



**Leadership Guide:**

# **How to Achieve Operational Excellence**

**KaiNexus**

# Introduction

Operational excellence is the execution of the business strategy more effectively and consistently than the competition. Ideally, every employee can see the flow of value to the customer and fix it when the flow is interrupted.

We are often asked if continuous improvement and operational excellence are the same. They are not, but they are closely related. Continuous improvement involves constantly improving your business operations to reduce waste, cut costs, improve quality, and maximize human potential. It focuses on making each existing process perfect. Operational excellence goes further. It involves setting the organization up for growth by understanding what the market wants and creating an uninterrupted value stream that continuously feeds the need.

This eBook introduces the principles of operational excellence and describes the leadership qualities and tools that support it.



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## Chapter 1

# THE PRINCIPLES OF OPERATIONAL EXCELLENCE

Operational excellence is achieved when an organization consistently and reliably outperforms the competition through constant improvement and a dedication to customer value.



Many consider Dr. Shigeo Shingo to be the father of operational excellence. Throughout his life, he wrote 18 books on related topics. Long before the popularity of Lean manufacturing or Six Sigma, Dr. Shingo wrote about the ideas of ensuring quality at the source, flowing value to customers, just-in-time inventory, and going to the Gemba. He worked closely with Toyota executives, including Mr. Taiichi Ohno, who helped him apply his conceptual ideas to the actual situations.

Each year, the Shingo Institute at Utah State University offers the Shingo Prize for Operational Excellence. The award is based on the Shingo Model's ten guiding principles.

## **Principle 1: Respect for Every Individual**

The road toward operational excellence begins with respect for every person who comes into contact with the organization. This includes customers, employees, partners, vendors, and the community. In survey after survey, employees repeat that respect is what they want more than anything else from their leaders and managers. When people feel respected, they can emotionally invest in their role and give more than just labor; they share their energy and ideas as well.

Examples of respect:

- Creating professional development plans for each employee, including reasonable goals.
- Involving employees in creating process best practices and standard work for the operations they perform.
- A coaching approach to problem-solving.
- Investing in the conditions that help each person do their best work.

## Principle 2: Lead With Humility

Improvement is an impossibility without the humility to recognize that perfection has not yet been achieved. Operational excellence depends on a leader's willingness to ask for feedback and input, listen carefully, ignore ridged top-down thinking, and continuously learn. Under these conditions, employees feel free to respond creatively, offer innovative ideas, and take calculated risks. There is an element of vulnerability in the process of continuous improvement; acknowledging that is an essential responsibility of leaders.

Examples of humility in action:

- Leaders spend time and engage where the work happens.
- Employees get a grateful response when they report problems.
- Leaders acknowledge mistakes.



## Principle 3: Seek Perfection

You may believe that perfection is impossible. That's true, but the pursuit of perfection is the surest way to get as close as possible. Otherwise, imperfect processes and outcomes are acceptable, and entropy ensues. What's possible is limited only by creativity and effort.

Seeking perfection involves:

- Seeking root-cause solutions rather than temporary fixes or workarounds.
- Simplifying work to reduce waste and eliminate the opportunity for error.
- Using standards to form the baseline for improvement.

## Principle 4: Embrace Scientific Thinking

The scientific method involves cycles of experimentation and direct observation that lead to learning and a new cycle. Science is how we understand our reality and refine that understanding. Embracing scientific thinking in business means being open to new ideas, allowing ourselves to experiment even at the risk of failure, and collecting each lesson learned to foster growth.

Scientific behavior examples:

- A structured approach to improvement and problem-solving.
- Encouraging people to “fail forward” and learn by experimentation.
- Consistent methods of data collection and analysis.

## Principle 5: Focus on Processes

Operational excellence is the result of finely tuned processes. No matter how smart or dedicated people are, they can not consistently have desired results in the face of flawed processes or imperfect process inputs. It is easy to blame people when something goes awry or when there are defects, but most of the time, the root cause is related to the process, not the people.

Process focus means:

- Identifying and solving the core cause of the problem within the process.
- Requiring that all process materials, data, and other inputs are up to the specifications before using them.
- Documenting each process and carefully managing changes to processes.



## Principle 6: Assure Quality at the Source

Quality outcomes result from perfectly performing every element of work with ideal materials and information. If any process results in defective outputs, the root cause must be found and addressed.

Quality is assured when:

- Potential problems and interruptions in flow are visualized.
- Employees can stop a process to fix errors before continuing.
- Process results are measured and analyzed for variance.

## Principle 7: Pull & Flow Value

The best way to maximize customer value is to create it only in response to demand and maintain a continuous and unimpeded flow. When the flow of value is disrupted, waste is created. As a result, many organizations suffer from distorted demand and jerky movement of work from one process to the next.

When value flow is optimal:

- Organizations create only the necessary products and services to meet imminent customer demand.
- Resources are always available when they are required.
- Work-in-progress is tracked visually.



## Principle 8: Think Systemically

Systematic thinking means understanding the relationships and dependencies within a system and using that understanding to make decisions about process improvements. The most significant opportunities for improvement often lie at the intersection of departments or processes, so no one operation should be considered in a vacuum.

Systemic thinking means:

- Removing silos and other barriers that slow the flow of information and ideas across groups.
- Analyzing the value chain from start to finish and documenting the interconnectedness of processes.
- Creating the conditions for seamless cross-functional collaboration.



## Principle 9: Create Consistency of Purpose

Operationally excellent organizations ensure that each person understands the organization's mission, its long-term strategic objectives, and the individual's role in its success. This clarity of purpose helps everyone make better decisions, innovate with purpose, and take calculated risks.

To achieve consistency of purpose:

- Communicate regularly about the purpose and direction of the organization.
- Cascade goals from the top down to assure alignment.
- Involve individuals in creating performance objectives.

## Principle 10: Create Value for the Customer

The customer decides what constitutes value and what they will pay for. Organizations that can outpace the competition consistently deliver value effectively and efficiently. No other model is sustainable in the long run.

Creating customer value requires:

- Understanding the customer's needs and expectations.
- Responding to customer feedback.
- Constantly looking for ways to remove waste and add meaningful value to processes.



## Chapter 2

# THE ROADMAP TO EXCELLENCE

While there is no one path, there are a set of mile markers on the way that successful organizations have passed.



## Introduce Employees to Operational Excellence

It is essential to introduce the concept to emphasize the desire to provide the ultimate value to the customer, with the most efficient use of resources along the way. Employees should understand the guiding principles and be recognized and rewarded when they see the world through that lens. The tools you will use to achieve operational excellence are important but start with the concept itself.



## Reduce Top-Down Thinking

Traditional companies operate in a strict top-down fashion with all direction coming from the top. Operational excellence requires a different approach in which front-line employees are empowered to recognize and respond to interruptions in the flow of value. Ideally, the upper levels of the hierarchy exist to manage the organization's strategic direction and provide the resources that employees need to be successful.



## Implement Standard Work for Normal and Abnormal Flow

Without a standard, there can be no improvement. We mentioned the importance of scientific thinking. The standard is like a control group for your improvement experiments. In most cases, processes will run normally, and the usual standard can be applied, but there should also be standard work for when processes become out of control so that the people on the front lines know exactly what they should do.

## Align Objectives and Accountability

The most successful companies have a clear set of business objectives. Many use the Hoshin Kanri approach to strategic planning to set the company on its path to “True North.” Part of strategy deployment is ensuring that each individual knows how they can best contribute to achieving the most important goals. Performance evaluation is based in part on engagement with improvement work.

## Set Up the Framework for Collaboration and Improvement

It is crucial to have some structure to your improvement work. It should provide a central repository for all opportunities for improvement, allow for cross-functional collaboration, and offer active alerts and notifications to ensure progress never stalls. In addition, the technology will serve as a knowledge bank for the organization so that no lessons learned are ever lost.





## Chapter 3

# THE ATTRIBUTES OF A CULTURE OF EXCELLENCE

Company culture is what makes one organization different from the next. The team's shared values, goals, and expectations contribute to a thriving organizational culture. Leaders who are dedicated to excellence make it the cornerstone of their organization's culture.

## **Why is a Culture of Improvement Essential for Excellence?**

In a culture dedicated to constant improvement, one guiding value is that no matter how good things are today, there is always room for improvement and innovation. It requires that each employee become an agent for change who is ready and excited about implementing small improvements on a regular basis.

The improvement mindset focuses on bringing value to customers, enhancing cross-functional collaboration, and achieving operational excellence. Problems are seen as opportunities and the focus is on systemic improvement rather than blaming individuals.

The renowned analyst firm, McKinsey produces a report called the Organizational Health Index. Their research finds that the highest performing companies have cultures of continuous improvement. They found that cultural health is a predictor of performance and that the healthiest cultures outperformed their peers by nearly two to one.

What does a culture of improvement look like? It starts with:

### **Engaged Leadership**

Engaged Leaders who achieve operational excellence understand that culture is not just an HR or PR exercise. As a result, they take an active approach to coaching and role modeling. They also provide the necessary resources and time required for improvement work. What's more, they are willing to distribute power and are excited to consider innovative ideas, whether they come from the board room or the front lines.

## Effective Communication

Organizations with thriving cultures of improvement have structured and ad-hoc communication systems. Information constantly flows up and down the org chart and across functional boundaries. Transparency builds trust and leads to more intelligent decision-making. In particular, the organization's strategy is constantly present in the discussion, so that goal alignment is possible.



## A Sense of Ownership

People become more engaged when they are emotionally invested in results. This is achieved by giving employees a sense of ownership of the processes they operate and the outputs they generate. When employees are empowered to make incremental improvements and take calculated risks, they become inspired to participate in innovation. When their ideas are being implemented, they are more likely to ensure outstanding results.

## Structured Problem Solving

In an improvement-focused culture, problem-solving is a daily practice. Having a consistent approach to solving problems helps everyone be on the same page and reduces conflict. Standard structured problem-solving tools include A3 reports, The 5 Whys, value stream mapping, and fishbone diagrams.



## Thoughtful Hiring Practices

Your organization's culture should create the perfect environment for employees to thrive and develop an expanding set of skills. But not everyone is a good fit for a culture of excellence. That's why it is essential to screen for people with the right attitudes and abilities from the first interview. Everyone involved in the hiring process should ask whether the candidate is a person who will speak up and share their ideas for improvement. Does this person exhibit a willingness to learn from mistakes and respond positively to feedback? Do they take accountability for their actions and course correct when needed?



## Celebration of Success

People take clues from how others are recognized and rewarded for their work. In a culture of improvement, positive change is celebrated far and wide. Acknowledging the efforts of team members is a daily practice. Leaders particularly highlight the types of improvements and innovations that they want to see spread throughout the organization. Culture is the foundation upon which the strategy can be executed. Building yours around improvement is an outstanding approach that will set your team up for operational excellence and long-term success in the marketplace.

## Chapter 4

# How to Accelerate Excellence with Visual Management

One of the biggest challenges of modern business leadership is building a culture that engages every employee in improvement and innovation. Top-down leadership models don't work well in today's distributed, agile, and hyper-competitive business environment. Rather than micro-managing every decision, successful leaders govern with the transparency necessary to empower employees to make decisions and introduce positive change that moves them closer to their most critical strategic goals and objectives.

KaiNexus helps customers reach this state by providing an unprecedented level of strategic and tactical visibility at all levels of the organization.



## Activity and Task Load Views

Leaders dedicated to a quality culture know that continuous improvement is everyone's job. They believe that ideas for positive change can come from any employee and that engagement is an essential part of how individual success is measured. That's why KaiNexus provides an easy way to visualize each employee's activity level and task load. Supervisors can ensure that the load is spread widely and that everyone participates as expected.

## Calendar View

With KaiNexus, users can see upcoming tasks and meetings in calendar format. This makes it easy to avoid conflicts and missed due dates. Users can configure the calendar display to show:

- Dates associated with improvements
- Project schedules
- Assigned tasks with due dates

Users can adjust the view to include items by the day, week, or month, and they can click on any item to drill down and get more detail.



## Status Reports

Visibility into the status of all improvements helps you assess how well work progresses from stage to stage. There are few overdue improvements in a healthy improvement culture because people prioritize getting this work done to enjoy the positive impact: the healthier your culture, the more significant the ROI.

## Kanban View

Kanban boards are a visualization tool that helps people understand the flow of their improvement work. The KaiNexus Kanban View lets you quickly check on your work's progress. The Kanban board shows a list of items by status - each column contains all the relevant items of a particular status. For example, columns might be titled "Planned," "In Progress," "Overdue," and "Complete."

## Team Boards

KaiNexus offers configurable dashboards that display tasks and activities related to any given "team." A team may consist of people in the same department who regularly work together and are managed by the same person, or a team may be made up of a cross-functional group working on a particular project or group of initiatives. Either way, each member has a simple way to keep track of the progress of each element of the improvement.

## X-matrix

Many organizations use a formal strategy deployment approach called an "X-Matrix" to develop and help implement tactical and strategic plans to coordinate people throughout the organization. KaiNexus X-matrices help ensure ownership and accountability at every level of the organization while allowing for faster course corrections when needed.





## Huddle Boards

Daily huddle meetings are widespread among organizations dedicated to operational excellence. In the past, teams would gather around a wallboard or poster to discuss newly proposed, active, and recently completed projects. Conducting daily huddles with KaiNexus visual management software makes it possible to include people who are not present in the workspace in these meetings and increase their effectiveness by allowing users to see the board and drill down into any element for more context. KaiNexus huddle boards can be displayed on large monitors in the form of a wallboard.

## Control Charts

A process control chart allows users to track how a process performs over time. The graph displays data plotted in time order. It has a central line for the average (or the median), a line representing the upper control limit, and a line representing the lower control limit, calculated from historical data.

KaiNexus control charts help leaders know when to react to variation and when those variations are within the normal expectations of the process. When a concerning deviation occurs or the trend starts to shift in unexpected ways, managers can react without delay. Control charts are also helpful in determining whether implemented improvements are getting the expected results.



# About KaiNexus

KaiNexus is the ultimate software platform that supports continuous improvement and operational excellence. KaiNexus helps you execute and manage your improvement program throughout the entire improvement journey.

From daily improvement on the front lines to rapid improvement events, Lean projects, and strategy deployment, KaiNexus gives your people a single place and a standard method for capturing improvements. From there, it pushes each idea through to completion.



## Features

- Top-Down & Bottom-Up Improvement
- Strategy Deployment
- Multiple User Types Available
- Visual Management
- Impact, Activity, & Engagement Reports
- Intuitive Charts and Data Tracking
- Smart Notifications
- Email Submission
- Configurable Improvements & Projects
- Class & Certification Tracking
- Cross-Functional Team Collaboration

## Support

- Dedicated Account Manager
- Onboarding Configuration & Support
- Email & Phone Customer Support
- Online Support Documentation
- Video Training

## Technology

- Data Encryption
- Robust API Capabilities
- SSL
- iOS and Android App
- iPad and Android Tablet Enabled

Organizations of all sizes in all industries in every stage of the improvement journey use KaiNexus. Their unifying commonality is they recognize that continuous improvement is vital to the success of their organizations and that like with all other complex businesses processes, they need a platform from which to manage it. They work to engage their entire organization in improvement and value the ideas and opinions of their front-line workers. Our customers strive to develop the methodologies and leadership behaviors critical to developing an improvement culture and understand that they need a software to support those elements.

If this sounds like you, KaiNexus would be a good fit for your organization. **Contact us** to learn more.