Principles of Operational Excellence

The search for improvement is instinctive. For businesses and indeed any organization to be successful in the long term, they must be engaged in a relentless quest to make things better. Failure to make this an organizational priority will inevitably result in organizational decline. Excellence must be the pursuit of all great leaders. In fact, the passionate pursuit of perfection, even knowing it is fundamentally impossible to achieve, brings out the very best in every human being.

Why so Many Fail
Improvement is hard work! It requires great leaders, smart managers and empowered people; all three. Improvement cannot be delegated down, organized into a program or trained into the people. Improvement requires more than the application of a new tool set or the power of a charismatic personality. Improvement requires the transformation of a culture to one where every single person is engaged every day in often small and from time to time, significant change.

In reality, every organization is naturally in some state of transformation. The critical question is, to what end is the organization being transformed and who are the architects of the transformation? The Shingo model of operational excellence asserts that successful organizational transformation occurs when leaders understand and take personal responsibility for architecting a deep and abiding culture of continuous improvement. This is not something that can be delegated to others. As the CEO of a very successful organization recently said; “Leaders lead culture!”

A Culture Based on Correct Principles
Dr. Stephen Covey describes principles as fundamental truths. He defines a principle as something that is universally understood, timeless in its meaning and inarguable because it is self-evident. He teaches that values govern our actions and principles govern the consequences of our actions.

In contrast, values are cultural, personal, interpretable and variable. Our values influence our choices for how to behave. Principles govern the outcomes of our choices. In other words, the values of an unprincipled person will very likely have very negative consequences. Principles govern the laws of science and physics, they determine the consequences of human relationships, and; ultimately, correct principles influence the successful outcomes of business endeavors. Building a lasting culture of improvement requires the cultures that leaders build be grounded in universal and timeless principles that govern business excellence.

Why Operational Excellence?
For decades we have watched, and all too often experienced, the disappointing efforts of programmatic improvement initiatives, leaving in their wake a trail of unintended negative consequences; rarely resulting in lasting improvement. Quality
Circles, Just-in-Time, Total Quality Management, Business Process Re-engineering, Six Sigma, and most recently, Lean; are a few illustrations of well intentioned initiatives that have far under-delivered on their promised benefits. Our study of these programs over the last 25 years has led us to believe that the problem has nothing to do with the concepts and everything to do with the programmatic, tool oriented deployment of them.

The Shingo model for operational excellence is based on a systematic study of each of these improvement initiatives. Our approach bi-passes the tools that each program has engendered and focuses rather on the underlying/guiding principles and supporting key concepts behind them. We recognize the necessity of good improvement tools but focus on them only within the context of enabling a system to better drive ideal, principle based behaviors. The Shingo “House” provides a summary and categorization of this collection of guiding principles and supporting concepts.

When taken in their totality, these timeless principles become the basis for building a lasting culture of excellence in the execution of ones mission statement. We call this relationship between business results and principle based behavior, “Operational Excellence”. Operational Excellence cannot be a program, another new set of tools or a new management fad. Operational Excellence is the consequence of an enterprise-wide practice of ideal behaviors, based on correct principles. When leaders anchor the corporate mission, vision and values in principles of operational excellence and help associates to connect and anchor their personal values in the same principles, they accelerate a transformation of thinking, behavior and therefore a lasting culture of operational excellence.
The Shingo House is a categorization of the guiding principles of operational excellence. Associated with each category are also listed important supporting concepts.

The principles are categorized into four dimensions: cultural enablers, continuous process improvement, enterprise alignment, and results, the ultimate end of all business initiative. The dimensions overlay five core business processes – product/service development, customer relations, operations, supply – and a variety of management or administrative support processes.

**Guiding Principles**
The Shingo Prize did not create the ten guiding principles of operational excellence, but rather they have always existed. In truth, there is ample evidence that these principles have been well understood and practiced over many millennia. As the world has gone through cycles of advancement and decline, it seems these principles are routinely forgotten and must be discovered over and over again. Emerging from the dark ages into the period of enlightenment and industrialization, these principles are only recently coming back to the fore.

The Shingo Prize has made a diligent search of thought leaders over the last 100 years. Their work has been carefully analyzed and dissected and the unique
concepts or principles from each have been extracted. Compiling, distilling and prioritizing the list led to the ten guiding principles on the left side and the supporting concepts for each dimension on the right side of the house. Supporting concepts are critical to pay attention to but may not stand up to the rigor of being universal, timeless and self-evident as are the principles.

The dimensions are the result of ‘thinking categorically about the principles.’ It is clear that all four dimensions of the model require focus in order to achieve excellence. In the same way that we need to comprehend objects in three dimensions to truly appreciate all of their characteristics; operational excellence must be viewed in these four dimensions in order to fully comprehend it.

**Transforming a Culture (Shingo Transformation Process)**

Many are coming to understand that sustainability requires changing the culture; that’s the easy part. The difficult part is knowing how to do it.

The Shingo transformation process is a methodology for accelerating a personal and enterprise-wide transformation to a culture of operational excellence. The process is based on the teaching of Dr. Shigeo Shingo who recognized that business improvement came through understanding the relationship between principles, systems and tools.

Shingo grasped that operational excellence is not achieved by superficial imitation or the isolated and random use of tools & techniques (‘know how’). Instead, achieving operational excellence requires people to ‘know why’ — i.e., an understanding of underlying principles. In the 1940’s, the work of French social scientist, Piaget, led us to understand that learning occurs when people come to deeply understand the meaning behind the methodology. People naturally search first for meaning, the principle, and then attempt to organize them somehow into a system, or some kind of order. Finally, they create tools to better enable the systems to accomplish the purpose for which they were created.
Learning and teaching the Principles

The first step a leader must take in leading cultural transformation is a personal journey to understand what each of these guiding principles mean in general and then what they mean personally. It is impossible for a leader to lead the development of a principle-based culture until he or she has gone through the deep reflection required to make a personal transformation. This is no trivial task. For many and perhaps most, fully embracing these principles requires a fundamental rethinking of the concepts used to get to where they are.

At a minimum, leaders must be curious enough to experiment with the principle. We have learned that it is sometimes impossible to “think our way into a new way of acting”. Rather, based on the principle of scientific thinking, a leader must become sufficiently comfortable with the principles to put them into practice and begin to “act their way into a new way of thinking”. By carefully analyzing the cause and effect relationship between principles and results, a leader will begin to shift their own beliefs about what drives optimal business performance.

Leaders who choose to disregard these principles in the development of their own corporate cultures, do so at great risk. Whether we acknowledge them or not, the principles of operational excellence always govern the consequence of our leadership and management behaviors. An example may help.
If we encourage, enable or simply allow a culture to emerge where employees are thought of merely as an unfortunate cost burden, or that the smartest people are those closest to the top, or that people are inherently lazy or uncommitted; the consequence will be a workforce that is not fully engaged, ideas for improvement are never articulated and acted on, people feel unfulfilled in their work and turnover is very high. The consequence of disregarding the principle of respect for every individual is excessively high labor costs, stagnant business systems, and an inability to innovate fast enough to compete in a rapidly changing business climate.

When people understand for themselves, the “why”, they become empowered to take personal initiative. Leaders who teach associates the principles behind the tactics or the tools, can be confident that innovation from each individual will be pointed in the right direction.

**Dr. Shingo understood this and taught that the primary role of a leader is to drive the principles of operational excellence into the culture.**

**Aligning the Systems with Principles**

All work in organizations is the outcome of a system. Systems are either designed to produce a specific end goal or they evolve on their own. Systems drive the behavior of people; or rather they create the conditions that cause people to behave in a certain way. One of the outcomes of poorly designed systems is enormous variation in behavior and thus significant variation in results. Operational excellence requires ideal behavior that translates into consistent and ideal results.

The Shingo transformation process illustrates the critical need to align every business, management and work system of the organization with the principles of operational excellence. When systems are properly aligned with principles, they strategically influence people’s behavior toward the ideal.

**Shingo also taught that the primary role of managers must shift from fire fighter to designing, aligning and improving systems.**

**The Enabling Role of Improvement Tools**

A tool is nothing more than a point solution or a specific means to a specific end. Shingo referred to tools as techniques for problem solving; necessary but not sufficient. He taught that tools should be selected to enable a system to perform its intended purpose. In many ways, a system may be thought of as a collection of tools, working together to accomplish an intended outcome. An enterprise is usually made up of complex business systems that can be further divided into layers of sub-systems, each having embedded in them the necessary tools to enable the successful purpose of the system.

Perhaps the largest mistake made by corporations over the last three or four decades has been the inappropriate focus on a specific tool set as the basis for their improvement efforts. Tools do not answer the question of “why”, only the question
of “how”. Knowing the how without understanding fully the why, leaves people waiting for instructions and powerless to act on their own. Organizations can never sufficiently release the full potential of their people by creating a tool-oriented culture.

In summary, leaders should use the Shingo model to guide the transformation of corporate culture. This is done by:

1. Leaders clearly defining ideal, principle-based behaviors for leaders, managers and associates in their organization. Once an individual leader embraces the principles, the next and most compelling questions become: “How do I build into every employee in my organization a commitment to the same principles and how do I align all of the individual behaviors in such a way that I can permanently shape the culture of the organization? How do I make everyone a principle-based leader?”

2. Managers designing and aligning business, management and front line work systems to drive the ideal behaviors desired in the organization, and finally,

3. Wisely selecting or developing the best tools possible to enable the systems. Every person in the organization needs to be actively applying the tools of continuous improvement within the scope of their daily work – every person, every day.

For more information on the Shingo Prize model for operational excellence go to [www.shingoprize.org](http://www.shingoprize.org).