CONTENTS

Biography of John S. Mitchell xv
Preface Journey to Operational Excellence xvii
Acknowledgments xxi
Introduction 1

1 Operational Excellence—The Imperative 7

Definition of Operational Excellence, 7
Definitions from Leading Global Enterprises, 8
A Simpler Definition for Operational Excellence, 9
Operational Excellence Embraces Everyone in an Enterprise, 9
Operational Excellence Improves Efficiency, 10
Efficiency and Effectiveness, 10
A Familiar Program, 11
Description, 12
The Journey, 13
Roadmap to Operational Excellence, 14
Reliability, 14
Risk, 15
Changes in the Business/Mission Environment, 15
Conventional Operations Management, 16
Maintenance Within an Operating Enterprise, 17
Managing Improvement Initiatives, 17
CONTENTS

The Solution, 19
  Leadership, 20
  Working Level Improvement Action Teams, 20
  Operational Excellence Improvement Initiatives, 21
  Sustainability, 22
Effectiveness and Value Throughout the Enterprise, 22
The Operational Excellence Initiative, 23
  Operating Performance Excellence, 24
  Asset Performance Excellence, 24
Success—Greater Than the Sum of the Parts, 25
  Essentials for Success, 25
Application, 26
What You Should Take Away, 26

2 Application of Operational Excellence 29
  Process Characteristics, 29
  Operating/Market Environment, 31
  Enterprise Strategy, 32
    Strategic and Tactical Endeavors, 33
    Growth Strategy, 34
    Effectiveness, 34
  Changes in the Operating Environment, 34
  Value, 35
  Journey into the Future, 36
  What You Should Take Away, 39

3 Foundation Principles 41
  Operational Excellence—A Program Equivalent to Safety, 41
    Use of Proven Practices, 42
  Scope of Operational Excellence, 43
  Financial Considerations, 44
  Driven by Business/Mission Results, 45
  Foundation Principles, 47
    Principles of Operational Excellence, 47
    Six D’s of Operational Excellence, 47
  Eight Elements of the Operational Excellence Program, 48
    Results, 49
    Leadership, 49
    Requirements, 50
    Program Definition, 50
    Supporting Practices and Procedures, 50
    Working Culture, 51
    Information Management, 51
CONTENTS

Follow-Up, 52
Implementing the Operational Excellence Program, 52
Benefits of Operational Excellence, 52
  Improved SHE/EHS Performance, 52
  Reduced Risk, 53
  Improved Production/Mission Operational Effectiveness, 53
  Improved Reliability, 54
  Greater Predictability—Reduced Variation, 54
  Improved Capital Effectiveness, 54
What You Should Take Away, 54

4 The Operational Excellence Program—Overview 57
  Initiation, 57
  The Value Principle, 59
  Use of Proven Practices, Processes, and Technology, 61
  Operational Excellence Program, 63
  Improvement Processes, 64
  The Operational Excellence DIPICI Process, 65
    Implementing Sequence, 66
  Program Elements, 67
  Essentials for Success, 67
    Results, 67
    Leadership, 68
    Requirements, 68
    Program Definition, 68
    Practices and Procedures, 69
    Working Culture, 72
    Information Management, 74
    Follow-Up, 74
  Implementation, 75
  Where and How to Begin? 77
    Considerations for Commencing with a Pilot, 79
    Third Party Facilitation, Assistance, 79
What You Should Take Away, 80

5 Business and Financial Elements 81
  Connection to Business Results, 81
    Performance Measures, 82
  The Opportunity, 83
  Profit Center Mentality, 83
    Justifying Improvements, 84
    Value Prioritization, 85
  Value Imperative for Operational Excellence, 85
CONTENTS

Definition, 85
Financial Orientation, 86
The Financial Statement, 86
Selecting Financial Measures of Performance, 87
Accurate Lifetime Cost Tracking, 88
The Business Value Model, 89
Value Within an Operating Environment, 92
Value Within Operations and Maintenance, 93
Operating Effectiveness, 93
Overall Operational Effectiveness, 93
Real Compared to Normalized Values, 95
Leveraging Mission/Conversion Effectiveness, 95
What You Should Take Away, 97

6 The Essential Evolution to Real-Time Business Operational Excellence 99
Background, 100
Necessity for Real-Time Operational Excellence, 101
Integrated Business and Operations System, 102
Real-Time Business Focus, 102
Developing Real-Time Business-Driven Operational Excellence, 105
Segmenting a Complex Concept, 107
What You Should Take Away, 111

7 Leadership, Vision, Strategy 113
Executive Champion, 113
Visibly Engaged, 114
Communicate Compelling Vision, 115
Define Overall Enterprise Business Strategy, 116
Translate Business/Mission Objectives into Program Requirements, 116
Select, Appoint, and Empower Operational Leaders, 116
Continuing Tasks, 116
Steering Team, 117
General Guidelines, 118
Appoint Operational Excellence Program Leader/Champion, 119
Define Program Charter, 119
Facilitate Teamwork, 121
Empowered Decisions, 121
Leadership Succession, 122
Program Leader/Champion, 123
Summarized Duties and Responsibilities, 123
Program Leadership Team, 124
What You Should Take Away, 125
### 8 Safety and Human Performance Excellence

- Safety Performance Excellence, 127
- Risk Management, 127
- Human Performance Excellence, 130
- Automation Technologies, 131
- Improvement Culture, 132
- What You Should Take Away, 133

### 9 Define the Program and Program Objectives

- Executive Leadership, 136
- Operating Organization, 136
  - Steering Team, 136
  - Program Leader/Champion, 139
- Program Plan, 139
  - Program Objectives, 140
  - Mission Statement, 140
  - Charter, 141
  - Principles, 142
  - Values, 142
  - Program Strategy, 143
  - Organization: Management, Control, and Administrative Systems, 144
  - Organizational Objectives, 146
  - Business and Risk Models, 147
- Formulate Program Operating Plan, 147
- Appoint Working-Level Leaders—Champions, 150
  - Program Leadership Team, 151
- Add/Optimize Supporting Processes, 153
  - Information Structure and System, 153
  - Activity-Based Management/Accounting, 154
- Roll Out Operational Excellence Program, 155
- Maintain Motivation and Enthusiasm, 155
- Clear Acknowledgement that Sustainable Progress Requires Time, 155
- What You Should Take Away, 156

### 10 Optimize the Organization

- Organizational Requirements for Successful Operational Excellence, 158
  - Inspiring People, 158
  - Consistency of Message and Action, 159
  - Necessity for Improvement, Requirements, and Overall Objectives, 159
  - Empowerment, 160
  - Establish the Basis for Organizational Improvement, 161
- Initiating Organizational Improvement, 163
<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td><strong>Conduct Initial Training Workshops</strong></td>
</tr>
<tr>
<td>12</td>
<td><strong>Identify and Value Prioritize Opportunities for Improvement</strong></td>
</tr>
</tbody>
</table>

**Contents**

- Improvement Management Process, 163
- Identify Potential Structural and Organizational Improvements, 164
- Move the Organization from Management Control to Team Partnership, 164
- Work Culture, 165
- Achieving Individual and Organizational Success, 165
- Improving Behaviors, 166
- Skills Management and Training, 166
- Information as a Basis for Training, 167
- Personnel Reductions, 168
- Necessity for Effective Communications, 169
  - Communications Requirements, 170
  - Communication Groups, 171
  - Messaging, 174
  - Communications Program, 175
  - Communications Team, 175
  - Methods of Communication, 176
- Address all Anticipated Concerns, 177
- What You Should Take Away, 177

**11 Conduct Initial Training Workshops**

- Establish Team Training, Facilitation, and Review Process, 180
- Technical Training, 180
- Workshop Description, 181
- Workshop Process, 181
- Review and Refine Program Basis, 184
- What You Should Take Away, 184

**12 Identify and Value Prioritize Opportunities for Improvement**

- Validate Scope of Improvements, 185
- Opportunity Identification Process, 187
  - Primary Detractors from Business/Mission Effectiveness, 188
  - Performance Objectives, 188
- Improvement Methods, 190
  - Step-Change Improvement, 190
  - Continuous Improvement, 191
- Identifying Specific Potential Improvements, 191
- Quantify and Prioritize Opportunities—In Business Terms, 193
  - Value Prioritization, 194
  - Necessity for Complete, Accurate Data, 194
  - Identify Below-Average Performance and Performers, 195
  - History, 195
- Categories of Performance, 196
Under Promise, Over Perform, 236
Compensate for Inadequate or Incomplete Information, 236
Develop Detailed Improvement Action Plans for Highest Value Improvements, 237
Define Starting Point, 237
Identify Requirements for Success, 237
Detail Action Steps, 238
Define Investment and Resources, 239
Estimate Probability of Success: Potential Risk and Barriers, 239
Identify Responsibility, 240
Validate Contribution of Planned Results—Benefit/Cost—to Program and Enterprise Business/Mission Objectives, 240
Formulate Transition Plan, 240
Develop Continuous Improvement and Sustaining Plans, 241
Consider Pilot Implementation, 242
Finalize and Submit Improvement Action Plans for Approval, 243
Following Approval, 244
What You Should Take Away, 245

15 Measures of Performance—Metrics and KPIs 247
Types of Metrics, 248
Activity Metrics, 249
Results Metrics, 249
Leading and Lagging Metrics, 250
Establishing Objectives, 250
Benchmarks, 251
Use of Metrics, 252
Requirements, 253
Characteristics, 255
Definitions, 256
Establish Magnitude of Value/Opportunity, 257
Hierarchy of Operational Excellence Metrics, 259
Operating Effectiveness, 259
Lost Opportunity, 262
Quality, 262
Other Metrics, 262
Selection of Metrics, 263
Applicability, 263
Best Measures, 263
Concentrate on Results and Success, 265
Key Performance Indicators, 265
Graphical Displays, 266
CONTENTS

Benefits of Metrics, 267
What You Should Take Away, 268

16  Implement—Improvement Action Plans  269

  Refine the Organization, 270
  Deploy Resources, 272
    Purchase Capital Equipment, 272
    Conduct Training, 272
  Deploy Practices and Technology, 273
  Implement Improvement Action Plans, 274
  Establish Internal Oversight and Monitoring, 275
  Drive the Improvement Process, 276
  Overcome Barriers, 276
  Communicate Results and Successes, 277
What You Should Take Away, 277

17  Performance Assessments  279

  Overall Description, 280
  Assessment Methods, 280
  Assessment Process, 281
  Assessment Preparation, 282
    Identify Operating/Functional Unit and Requirements, 282
    Identify the Specific Program, Program Element, and Procedure to be
    Assessed, 282
    Identify Stakeholders, 282
    Select a Qualified Assessment Team and Team Leader, 282
    Site Appoints Host and Establishes Timing, Commencement, and
    Completion, 282
    Strategically Plan the Assessment, 283
  Perform the Assessment, 286
    Alignment Meeting, 286
  Assessment Procedure, 286
  Assessment Template, 288
    Background, 288
    Template Organization, 290
    Evaluating Results, 291
    Necessity for Additional Assessment, 291
  Conclusion, Summary, Recommendations, and Site Wrap Up, 292
  Prepare Formal Assessment Report, 292
    Executive Summary: Key Findings and Recommendations, 292
    Introduction and Objectives, 293
    Conclusions and Recommendations, 293
CONTENTS

Narrative, 293
Appendices, 294
Report Submission, 294
Actions Required from Assessed Operating Unit, 294
Leadership, 294
Formal and Informal Employee Satisfaction Surveys, 294
What You Should Take Away, 295

18 Check — Measure and Manage Results 297
Begin with Metrics, 298
Conduct Assessments and Surveys, 298
Formal Performance Assessments, 299
Confirm Results and Contribution to Enterprise Value and Strategy, 300
Continue Checking Until Confident that Improvement is Fully Sustained, 301
What You Should Take Away, 301

19 Improve — Institutionalize and Sustain Gains 303
Improve and Sustain, 303
Continuous Improvement, 304
Continue Follow-Up: Adjust/Refine, Improve, and Extend Improvement
Action Plans, 304
Expand and Increase Ownership, Responsibility, Accountability, and Commitment, 304
Continue Training, 305
Achieving Sustainability, 305
Institutionalize Success, 306
Communicate and Publicize Progress and Results, 306
Overcome Resistance, 307
Results-Based Compensation, 308
Some Lessons Learned, 308
Final Comment, 310
What You Should Take Away, 310

20 Conclusion — Now It Is Up To You! 311

Index 313