



The path toward becoming a world-class organization

Companies that are considered industry-leading organizations are always striving for operational excellence. Operational excellence is an iterative process of continuous improvement designed to identify and resolve root cause issues that impede performance. Organizations that wish to be on the path toward operational excellence must focus on increasing production and minimizing costs by measuring performance, managing risk and changing culture.

Measuring performance

The first step toward operational excellence is to measure performance. Measuring performance enables increased production and minimizes costs. In order to measure performance, a company needs to clearly understand its maximum production capability. Too often, production capability targets are set below this maximum, which allows an organization to live with issues instead of addressing and resolving them. For example, if the maximum production is 100 but the target is set at 80, then the issues causing the shortfall of 20 will never be addressed.

By measuring performance accurately — such as via key performance indicators — an organization will plainly see the gap between top performance and actual performance, and be able to quantify the associated costs. These are the risks to increasing production and minimizing cost.

Using a real-world example, by implementing overall equipment effectiveness (OEE) across several sites to measure performance by the same metric, a U.S.-based company was able to clearly determine the site(s) that constituted the most risk to achieving top performance.

Managing risk

Risk management is the next step on the path toward operational excellence. To manage risk, leadership must foster knowledge sharing across the organization. This begins by defining the strategic objectives that will guide the continuous improvement process. These objectives must be clearly understood and agreed upon by all levels of the organization so there is a commitment to eliminating or reducing the issues that impede performance.

Managing risk is achieved by creating action plans to resolve issues that keep the organization from accomplishing their strategic objectives. To be the driving force behind resolving issues, action plans must be assigned to a specific person — with a well-defined issue to resolve — by a specific due date. These action plans need to be reviewed at the right level in the organization to ensure the responsible person is given the appropriate support to complete the action plan by the specified due date.

Continuing with the above example, having used OEE to quantify risk, management was able to implement action plans to increase performance and reduce cost. As a result, an aging, costly site could be closed and production could be consolidated across the remaining sites.

Changing culture

The final and most difficult step on the path toward operation excellence is changing the company culture. To inspire culture change, leadership must demonstrate a top-down commitment to steer the culture of the company, a desire for being the best and an

ability to clearly articulate the path toward operational excellence. To transform the culture, an effective leader demonstrates a clear understanding of the company's strategic objectives, and provides support and guidance for his people through the change process. An effective leader affords his people the opportunity to be successful in managing risk by completing their action plans on time and in full.

Regardless of geography or industry, all businesses face strong competition. That competition can cause a business to collapse or challenge it to get on the path toward operational excellence. Organizations that continuously measure performance, manage risk and take the necessary steps toward effecting long-term, positive culture improvements are on that path. It is only by making a long-term and consistent commitment to implement those improvements that companies can remain on the path toward operational excellence and, ultimately, to becoming world-class organizations.

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