

# Operational excellence

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**Operational Excellence** is an element of organizational leadership and organizational intelligence that focuses on meeting customer expectation, all while stressing the application of a variety of principles, systems, and tools toward the sustainable improvement of key performance metrics. It is based on data driven metrics that are derived from either algorithms, machine learning or artificial intelligence.

Much of this management philosophy is based on earlier continuous improvement methodologies, such as Lean Thinking, Six Sigma, OKAPI and Scientific Management. The focus of Operational Excellence goes beyond the traditional event-based model of improvement toward a long-term change in organizational culture.

Operational Excellence creates a balanced scorecard and 360° perspective of an organization. It focuses on meeting customer expectation, through the continuous improvement of the operational processes in the organization.

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## Core principles

The Shingo Prize, an organization that recognizes success in the discipline, has identified ten key principles its award winners display:<sup>[1]</sup>

1. Respect every individual
2. Lead with humility
3. Seek perfection
4. Assure quality at the source
5. Flow and pull value
6. Embrace scientific thinking
7. Focus on process
8. Think systemically
9. Create constancy of purpose
10. Create value for the customer

The OKPAI method was created by Organizational expert Iris Tsidon <sup>[2]</sup>and has outlined a system called SMART KPIs.

- S – Specific: the more precise the KPI, the greater its value, and the more correct the focus it provides us. It is important that the KPI direct us towards what we want to achieve.
- M – Measurable: a KPI is supposed to measure actions, not behavior.
- A – Achievable: challenging but attainable

- R – Relevant: KPIs need to be relevant to the objective we want to achieve, and contribute in a significant way to the organization's success.
- T– Timely: Every assignment must be scheduled with a defined time table for completion

## Challenges

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The OKAPI method identifies the main challenges facing companies striving for Operational Excellence

–Disconnect: People are not connected enough to the larger business needs; rather, they are motivated by professional considerations, without seeing the prices we pay in the commercial aspects.

–Lack of progress: The tasks truly important for the growth of the business are not progressing. People here work very hard and are very devoted to their work, however, the assignments we need to perform in order to grow the business are not given priority

–Unable to change to stay competitive: In a competitive market, you need the ability to adapt your management infrastructure to change. However, this process as to happen quickly and efficiently. Many organizations do not succeed in changing courses in time to keep up with their competition.

–Data is too complicated to understand easily: To receive a picture of the state of the company, you should not need to dig through intricate Excel reports. Complicated reports and their preparation consumes lots of valuable time. Creating a system to enable the receipt of a timely, readily available picture on a current basis will add a great deal of value.

–No coherent management plan: There are many people who think that systematic management is not important, or they don't use one because setting it up and following a plan is not one of their strong points and they pay too heavy a price for it. They get too involved in facilitating transactions, leading business development, and creating solutions to immediate problems in the company. Managers need to learn how to delegate responsibility for their own current management, so that others can work towards the shared objectives we have defined.

## See also

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- Lean manufacturing
- Lean services
- Shingo Prize for Operational Excellence
- Six Sigma
- The Toyota Way
- Toyota Production System

## References

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1. "Shingo Prize - Model and Guidelines" (<http://www.shingoprize.org/model-guidelines.html>).
2. <http://www.globes.co.il/en/article-israeli-female-entrepreneurs-visit-silicon-valley-1001168309>

[1]

## External links

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- The Shingo Prize for Operational Excellence (<http://shingoprize.org>)
- <http://www.globes.co.il/en/article-israeli-female-entrepreneurs-visit-silicon-valley-1001168309>

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