to your life...
work, to loved ones, to the common good, or to coming generations. Today we have to build meaning into our lives, and we build it through our commitments.

Community requires hard work in the heat of the day; it requires faithful exertion in behalf of chosen purposes and the enhancement of chosen values. In return it gives meaning to our lives and joint endeavors and lends dignity and continuity to living. Commitments motivate. Values motivate. The hunger for justice, for liberty, for equality of opportunity, and for dignity as an individual has overthrown coercive systems and toppled proud regimes.

In recent years a good many American corporations have concluded that workers who make commitments to their work and find meaning in it perform more effectively. The likelihood of such commitments is increased if they come to see quality of product as a source of self-respect and ultimately respect from the community, if they see service to customers as a source of pride, if they value the mutual trust and loyalty that exist among their fellow workers, if they feel proudly involved in the decisions concerning their work, if they believe that the company cares about their development as individuals, and if the company’s loyalty to them convinces them that their own security is linked to the firm’s well-being. Obviously whether or not they hold any of these views depends on the philosophy and practice of the corporation as well as the qualities workers bring to the workplace.

(John W. Gardner, On Leadership, Page 189-91.)

Let’s now switch to how we think, and what we believe, about leading and managing organizations and businesses, and what results emerge from the various behaviors that flow from those thoughts and beliefs.

Among the early entrepreneurs in the world were artisans who would seek commissions from wealthy merchants, clergy, and nobles so they could work and produce their art. The money they sought was a means to an end. The end was their drive to produce their works and delight themselves and their patrons. They took great pride in their work and the quality of their work was more of a personal reward than the money received. The “business” they ran was related to how the artisan led and managed his life and the work of assistants and apprentices.

With the Industrial Revolution came a new form of business—big business—organized hierarchically like the military, church, and nobility. With this new organization came the belief in a need for a hierarchy of rulers (levels of managers) to employ and direct the activities of workers and increase the wealth of the owners.

The result was a variety of work rules and financial practices, and the growth of large related businesses of developing and teaching management theories and practices, along with financial and accounting practices and rules. As the world moved through the twentieth century, more and more emphasis was placed on finance and financial reports and rules. It is now clear that a near-universal belief in the rightness and goodness of some of these financial accounting practices are causing major problems that prevent good management.

H. Thomas Johnson, Professor of Business Administration at Portland State University, is an internationally-noted authority on economic history, management accounting, and quality management. Author of seven books and over 100 articles and reviews on these subjects, Dr. Johnson was named one of the 200 leading management thinkers living today in a survey published by Harvard Business School Press in 2003. In his book, Relevance Regained: From Top-Down Control to Bottom-Up Empowerment, Johnson has this to say about the widespread belief in the appropriateness of financial accounting rules in organization management:

American business has behaved as if the pursuit of accounting goals were the underlying force driving business competition. However, that belief has been a primary reason for...
American business losing its competitive edge. Goals reflecting only accounting information constrict management’s thinking, eliminating companies from global competition.

For forty years accounting systems have provided the critical management information that determines goals and actions in American companies. Most companies today use accounting information to motivate actions that are intended to achieve an accounting goal, usually return on investment. But this goal misleads managers into chasing false imperatives.

Few people seem able to correctly define the problem with management. Most see it as the dedication or style of individual managers. I do not believe the management problem is the people who work as managers. The problem is top-management’s perception of the imperatives that should guide their actions.

American business people today tend to share similar (and largely obsolete) ideas about how to make a business competitive and profitable. To correct management’s focus, I believe companies must eliminate accounting-based management information that reinforces attention on irrelevant sources of competitiveness—pushing output and cutting costs. Indeed, erroneous use of accounting information to control business operations since the 1950s has prevented American companies from understanding and adopting the management principles adopted by our leading overseas competitors. It has taken Americans a long time—over twenty years—to realize the profound difference between our management thinking and the thinking of the overseas competitors. The difference between our approach to business—optimizing costs and maximizing profits within constraints—and their approach—continuously removing constraints to profitably satisfy consumer wants—is the difference between success and failure in an economy where the customer is in charge of processes. It has taken us so long to understand this difference in large part because the belief in the rightness of our management accounting tools keep our top managers from understanding what it means to run a competitive enterprise in a global economy.

I believe that business performance would improve dramatically if top managers eliminated all existing management accounting control systems and, instead, started people talking about “customer satisfaction being everyone’s job” and about “new ideas for customer satisfaction being everyone’s responsibility.” (From Relevance Regained, Chapter 1.)

Language is vital to understanding and communication. I don’t think anyone would deny that. But we do have problems in understanding and communicating in today’s global society. Part of the difficulty is a result of multiple languages in use with the many words used and the numerous meanings people attach to those words. One professor I had in college years ago commented that the 500 most often used words in the English language had 14,000 meanings. Whether that number is exact or not isn’t important. What is important is the realization that there are a relatively small number of words in common use and many of them have multiple meanings. Clearly that affects understanding, effective communication, and the ability to form and maintain community.

Language, and our use of language in community, guides and influences our thinking, understanding, and the development of our beliefs, values, motivations, communications, and behaviors. All of this happens in an ongoing cycle of thought, mind, and consciousness. Our beliefs are basically thoughts that we have attached special significance and importance to. They are an important part of our individual and collective foundation for leading and managing anything, including ourselves.

Beliefs can be correct or incorrect, although we tend to think (without really thinking or wanting to think about it) that they are true and right. Beliefs, therefore, can lead us to do great good or great evil or even to do nothing. Beliefs can be a creative motivating factor and beliefs can be a great limiting factor in our lives and in societies when they are also held by many others as a result of learning and memoriza-
tion promoted in homes, schools, religions, professions, media, workplaces, and nations. Beliefs can serve to bring people together and beliefs can serve to divide them as we see from the host of racial, cultural, political, religious, intellectual, class, educational, professional, and economic prejudices that exist in the world. Prejudices are, after all, just thoughts and beliefs that effectively serve to create boundaries that enable some human beings to differentiate and separate themselves from certain others.

Our ability to live in the world involves leading and managing ourselves and all of the various institutions of society in what is clearly a single, crowded, interrelated and interdependent, physical and economic environment. The quality of our world, and our lives, is dependent on what we are conscious of and how we choose to use our minds, thoughts, and beliefs in creating our physical, mental, emotional, spiritual, and socioeconomic realities.

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While CEO of the Merrimack Valley Chamber of Commerce in northeastern Massachusetts, he led it to be one of only 10% of chambers of commerce in the nation to be accredited. Under his leadership, the Chamber also won the top award in The President’s Citation Program for Private Sector Initiatives, in a competition with over 1,000 corporations and associations in the nation. The award was presented by the President at the White House.

Smith is one of only fifty-six chamber of commerce or association executives to have been admitted to the Academy of Organization Management by the University of Notre Dame and the United States Chamber of Commerce.

He was chairman of the Merrimack Valley Private Industry Council (a quasi-public agency that funded training programs for the economically disadvantaged), president of the Massachusetts and the New England Association of Chambers of Commerce, a member of the Governor’s Working Group on Youth Violence, a member of the Massachusetts School-Business Partnership Committee, and Treasurer of the Lawrence (MA) YMCA. He is listed in Who’s Who in America and Who’s Who in Finance & Industry.

A certified teacher, Smith has an AAS in Electrical Technology from the City University of New York–College of Staten Island, a BS in Education from SUNY–Oswego, and a MBA in Executive Management from St. John’s University.

Smith has completed numerous professional development programs in quality, organization development, economic development, community development, and emotional/spiritual development. This includes training at the Harvard Mind/Body Medical Institute, GOAL/QPC, the Institute of HeartMath, and the NLP & Coaching Institute of California. He is a certified one-on-one coach for HeartMath tools for Inner Quality Management, and a certified coach by the NLP & Coaching Institute of California.
Inside the Toyota Production System

Author

Ken Kreafl, General Manager Production Engineering at Toyota Motor Engineering & Manufacturing North America, (TEMA) in Erlanger, KY, and Executive in Residence at the University of Kentucky College of Engineering Center for Manufacturing

About this article

This article contains highlights from a presentation and question-and-answer session conducted by Ken Kreafl for CQM and GOAL/QPC conference members visiting the Toyota plant in Georgetown, KY, last spring. Among those attending was management professor H. Thomas Johnson of Portland State University, the keynote speaker for the conference, whose article is also featured in this issue.

Background

I have been with Toyota since 1987. During part of that time I had the fortune to work with Mr. Fujio Cho, who eventually became president of Toyota Motor Corporation, and is now chairman of the board of directors, in Japan. Mr. Cho is a direct disciple of Mr. Taiichi Ohno at Toyota, and probably the most effective leader we’ve had.

Key lessons from Mr. Cho

Mr. Cho taught me that the failures that occur when companies attempt Lean transitions or transitions to what we call the Toyota Production System are not caused by the employees but by management’s refusal to change the way it thinks.

Another lesson from Mr. Cho that has stayed with me is that it is the people, and the effort of the people, that make the difference between a company’s success and its failure. I had asked him how the Toyota Production System got started. He explained that in 1946, after the war, Japan had almost nothing, whereas the United States had a tremendous industry. Toyota had just two things with which to compete: people and the effort of people. It took time before I fully understood this, but now I see more and more that this is a universal truth that applies far beyond the car industry.

NUMMI facility shows benefit of good management

An illustration of both these lessons dates back to when I was with General Motors earlier in my career. GM had shut down a facility in Fremont, California, that, as management explained, was failing due to low performance.

About two years later, management (which meant GM and Toyota this time around, they were operating the plant as a joint venture) announced they were going to re-open Fremont, under the name of NUMMI (New United Motor Manufacturing, Inc.). What’s more, they were going to rehire the same staff that had worked there when it was a low-performing plant. Many of us had concerns about this project’s potential for success. However, the first performance indications placed NUMMI among the top ranks.

What had happened was that when Toyota introduced the Toyota Production System at NUMMI, they brought with them the Toyota Production management thinking, and the rehired staff reacted very well to that thinking.
There are some common pitfalls that occur when companies bring in people who think differently—consultant groups, for example. Everything starts working very well within the small pocket of people involved, and top management gets excited. But these managers are not changing the way they’re thinking. Instead, they believe that because they hired a consultant, they have purchased success.

So by “royal decree,” a leader who has not changed his thinking, says, ‘I like what I see, I want the rest of you to spread it throughout the entire company.’ That’s when the new system fails. You can’t spread a transition beyond the thinking that is supporting it. It is impossible.

Failures also occur when groups of people—often with the best of intentions—go to conferences, learn a new system, and then in one half-hour meeting bring their workforce together and try to present this exciting new system. It fails, not because of the content of the system or even those who follow it, but because it’s so different that the people can’t go through with it on the basis of a brief introduction. The process of working with people through a cultural change is every bit as important as anything else. A new way of thinking takes time and training.

A vital part of the Toyota Production System is the interconnection between the principles and the tools.

At Toyota, we set more challenging targets than, I think, anyone else. These targets are very high, almost impossible to attain. I learned how this system works when I had been with the company for about two years, and we were already into production. At companies I had worked at before, evaluations were based on target achievement. If you achieved your targets, you received a high evaluation. So you didn’t want to set too high of a target. In fact, if you negotiated down a bit, you were going to look like a hero in the end. But at Toyota, I had been told to set high targets, so I did.

At the time, I was in charge of the second shift for the paint shop, which wasn’t running very well in terms of efficiency. Quality was good, but we were working too hard and too much. As I prepared my report, it became obvious that there was no way to disguise the fact that we had not met any of our targets.

The day came when I had to meet with Mr. Cho to review those results. I called my wife to tell her I was going to lose my job that day. We’d moved and uprooted everything, and now I was going to be fired—and probably would’ve been anywhere else I’d worked at before. I went to Mr. Cho, laid down my report, and said I was very sorry. And he said, “Good—a very, very good year.” I wasn’t sure we were talking about the same report at first. But he was looking at something else the report indicated—the trends and the process improvements. In terms of the targets, what processes had we implemented to reach them and were we moving in the right direction? If so, with a people-driven system and standards for implementation, things were going to keep moving in the right direction, even without management intervention. That’s what Mr. Cho was happy about.

And this is where principles and tools interconnect, generating a deeper kind of power that keeps you moving forward—you don’t stop. What happens at many companies is that managers are strongly tempted to moderate their target setting. Instead of maintaining forward momentum, they pocket their successes, so to speak.
and save them for the next time. People end up playing all these games for survival, instead of moving things forward.

Everything we do is based on training in both principles and in the current prevailing tools. Tools change. If we can find a better tool, we use it. The principles don’t change. The principles are timeless and lead the system.

At Toyota we hold long, formal meetings to reflect on what we’ve done and where we were before we moved forward. This reflection takes place to such an extent that during my first couple of years with the company I was frustrated by it: How many things did we have to question? Eventually, however, I realized the value of all that reflection to the stability of the company and to the consistency of its direction.

The reflection process also keeps us from unconsciously stopping things that are going well. Sometimes the routes needed to improve are not so complicated. It’s important to remember to change what needs to be changed in order to go forward, but not change everything. Constant improvement is necessary, not constant change. Change without need is waste.

People come to Toyota to learn. As a matter of fact, we don’t have anything they don’t. Every company has the same things. Even the worst company in the world has Toyota Production System principles in operation somewhere. It’s a matter of balance, of moving things around as needed.

Take any non-TPS company, bring in Toyota Production System managers, and the company will begin to operate in accordance with the Toyota Production System. As long as the managers are using the system themselves, the people will not resist. That’s what happened at NUMMI. I’ll have people say to me, ‘The stuff you’re talking about sounds really good, but we don’t think our people will do it.’ In fact, they’re the only people who are not going to do it. Change has to happen from the top.

Q: Is the Toyota Production System high maintenance?

A: In some ways, it is, because the principles have got to be taught and reinforced. Expansions, job rotations, and new model introductions are examples of situations that basically collapse the elements of training. This means that management has to go back and do the training again.

Q: You have a very strong culture. How do you support it? Isn’t it expensive?

A: If you distill the Toyota culture into basic elements, it’s common sense, and applicable to just about any business. We would say that not to support it is expensive.

For example, a group came to me because they wanted to learn ‘this Toyota Lean manufacturing thing.’ I asked why and they said, ‘Well, the guy we had before was a Six Sigma guy. And the guy we have now is Lean.’ Now, the elements of Six Sigma and Lean are pretty much the same. And this group believes that because one guy is out and another guy is in, they need a new system—which is expensive.

In a traditional company, if I’m a manager, and my superiors don’t like the results I’m getting, I’m out. They bring in a new guy, and tell him, ‘We don’t care how you
do it, just get it done.’ Everybody in the department then has to adjust to the new manager, who tells them what to do next and how to do it.

The mechanism we use instead is roles-based management. As a new manager, you are supposed to adjust to the department instead of making it adjust to you. At Toyota, if we’re true to our rule, a manager’s role is defined. So when you come in as general manager of a new department, you are told that for six, seven, or eight months—whatever it takes—you do nothing but learn what everyone in that department is doing. That is your role. After you understand the department, you can starting make incremental changes. This is the opposite of the kind of disruptive revolution that so often occurs under new management.

Q: Doesn’t that mean that the Toyota Production System is bottom-up management?
A: Our managers are still at the top. They teach the system, and nothing is done without approval by management. Let’s say your team brings something to you that you can’t approve. Under the old model, you might say, ‘I appreciate your work but we have to do it this way instead.’ With the Toyota Production System, if you can’t approve something, you have to problem-solve, working your way through a list of steps. Did the people have the proper information, the right training? The assumption is that people come to work wanting to do a good job. If their work or idea isn’t sound, they probably didn’t have the proper information and training. If you go through all of those steps and everything has been covered, but the idea still doesn’t make sense to you, you approve it. They know something you don’t, and you’re going to learn something!

Q: Why isn’t this stuff selling like hotcakes? Do people just not believe in it?
A: The people in a company will do the work of the system. It’s management that won’t. In management’s defense, after 1946, when we in the United States had literally bombed all the competition, we had industrial powers next to none. We had a thirst for economic growth that was unbelievable, so the prevailing industrial formulas were perfect for the 40s, 50s, and 60s. If you didn’t build it, if you didn’t get it out the door at any cost, you didn’t have the chance to sell it. It wasn’t until the 1980s that all of a sudden the sales price of a product became fixed by global competition.

It’s ironic that the Toyota Production System was noticed in the 1980s because of quality, because TPS is focused on improving operational efficiency. The best way to improve efficiency is to reduce variation and inconsistency, which results in quality. But once more, the failures I’ve seen when it comes to transitions can always be traced to upper management. Transitions fail when managers don’t change their thinking, when they don’t speak to their people and teach the system. They think they can hire consultants to do all of that for them and it doesn’t work that way.

Ken Kreafle is General Manager Production Engineering at Toyota Motor Engineering & Manufacturing North America, (TEMA) in Erlanger, KY, and Executive in Residence at the University of Kentucky College of Engineering Center for Manufacturing. He was Chief Production Engineer for the new generation Avalon and works closely with the Toyota North American Manufacturing Companies (NAMC’s), Toyota Technical Center (TTC) and Toyota Motor Corporation (TMC) to ensure the success of the North American vehicle launches.
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