Longitudinal research into factors of high performance: the follow-up case of Nabil Bank

André de Waal and Miriam Frijns

André de Waal MBA is Associate Professor of Strategic Management and Miriam Frijns is a Lecturer, both at the Maastricht School of Management, Maastricht, The Netherlands.

Summary

Purpose – *There is a real need for longitudinal research into the factors that cause or contribute to sustainable high organisational performance. Especially in Asia there has not been much research into this topic. The goal of this study is to evaluate whether paying dedicated attention to the factors that were found during previous research to determine the sustainable success of a high-performance organisation (HPO) in Asia would result in sustainable increased organisational performance.*

Design/methodology/approach – *Nabil Bank, the case company to which the high performance framework was applied, was visited one year later to evaluate whether its performance had improved after taking into account the improvements that originated from the first research.*

Findings – *Although Nabil Bank's financial performance had improved, the increase in HPO results was not so great. Possible explanations for this are that there is a perception gap between management and employees with regard to the improvements achieved, and the fact that Nabil Bank has continued with implementing improvement actions that are already under way, while not starting additional ones specifically targeted at improving the HPO factors. Alternatively, it can be stated that, if the transition to an HPO takes on average three to five years, an improvement per year of 0.3 to 0.5 points is viable. In this light Nabil Bank is definitely on its way to becoming an HPO but it seems to be taking the ''slow road''.*

Practical implications – *The research results show that dedicated attention has to be paid to the HPO factors in order to take full advantage of them.*

Originality/value – *This is the first longitudinal research into the factors that determine sustainable high performance in Asian organisations.*

Keywords *Company performance, Competitive advantage, Banking, Sustainable development*

Paper type *Research paper*

1. Introduction

Despite the increased interest in identifying the underlying factors of sustainable high performance in recent years (O'Reilly and Pfeffer, 2000; Hess and Kazanjian, 2006; Porras *et al.*, 2007; Thoenig and Waldman, 2007; Gottfredson and Schaubert, 2008; Simons, 2008; Tappin and Cave, 2008; Spear, 2009), there appears to be a shortage of longitudinal studies on this topic. Most research studies analyse the financial performance of organisations over a longer period of time and retrospectively identify the factors that may have contributed to high performance (Collins, 2001; Collins and Porras, 1994; Deans and Kroeger, 2004; Joyce *et al.*, 2003; Miller and Le Breton-Miller, 2005; Slywotzky and Morrison, 1997). These types of studies, however, cannot provide certainty that the identified factors will also support *sustainable* high performance (Manzoni, 2004; Morton, 2003). There are unfortunately only a few studies that identify potential factors for high performance and then study these in organisations over a longer period of time. The merit of such studies is that they provide sufficient basis to assume that the identified factors cause or contribute to sustainable high performance.

In Asia the number of studies aimed at finding factors of sustainable high performance is even less, as shown by an extensive literature review of 290 studies into high performance

The authors thank Nabil Bank for its cooperation, the Nepal Alumni Association of The Netherlands for organising and participating in the research study, and the participants of the Maastricht School of Management's Partner Conference 2008 for their comments.

between 1966 and 2007 (de Waal, 2010). Only six of these studies concerned Asian organisations. Bae and Lawler (2000) examined the effects of specific organisational and human resource management strategies on the performance of Korean firms. Chakrabarti *et al.* (2007) evaluated the effect of diversification on organisational performance in Indonesian, Japanese, Malaysian, Singaporese, South Korean and Thai firms. Deshpandé *et al.* (2004) looked for best practices at high performance organisations in major industrial cities in India, Hong Kong, Japan, Thailand, China and Vietnam, one in each city. Huang (2000) evaluated whether the human resource practices of effective enterprises differed from those of their poorly performing Taiwanese counterparts. Kase *et al.* (2005) conducted a series of case studies at Japanese corporations to identify the successful strategies of their chief executive officers. Lastly, Sull and Wang (2005) looked at eight successful Chinese entrepreneurs to evaluate what Western managers could learn from them. All the studies mentioned above focused on a certain aspect of high performance and short-term performance effects. This shows that there is a real need for longitudinal research into the determining factors of high performance in general and more specifically in Asia. The results of such research are potentially very valuable, as they will help managers to focus on factors that improve their organisations in the long run.

This article describes the results of a longitudinal research study into the factors that may cause or contribute to sustainable high performance in an Asian organisation. The research was performed at Nabil Bank, the second largest bank of Nepal, which has shown continuous growth over the past decade while being one of the most profitable banks. The research is a follow-up to earlier research done at Nabil Bank into the factors of high performance in an Asian country (de Waal and Frijns, 2009). The research described in this article takes the factors identified by de Waal and Frijns in their 2009 study as a starting point and focuses on the way Nabil Bank managed these factors and the consequences this had for the bank's performance. A check of the high performance literature reveals that the type of research done at Nabil Bank is unique for the Nepalese context. As noted in the previous paragraph, most studies focus on a certain aspect of high performance. In particular, looking at the effect of human resource practices in Nepalese organisations has received quite a lot of attention (Adhikari and Muller, 2001; Baniya, 2004; Gautam and Davis, 2007; Gautam *et al.*, n.d.; Upadhyay, 2007), with some additional interest in management control in Nepal (Rijal, 2006). This stringent focus indicates a gap in the Nepalese management literature, a gap which this article aims to partly close. The article is structured as follows. In section 2, a brief overview of high performance organisation (HPO) research is given. Section 3 describes the case company, i.e. Nabil Bank, and summarises the results of the first HPO study at this company. This is followed in section 4 by a description of the research approach of the second HPO study. Section 5 discusses the research results. In section 6 the research results are analysed per HPO factor. The article closes in section 7 with a brief case summary and opportunities for further research. The research described in this article constitutes the first longitudinal study into the determining factors of sustainable high performance in Nepal and as such adds to the strategic management literature by showing that the HPO concept can be applied in Asia to identify elements of sustainable high performance in Asian organisations.

2. The high performance organisation

A high performance organisation (HPO) is defined as an organisation that achieves financial and non-financial results that are better than those of its peer group over a period of time of at least five to ten years (de Waal, 2008). To identify the elements that make up an HPO, a five-year study was undertaken. This study started with a descriptive literature review that consisted of selecting the studies on high performance and excellence that were to be included in the empirical study (de Waal, 2010). The criteria for including studies in the research were:

- the study was aimed specifically at identifying HPO factors or best practices;
- it consisted of either a survey with a sufficient large number of respondents so that its results could be assumed to be (fairly) generic, or of in-depth case studies of several companies so the results were at least valid for more than one organisation;

- it employed triangulation by using more than one research method (for example a questionnaire and interviews) (Jack and Raturi, 2006); and
- it had written documentation containing an account and justification of the research method, research approach and selection of the research population, a clear analysis, and clear retraceable conclusions and results so that the quality of the research method could be assessed.

The literature search was conducted in 2007 and yielded 290 studies which satisfied all or some of the four criteria. The studies were grouped into three categories:

1. *Category A* – Studies that satisfied all four criteria. These studies formed the basis for the identification of the HPO characteristics.
2. *Category B* – Studies that satisfied Criteria 1 and 2 but not Criterion 3 and Criterion 4 only partly, because even though there was no clear description and justification of the method used the research approach seemed (fairly) thorough. These studies provided additional input for the identification of HPO characteristics.
3. *Category C* – Studies that satisfied Criteria 1 and 2 but not Criteria 3 and 4, so there was no basis for generalising the study findings. These studies were used as a reference to support the HPO characteristics that were identified in Category A and B studies.

The content quality of the studies was not further evaluated because of the large number of studies and the fact that the aim of this study was descriptive review, not systematic review (King and He, 2005). The 290 studies were summarised and put into two files by the author and two research assistants. The first file contained an overview of the studies that were reviewed, stating the (abbreviated) title of the research study, the author(s), the publication date, the research method(s) used, the research population, and the study category. To which category a study belonged was decided by the researcher who had summarised that particular study. The study category was subsequently reviewed and approved by one of the other researchers. The second file described the research methods used, the research population, and the main findings of the study. The identification process of the HPO characteristics consisted of a number of steps. First, elements were extracted from each of the 290 publications that the authors regarded as essential for high performance. These elements were then categorised in a matrix. Because authors used different terminologies in their publications, the elements were grouped according to similarity in categories under a factor and each group – later to be named ''characteristic'' – was given an appropriate description. Subsequently, a matrix was constructed for each factor listing a number of characteristics. For the first 90 studies this process was reviewed and repeated by an external academic. A total of 189 characteristics were identified. After that, the ''weighted importance'' (i.e. the number of times a characteristic occurred in the individual study categories) was calculated for each of the characteristics. Finally, the characteristics with a weighted importance of at least 6 per cent were considered the HPO characteristics that potentially make up an HPO. These characteristics were tested in a worldwide survey executed at over 2,500 profit, non-profit and governmental organisations. In this survey respondents indicated how good their organisations were on the various characteristics (on a scale of 1 to 10) and also what their organisational results were compared to their peer group. These subjective measures of organisational performance are accepted indicators of real performance (Glaister and Buckley, 1998; Bae and Lawler, 2000; Jing and Avery, 2008). With a statistical analysis, 35 characteristics which had the strongest correlation with organisational performance were grouped into five factors which were identified as HPO factors. The study results showed there was a direct relation between the HPO factors and competitive performance. Organisations that paid more attention to HPO factors and scored high on these consistently achieved better results than their peers, in every industry, sector and country in the world. Conversely, organisations which scored low on HPO factors ranked performance-wise at the bottom of their industry. The research approach satisfied the ''criteria for good science'' as given by Srnka and Koeszegi (2007): the data collection was performed in a systematic way, there was a structured procedure and documentation of the data analysis, and there were multiple person involvement and quality checks.

The five HPO factors are described underneath. A detailed description of the literature review can be found in a white paper (de Waal, 2009). The detailed results of the worldwide survey can be found in de Waal (2010). The significance of the HPO study is that now the factors for high performance are known, they can be used as a framework during research at successful companies to identify which actions these companies undertook to become and stay successful.

2.1 HPO factor ''Management Quality''

In an HPO, management maintains trust relationships with people on all organisational levels by valuing employees' loyalty, treating smart people with respect, creating and maintaining individual relationships with employees, encouraging belief and trust in others, and treating people fairly. Managers at an HPO work with integrity and are a role model by being honest and sincere, showing commitment, enthusiasm and respect, having a strong set of ethics and standards, being credible and consistent, maintaining a sense of vulnerability and by not being self-complacent. They apply decisive, action-focused decision-making by avoiding over-analysis but instead coming up with decisions and effective actions, while at the same time fostering action-taking by others. HPO managers coach and facilitate employees to achieve better results by being supportive, helping them, protecting them from outside interference, and by being available. Management holds people responsible for results and is decisive about non-performers by always focusing on the achievement of results, maintaining clear accountability for performance, and making tough decisions. Managers at an HPO develop an effective, confident and strong management style by communicating the values and by making sure the strategy is known to and embraced by all organisational members.

2.2 HPO factor ''Openness and Action Orientation''

Apart from having an open culture, an HPO uses the organisation's openness to achieve results. In an HPO, management values the opinion of employees by frequently seeking a dialogue with them and involving them in all important business and organisational processes. HPO management allows experiments and mistakes by permitting employees to take risks, being prepared to take risks themselves, and seeing mistakes as an opportunity to learn. In this respect, management welcomes and stimulates change by continuously striving for renewal, developing dynamic managerial capabilities to enhance flexibility, and being personally involved in change activities. People in an HPO spend a lot of time on dialogue, knowledge exchange and learning in order to obtain new ideas to improve their work and make the complete organisation performance-driven.

2.3 HPO factor ''Long-Term Orientation''

In an HPO, long-term is far more important than short-term gain. This long-term orientation is extended to all stakeholders of the organisation – that is, shareholders as well as employees, suppliers, clients and society at large. An HPO strives continuously to enhance customer value creation by learning what customers want, understanding their values, building excellent relationships and having direct contact with them, involving them in the organisation's affairs, being responsive to them, and focusing on continuously enhancing customer value. An HPO maintains good long-term relationships with all stakeholders by networking broadly, taking an interest in and giving back to society, and creating mutual, beneficial opportunities and win-win relationships. An HPO also grows through partnerships with suppliers and customers, thereby turning the organisation into an international network corporation. Management of an HPO is committed to the organisation for the long haul by balancing common purpose with self-interest, and teaching organisational members to put the needs of the enterprise as a whole first. They grow new management from the own ranks by encouraging staff to become leaders, filling positions with internal talent, and promoting from within. An HPO creates a safe and secure workplace by giving people a sense of safety (physical and mental) and job security and by not immediately laying off people (dismissal is a last resort).

2.4 HPO factor ''Continuous Improvement''

The process of continuous improvement starts with an HPO adopting a strategy that will set the company apart by developing many new alternatives to compensate for dying strategies. After that, an HPO will do everything in its power to fulfil this unique strategy. It continuously simplifies, improves and aligns all its processes to improve its ability to respond to events efficiently and effectively and to eliminate unnecessary procedures, work, and information overload. The organisation also measures and reports everything that matters, so it measures progress, monitors goal fulfilment and confronts the brutal facts. It reports these facts not only to management, but to everyone in the organisation so that all organisational members have the financial and non-financial information needed to drive improvement at their disposal. People in an HPO feel a moral obligation to continuously strive for the best results. The organisation continuously innovates products, processes and services, constantly creating new sources of competitive advantage by rapidly developing new products and services to respond to market changes. It also masters its core competencies and is an innovator in them by deciding and sticking to what the company does best, keeping core competencies inside the firm and outsourcing non-core competencies.

2.5 HPO factor ''Workforce Quality''

An HPO makes sure it assembles a diverse and complementary workforce and recruits people with maximum flexibility to help detect problems in business processes and to incite creativity in solving them. An HPO continuously works on the development of its workforce by training staff to be both resilient and flexible, letting them learn from others by going into partnerships with suppliers and customers, inspiring them to work on their skills so they can accomplish extraordinary results, and holding them responsible for their performance so they will be creative in looking for new productive ways to achieve the desired results.

3. Nabil Bank

Nabil Bank Limited, the first foreign joint venture bank of Nepal, started operations in July 1984. Nabil was incorporated with the objective of extending international standard modern banking services to various sectors of society. Nabil currently provides a full range of commercial banking services, with 505 employees working in 19 bank branches across Nepal. The bank provides a range of consumer, retail, SME and corporate banking services and is banker to a multitude of large corporations, international aid agencies, NGOs and embassies. It is the largest private bank in Nepal in terms of branch and ATM network. Operations of the bank, including day-to-day operations and risk management, are managed by a qualified and experienced management team. The mission of the bank is to be the ''bank of first choice'' to all its stakeholders. Therefore, the organisation has customer satisfaction as the focal objective while doing business and also stresses the introduction of innovative products (Nabil Bank, 2010). Nabil Bank was chosen as case company for this research study because it had the reputation of being one of the best banks in Nepal and in the region. Nabil Bank was the second largest bank in Nepal and had shown continuous growth over the previous decade while being one of the most profitable banks (see Tables I and II).

In comparison with the previous average ranking given in the first research study (de Waal and Frijns, 2009) the rankings for both return on assets and non-performing loans have stayed the same, indicating that Nabil Bank is still the best bank in the peer group. However, when looking at the absolute ranking for the period 2008/2009 for the non-performing loans, Nabil Bank ranks only third, while the other three banks have all decreased their bad loans while coming from much worse starting positions in 2004/2005 than Nabil Bank. As the performance on non-performing loans is a measure of the quality of the operational processes at a bank, there is an indication that Nabil Bank's processes have deteriorated.

In 2007 the bank was approached to participate in the HPO research, which it agreed to. In total 43 managers and employees filled-in an HPO questionnaire. Additionally, a

Table I Financial data of Nabil Bank

Ratio	*1989 (fifth year of operation)*	*2009 (25th year of operation)*
Net worth	78	3,129
Deposits	779	37,348
Loans	362	27,590
Investments	297	10,826
Profit after tax	25	1,031
Total assets	964	43,867
Non-performing loans (as a percentage of total loans)	3.4	0.80
Return on assets (percentage)	2.7	2.65
Number of outlets	6	19
Number of ATMs	–	49

Note: Figures in thousands of Nepalese rupees (1 NPR = €0.0109072)
Source: Nabil Bank (2009)

Table II Financial data of Nabil Bank versus its three main Nepalese competitors

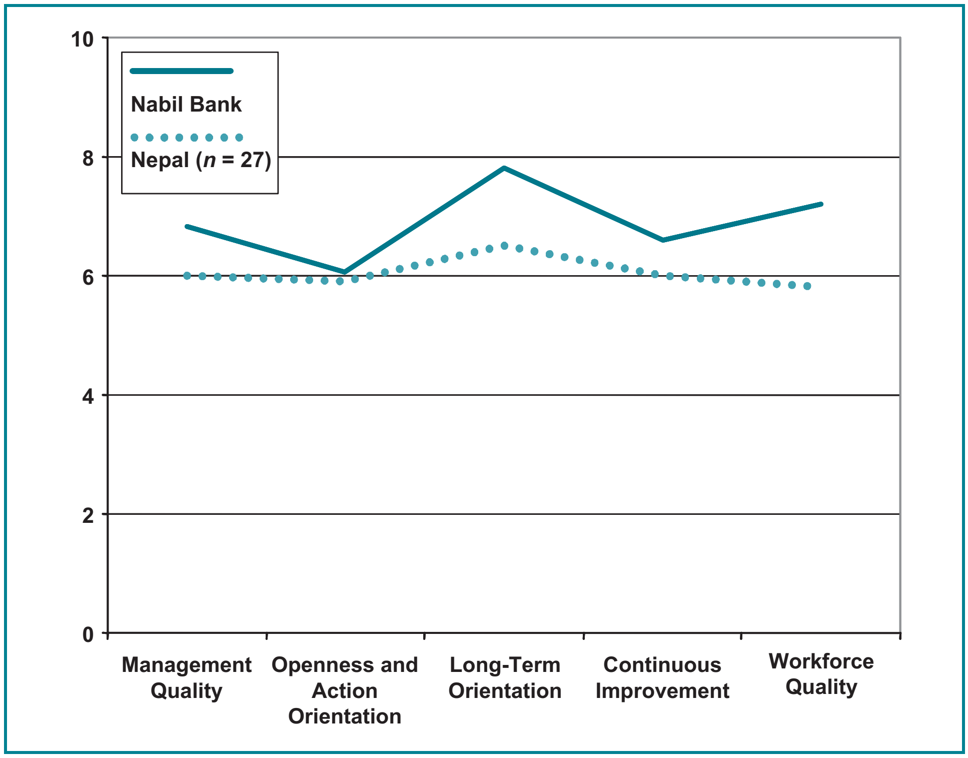
Bank	*Fiscal year 2004/2005*	*2005/2006*	*2006/2007*	*2007/2008*	*2008/2009*	*Absolute ranking*	*Average ranking*
Return on assets (per cent)							
Nabil Bank	3.06	3.23	2.72	2.32	2.55	1	1
Standard Chartered Bank Nepal	2.46	2.56	2.42	2.46	2.53	2	2
Nepal Investment Bank	1.42	1.61	1.79	1.77	1.68	4	3
Himalayan Bank	1.11	1.55	1.47	1.70	1.80	3	4
Non-performing loans (percent)							
Nabil Bank	1.32	1.38	1.12	0.74	0.80	3	1
Standard Chartered Bank Nepal	2.69	2.13	1.83	0.92	0.66	2	2
Nepal Investment Bank	2.69	2.07	2.37	1.12	0.58	1	3
Himalayan Bank	7.44	6.60	3.61	2.36	2.16	4	4

Sources: Nabil Bank (2009), Standard Chartered Bank Nepal (2009), Nepal Investment Bank (2009), Himalayan Bank (2009)

presentation of Nabil Bank's chief executive officer (CEO) was attended by the researchers at the Nabil Bank premises in Kathmandu. The results of the HPO research were documented and published in de Waal and Frijns (2009). Figure 1 gives the scores for Nabil Bank for each of the five HPO factors (see the Appendix for detailed scores) and compares these with the average scores of 27 respondents from Nepalese profit, non-profit and governmental organisations (this data originated from questionnaires filled in by Nepalese managers – one per Nepalese organisation – and collected by the researchers and stored in the HPO database, until June 2008).

Figure 1 shows that Nabil Bank scored higher than the average of the 27 Nepalese organisations in the HPO database (on average 14 per cent), but for the HPO factor ''Openness and Action Orientation'' the scores are almost equal. This result ties in with the results from interviews we conducted with employees from Nabil Bank, who stated that Nabil Bank is one of the best Nepalese organisations to work for because the bank's management actively involves employees in business processes and decisions. The main best practices of Nabil Bank could be found in the HPO factors ''Workforce Quality'', ''Continuous Improvement'' and ''Long-Term Orientation'', which was attributed at that time by Nabil Bank's CEO to the state-of-the-art performance management process which Nabil Bank had installed (de Waal and Frijns, 2009). Finally, Figure 1 shows that although Nabil Bank was regarded a good organisation it could not yet be qualified as a high performance organisation. This is because it is assumed that an HPO scores at least an 8.5 on all factors (de Waal, 2008, 2010).

Figure 1 HPO status of Nabil Bank in 2007



4. Research approach

As the main limitation of the first HPO study it was indicated in de Waal and Frijns (2009) that the HPO questionnaire at that time was filled-in only by English reading managers, which created a potential bias in the research population as Nepalese reading employees were not included. Also, most of the gathered information was based on the presentation of Nabil Bank's CEO, and no additional interviews were held with other members of the management team. This potentially caused the research results to be mainly coloured by the opinion of one person. As an opportunity for follow-on study it was suggested to incorporate the opinions of a larger group of Nabil Bank's employees, and to conduct a longitudinal study in which the HPO research should be repeated. This would provide information on the development of Nabil Bank in relation to its growth in the HPO factors. To address these limitations and research opportunities, the researchers organised a second HPO study at Nabil Bank, one year later.

Just as during the first HPO study (de Waal and Frijns, 2009), this research was explorative in nature and an in-depth case study was used. Yin (1994) mentions four criteria that have to be satisfied in order to produce sound case study research, as well as techniques to satisfy these criteria. ''Construct validity'' is defined as establishing correct operational measures for the theoretical concept being studied. The construct used in this case study was the HPO framework, which was operationalised in a questionnaire that has been validated by 2,500 respondents (de Waal, 2008). During the case study several sources of information have been used: interviews, a questionnaire and document research. ''Internal validity'' is defined as establishing a causal relationship whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships. In this research, ''explanation building'' was used to analyse and explain the results of the case study. ''External validity'' is defined as establishing the domain to which a study's findings can be generalised. As this research entails only one case study, the results have to be validated during subsequent research at Asian companies. Finally, ''reliability'' is defined as demonstrating that the same study can be repeated with the same results. A detailed case study protocol was used which contained an activity plan, an interview list, and a questionnaire. In addition, two researchers participated in the case study research, so the results could be mutually checked and subjective interpretations avoided.

5. Research results

In this research the HPO questionnaire was translated into Nepalese (and back translated into English to verify the quality of the translation) and distributed during the Fall of 2008 among the complete Nabil Bank organisation (headquarters and branches). The 252 anonymously filled-in questionnaires (50 by managers, 202 by employees) were collected by the contact person and sent by mail to the researchers, who then analysed the data and calculated the HPO status of Nabil Bank. In the 2007 research the respondents were mainly managers, so to make a valid comparison Figure 2 shows the 2007 and 2008 average scores as given by Nabil Bank's management. As can be seen from Figure 2, the shapes of both the 2007 and 2008 lines are almost identical, indicating that we are dealing with the same organisation. It can also be noted that the 2008 average score (7.0) is higher than the 2007 average score (6.7).

Figure 3 shows the scores from 2008 for management and employees. On average there is a difference of 0.4 between the two function categories.

After analysis of the scores, one of the researchers visited the Nabil Bank premises in Kathmandu in October 2008 to conduct individual interviews with three members of Nabil Bank's staff (the deputy general manager, the head of human resources and personnel management, and a credit risk assistant). The interviews focused on the main differences in scores between the 2007 and 2008 HPO questionnaires for management and the differences in the 2008 scores between management and employees. The interviews were recorded and transcribed so that the information could be shared between both researchers. In the next section the analysis is given of the HPO questionnaires scores and the interviews.

Figure 2 HPO status of Nabil Bank, 2008 versus 2007, according to management

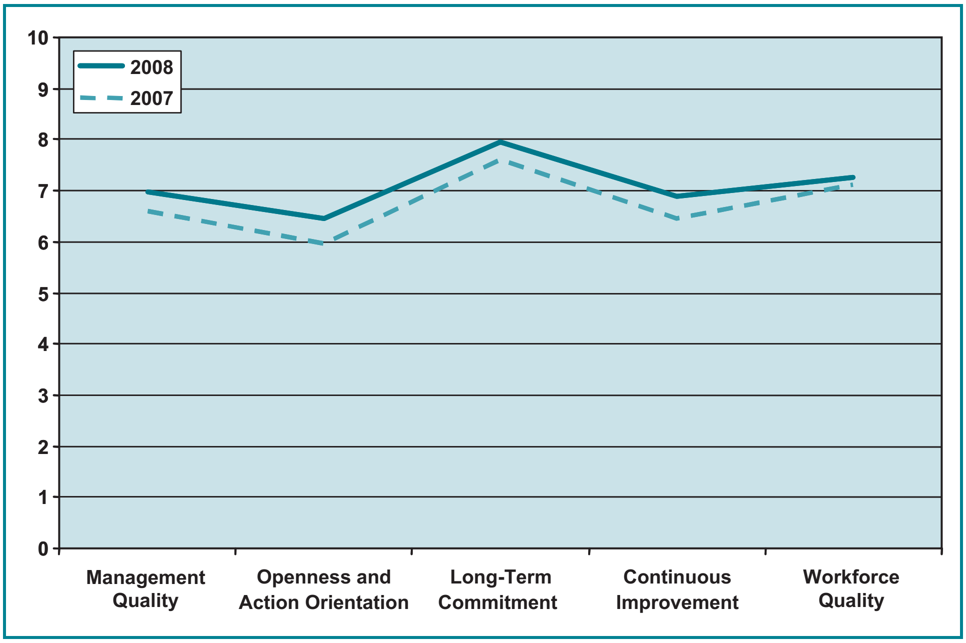
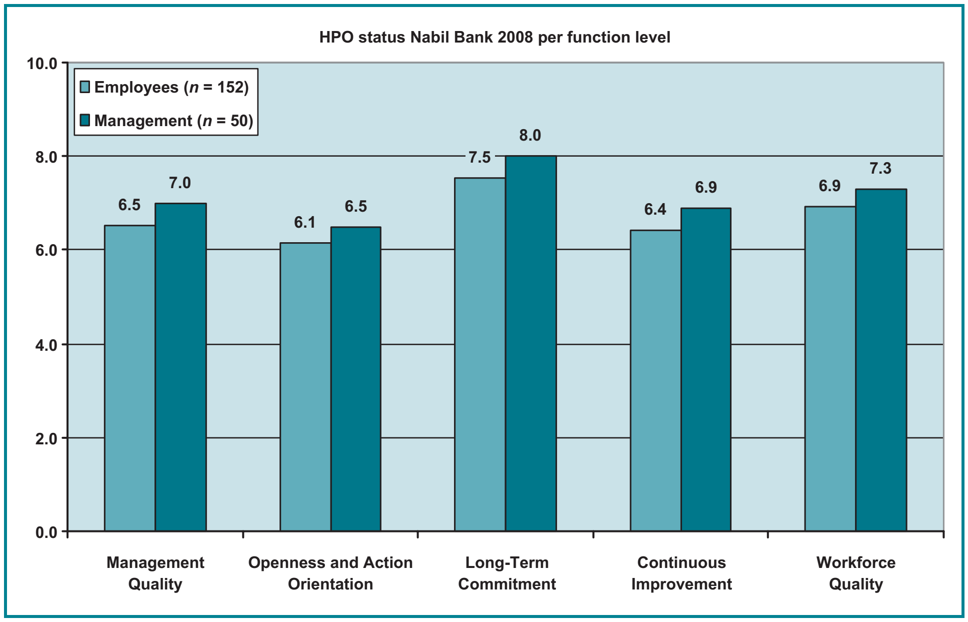


Figure 3 HPO status of Nabil Bank, 2008, management versus employees



6. Analysis

In this analysis the biggest differences in scores – between management 2007 and management 2008 (A), and management 2008 and employees 2008 (B) – are looked at, per HPO factor.

6.1 HPO factor ''Management Quality''

There is a relative big difference between management and employees on aspects 1 (''management is trusted by organisational members''; −0.7), 2 (''management has integrity''; −0.8), 9 (''management applies strong leadership''; −0.8), and 10 (''management is confident''; −0.7) (B). From the interviews it appeared that Nabil Bank's management at that time did not have enough authority. For most of the decisions concerning staff promotion and rewards, management had to get approval of the board. This was also the case for capital investment decisions. Decisions for new software systems or new computers took rather a long time, especially because the board only met twice a month. This also slowed down the decision-making and action-taking processes, explaining the relatively low scores for aspects 4 and 5. An example given was the promotion possibility for 40 employees. In 2008, 20 people could get promotion. The first step in the promotion process was taking a written test, which was done in September of that year. After passing the test candidates were supposed to be interviewed by a committee existing of board members. In November 2008 these interviews still had not taken place – in fact, dates for the interviews had not even been set. The fact that management had to wait for approval from the board before certain decisions could be made caused employees to see management as not being strong and confident enough to ''go against'' the board. This also caused a decrease in trust among employees that management could look after their best interests.

6.2 HPO factor ''Openness and Action Orientation''

Another big increase in score is on aspect 12 (''Management frequently engages in a dialogue with employees''; 0.9) (A). In 2007 management realised that it had to improve the dialogue between managers and employees, and thus weekly supervisory meetings and monthly department meetings were introduced. However, the difference in score between management and employees (who scored 0.8 lower than management) on this aspect (B) seems to indicate that these meetings are either more appreciated by managers or that employees see these meetings more like one-way communication than a real dialogue (Upadhyay, 2007). Interesting in this respect is that the follow-on of dialogue, ''organisational members are always involved in important processes'' (aspect 14) has the same difference between 2007 and 2008 (0.9, in itself logical because management took the initiative for more frequent meetings) (A) but now the employees concur with management (B). It requires further investigation as to which processes employees are actually more involved in, and whether these are actually important processes.

The low score given by both management (in 2007 and 2008) and employees for aspect 15 (''Management allows making mistakes''; 4.2) (A + B) is unusual. From the interviews we noticed that Nabil Bank's management was of the opinion that making a mistake in the banking world is too costly. Because of this they developed a policy in the bank that holds employees personally responsible for the financial consequences of their mistakes. The HR manager illustrated the need for such a policy with the following example:

> Our best teller, during festival time when it was very busy, gave 100,000 rupees to a client who wanted to cash a cheque of 50,000 rupees. The client refused to pay back the extra 50,000. We made an arrangement with the teller that she would pay back 25,000 rupees spread over the period of one year and the bank would take care of the other 25,000 rupees. The salary of teller was about 50,000 rupees per month. Because in the bank world making mistakes is very expensive we have to be strict on this. But if the person makes an unintentional mistake we try to find a solution. Higher managers do not have to pay for their mistakes but it will influence the possibility for their promotion negatively. Thus employees and managers both know that mistakes will have personal consequences.

6.3 HPO factor ''Long-Term Commitment''

The highest scores were given on the HPO factor ''Long-Term Commitment'', specifically for the relationships with stakeholders, partners and customers. Among the stakeholders, the community was one of the main ones. While other banks had a strategy that was focusing on a few big branches in cities, Nabil Bank opened branches in villages, which was more convenient for local customers. In addition, Nabil Bank employed local people from tribes in the rural area for these branches. These people are first trained in the Kathmandu head office to get familiar with the organisational culture of Nabil Bank, and after that they are send to the branches.

There is a relatively big difference between management and employees on aspect 22 (''The organisation is a secure workplace for organisational members''; −0.9) (B). In 2007/2008 the bank laid-off 45 employees (23 per cent of the workforce) with a golden handshake (worth five years' salary). Although these employees were achieving their targets they were not willing to ''go the extra mile'' and were not willing to go for further training and development. This was a group of people who had worked for a long time with the bank and found it difficult to deal with changes in the bank, such as the introduction of the new performance management process. Laying off people, even if it is with a golden handshake, did lead to an increase in insecurity among the workforce about their employment (Pradhan, 1999).

6.4 HPO factor ''Continuous Improvement''

A large increase in score can be found for aspect 24 (''The organisation has adopted a strategy that sets it clearly apart from other organisations''; 0.8) (A). In 2008 Nabil Bank started to implement its strategy of opening branches in rural villages. This was unique compared to what competitors were doing in Nepal. Most banks were actually closing branches in rural areas and were only focusing on big branches in cities, so this strategy made Nabil Bank stand out from the competition.

Concerning the improvement (aspect 25), simplification (aspect 26) and alignment (aspect 27) of processes, management scores increased between 2007 and 2008 (1.0, 0.5, and 0.4, respectively) (A). But these scores are definitely higher than employees gave (the differences are −0.7, −0.6 and −0.8) (B). From the interviews it became clear that the implemented changes in processes were solely a decision of management (Suwal, 1998) and mainly referred to the new performance management process which Nabil Bank had installed (see for a description: de Waal and Frijns, 2009). Because of the new process, management experienced progress in process improvement while at the same time the employees saw these changes, which were forced on them, only as bringing more work. In addition, the new performance management process was to be used by everybody in the organisation but only for management there was a link between the new process and the appraisal system. This can explain why the managers experienced more alignment of processes than the employees, who did not see a connection between the various processes and systems. In this respect it is interesting to note the big difference (-0.9) between management and employees on aspect 29 - 'In the organisation both financial and non-financial information is reported to organisational members' (B). It seems that employees were not the beneficiaries of the new performance management process in regard to receiving more and better performance information on the financial results of the bank. Management made sure that employees received information on their individual results and whether they had achieved their targets. This individual information, however, was not tied to the overall financial performance of Nabil Bank so employees did not have a clear view of the overall organisational situation.

6.5 HPO factor ''Workforce Quality''

Despite the fact that the score on aspect 35 (''The organisation has a diverse and complementary workforce'') is relatively high, there is a fairly big difference between management and employees (-0.7) (B). This could be caused by employees feeling that the increasing degree of standardisation caused by the implementation of the new performance management process decreases the visibility of performance differences between employees. It could be that because of the resultant firing of those people whose performance lagged behind, a more homogeneous workforce with fewer individual differences remained.

6.6 Overall

Looking at the relations between scores for the various HPO factors, it can be noticed that one of the biggest improvements, according to management, has been made in regard to Nabil Bank's strategy (aspect 24) and subsequent improvement of processes (aspect 25) (A). At the same time, according to management itself, its confidence has decreased (aspect 10). It could be that, at the time of the research, management was in the middle of the improvement process of the generally accepted strategy without a clear picture yet of how to implement this strategy. It is interesting to see that for four of the five HPO factors where, according to management, relative large improvements in scores have been achieved, the differences in scores between management and employees are the greatest (except for ''Workforce Quality''). It seems that management is of the opinion that already a lot has been improved and achieved while employees do not see or acknowledge this progress. There seems to be a definite perception gap between the two function levels.

When looking objectively at the overall difference between the management 2007 and 2008 HPO scores it is conspicuous that there is only $+0.3$ increase despite the fact that Nabil Bank was well on its way to becoming an HPO (de Waal and Frijns, 2009) (A). From the interviews it became clear that management did not undertake new improvement actions as a follow-up to the first HPO research performed in 2007. Instead, management decided to continue with the actions already underway, like applying the new performance management process to the fullest. Although this is in itself a smart decision, the fact that a relatively small headway was made concerning the HPO score meant that Nabil Bank potentially has not taken advantage enough yet of its resources to achieve even more competitive advantage. As mentioned during the discussion of the non-performing loans (Table II) this is in line with the indication that the quality of Nabil Bank's processes might have deteriorated. At the same time, one can look at the 0.3 increase in a different way. For Nabil Bank to become an HPO the organisation needs to achieve an average score of 8.5 (de Waal, 2008, 2010), which means an increase of 1.5 points from the current average score. If the transition to an HPO takes on average three to five years (Abrahamson, 2004;

Sirkin *et al.*, 2005), this means that Nabil Bank should achieve an improvement per year of 0.3 to 0.5 points. In this light Nabil Bank is definitely on its way to becoming an HPO but it seems to be taking the ''slow road''. In this respect, the organisation could pay more attention to the dynamic capabilities concept (Teece and Pisano, 1994; Teece, 2009), which states that it is not enough to have unique and inimitable resources but that an organisation should put these resources into action in a flexible and adaptive way. If Nabil Bank is able to do this, the organisation could speed up the process of transition to an HPO and gain even more advantage over its competitors in the increasingly competitive Nepalese market place.

7. Case summary and further research

The longitudinal study of Nabil Bank shows that there has been improvement in the HPO scores of the organisation. This performance increase is on the small end of the improvement spectrum, which indicates that Nabil Bank is on the ''slow road'' to HPO status. As the financial world slowly returns to more normal circumstances and business picks up for some of its competitors, the market position of Nabil Bank can be expected to come under increased pressure. It is therefore of the utmost importance for Nabil Bank's management to start paying dedicated attention to the factors that make up an excellent Nepalese organisation so that the transition to HPO can be sped up. This study shows that management has to have the discipline to start and execute specific improvement actions targeted at these factors, because otherwise the organisation will not take advantage to the fullest of its resources. In this respect, management has to develop dynamic capabilities so that it deploys the unique resources of the organisation to gain and maintain competitive advantage. Management also has to develop better dialogue skills in order to convey the importance of working on HPO factors to the employees. If this is not done, the front line workers will be uncertain of how to put the HPO factors into practice and increased results will not be achieved. The research results thus provide the foundation for an action agenda listing the improvement efforts organisations in Nepal have to undertake to make the transition to an HPO.

There are several opportunities for further research. The first opportunity is to revisit Nabil Bank in two years' time to re-do the longitudinal research and evaluate whether the link between HPO and organisational performance is still valid. Secondly, the HPO research can be extended to other sectors in Nepal, so examples of high performance can be shared among Nepalese organisations, thus creating an upward momentum in performance in Nepal. Thirdly, HPO research should be done in other Asian countries to fill the gap in research into high performance in this part of the world.

References

Abrahamson, E. (2004), ''Avoiding repetitive change syndrome'', *MIT Sloan Management Review*, Vol. 45 No. 2, pp. 93-5.

Adhikari, D.R. and Muller, M. (2001), ''Human resource management in Nepal'', in Budhwar, P.S. and Debrah, Y.A. (Eds), *Human Resource Management in Developing Countries*, Routledge, London.

Bae, J. and Lawler, J.J. (2000), ''Organizational and HRM strategies in Korea. Impact on firm performance in an emerging economy'', *Academy of Management Journal*, Vol. 43 No. 3, pp. 502-17.

Baniya, L.B. (2004), ''Human resource development practice in Nepalese business organizations: a case study of manufacturing enterprises in Pokhara'', *The Journal of Nepalese Business Studies*, Vol. I No. 1, pp. 58-68.

Chakrabarti, A., Singh, K. and Mahmood, I. (2007), ''Diversification and performance. Evidence from East Asian firms'', *Strategic Management Journal*, Vol. 28, pp. 101-20.

Collins, J.C. (2001), *Good to Great. Why Some Companies Make the Leap . . . And Others Don't*, Random House, London.

Collins, J.C. and Porras, J.I. (1994), *Built to Last. Successful Habits of Visionary Companies*, HarperBusiness, New York, NY.

de Waal, A.A. (2008), ''The secret of high performance organizations, management online review'', available at: www.morexpertise.com/view/88 (accessed February 18, 2010).

de Waal, A.A. (2009), ''The characteristics of a high performance organisation'', available at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id = 931873

de Waal, A.A. (2010), ''Characteristics of high performance organizations'', Center for Organizational Performance, Hilversum.

de Waal, A.A. and Frijns, M. (2009), ''Working on high performance in Asia: the case of Nabil Bank'', *Measuring Business Excellence*, Vol. 13 No. 3, pp. 29-38.

Deans, G.K. and Kroeger, F. (2004), *Stretch! How Great Companies Grow in Good Times and Bad*, Wiley, Hoboken, NJ.

Deshpandé, R., Farley, J.U. and Bowman, D. (2004), ''Tigers, dragons, and others. Profiling high performance in Asian firms'', *Journal of International Marketing*, Vol. 12 No. 3, pp. 5-29.

Gautam, D.K. and Davis, A.J. (2007), ''Integration and devolvement of human practices in Nepal'', *Employee Relations*, Vol. 29 No. 6, pp. 711-26.

Gautam, D.K., Upadhyay, N., Van Dick, R. and Wagner, U. (n.d.), ''Team climate and its linkage to organizational commitment in Nepal'', available at: www.sosref.org.np/my_file/22.pdf (accessed February 19, 2010).

Glaister, K.W. and Buckley, P.J. (1998), ''Measures of performance in UK international alliances'', *Organisation Studies*, Vol. 19 No. 1, pp. 89-118.

Gottfredson, M. and Schaubert, S. (2008), *The Breakthrough Imperative: How the Best Managers Get Outstanding Results*, HarperCollins, New York, NY.

Hess, E.D. and Kazanjian, R.K. (Eds) (2006), *The Search for Organic Growth*, Cambridge University Press, Cambridge.

Himalayan Bank (2009), ''Unaudited financial results (quarterly) as at 1st quarter (17/10/2009) of the fiscal year 2009/2010'', available at: www.himalayanbank.com (accessed February 18, 2010).

Huang, T.C. (2000), ''Are the human resource practices of effective firms distinctly different from those of poorly performing ones? Evidence from Taiwanese enterprises'', *Journal of Human Resource Management*, Vol. 11 No. 2, pp. 436-51.

Jack, E.P. and Raturi, A.S. (2006), ''Lessons learned from methodological triangulation in management research'', *Management Research News*, Vol. 29 No. 6, pp. 345-57.

Jing, F.F. and Avery, G.C. (2008), ''Missing links in understanding the relationship between leadership and organisational performance'', *International Business & Economics Research Journal*, Vol. 7 No. 5, pp. 67-78.

Joyce, W., Nohria, N. and Roberson, B. (2003), *What Really Works. The 4 + 2 Formula for Sustained Business Success*, HarperBusiness, New York, NY.

Kase, K., Sáez-Martínex, F.J. and Riquelme, H. (2005), *Transformational CEOs. Leadership and Management Success in Japan*, Edward Elgar, Cheltenham.

King, W.R. and He, J. (2005), ''Understanding the role and methods of meta-analysis in IS research'', *Communications of the Association for Information Systems*, Vol. 16, pp. 665-86.

Manzoni, J.F. (2004), ''From high performance organizations to an organizational excellence framework'', in Epstein, M.J. and Manzoni, J.F. (Eds), *Performance Measurement and Management Control: Superior Organizational Performance*, Studies in Managerial and Financial Accounting, Vol. 14, Elsevier, Amsterdam.

Miller, D. and Le Breton-Miller, I. (2005), *Managing for the Long Run. Lessons in Competitive Advantage from Great Family Businesses*, Harvard Business School Press, Boston, MA.

Morton, C. (2003), *By the Skin of Our Teeth. Creating Sustainable Organisations through People*, Middlesex University Press, London.

Nabil Bank (2009), ''Annual Report'', available at: www.nabilbank.com (accessed February 18, 2010).

Nabil Bank (2010), available at: www.nabilbank.com (accessed February 18, 2010).

Nepal Investment Bank (2009), ''Annual Report'', available at: www.nibl.com (accessed February 18, 2010).

O'Reilly, C.A. III and Pfeffer, J. (2000), *Hidden Value. How Great Companies Achieve Extraordinary Results with Ordinary People*, Harvard Business School Press, Boston, MA.

Porras, J., Emery, S. and Thompson, M. (2007), *Success Built to Last*, Wharton School Publishing, Harlow.

Pradhan, A.M. (1999), ''Organizational climate in the public and private enterprises in Nepal'', unpublished PhD thesis, Faculty of Management, Tribhuvan University, Kathmandu.

Rijal, S. (2006), ''Application of management control system in Nepalese commercial banks'', *The Journal of Nepalese Business Studies*, Vol. III No. 1, pp. 92-9.

Simons, T. (2008), *The Integrity Dividend: Leading by the Power of Your Word*, Jossey-Bass, San Francisco, CA.

Sirkin, H.L., Keenan, P. and Jackson, A. (2005), ''The hard side of change management'', *Harvard Business Review*, Vol. 83 No. 10, pp. 108-18.

Slywotzky, A.S. and Morrison, D.J. (1997), *The Profit Zone. How Strategic Business Design Will Lead You to Tomorrow's Profits*, Times Business, New York, NY.

Spear, S.J. (2009), *Chasing the Rabbit, How Market Leaders Outdistance the Competition and How Great Companies Can Catch Up and Win*, McGraw-Hill, London.

Srnka, K.J. and Koeszegi, S.T (2007), ''From words to numbers: how to transform qualitative data into meaningful quantitative results'', *Schmalenbach Business Review*, Vol. 59 No. 1, pp. 29-57.

Standard Chartered Bank Nepal (2009), ''Leading the way in Asia, Africa and the Middle East, Annual Report and Accounts 2008-2009'', available at: www.standardchartered.com/np/investor-relations/annual-reports/en/_pdf/ar-2008-2009.pdf (accessed February 18, 2010).

Sull, D.N. and Wang, Y. (2005), *Made in China. What Western Managers Can Learn from Trailblazing Chinese Entrepreneurs*, Harvard Business School Press, Boston, MA.

Suwal, R. (1998), *Nepali CEOs: The Good, the Bad and the Mediocre*, Organization Development Centre, Kathmandu.

Tappin, S. and Cave, A. (2008), *The Secrets of CEOs*, Nicholas Brealey, London.

Teece, D. (2009), *Dynamic Capabilities and Strategic Management: Organizing for Innovation and Growth*, Oxford University Press, Oxford.

Teece, D. and Pisano, G. (1994), ''The dynamic capabilities of firms: an introduction'', *Industrial and Corporate Change*, Vol. 3, pp. 537-56.

Thoenig, J.C. and Waldman, C. (2007), *The Marking Enterprise, Business Success and Societal Embedding*, Insead Business Press/Palgrave Macmillan, Basingstoke.

Upadhyay, D. (2007), ''Leadership effectiveness in Nepalese service organizations'', *The Journal of Nepalese Business Studies*, Vol. IV No. 1, pp. 105-9.

Yin, R.K. (1994), *Case Study Research: Design and Methods*, 2nd ed., Sage Publications, Thousand Oaks, CA.

Appendix

Table AI The five HPO factors with their 35 characteristics and the scores for Nabil Bank (2007 and 2008)

No.		2008 management	2007 management	2008 employees	Difference 2007-2008, management	Difference 2008, employees-management
Management quality						
1	Management is trusted by organisational members	7.6	7.1	6.9	0.5	−0.7
2	Management has integrity	7.6	7.4	6.7	0.2	−0.8
3	Management is a role model for organisational members	6.8	7.0	6.4	−0.2	−0.4
4	Management applies fast decision making	6.0	5.4	5.7	0.6	−0.3
5	Management applies fast action taking	6.2	5.5	5.7	0.7	−0.4
6	Management coaches organisational members to achieve better results	6.6	5.9	6.3	0.7	−0.3
7	Management focuses on achieving results	8.0	7.4	7.3	0.6	−0.6
8	Management is very effective	7.0	6.9	6.8	0.1	−0.1
9	Management applies strong leadership	7.5	7.1	6.7	0.4	−0.8
10	Management is confident	7.3	7.5	6.6	−0.2	−0.7
11	Management is decisive with regard to non-performers	6.1	5.3	6.0	0.8	−0.1
	Average management quality	7.0	6.6	6.5	0.4	−0.5
Openness and action orientation						
12	Management frequently engages in a dialogue with employees	6.7	5.8	5.9	0.9	−0.8
13	Organisational members spend a lot of time on communication, knowledge exchange and learning.	6.1	6.0	6.2	0.1	0.1
14	Organisational members are always involved in important processes	7.0	6.1	7.0	0.9	0.0
15	Management allows making mistakes	4.2	4.2	4.2	0.0	0.0
16	Management welcomes change	7.3	6.5	6.8	0.8	−0.5
17	The organisation is performance-driven	7.4	7.2	6.8	0.2	−0.6
	Average openness and action orientation	6.5	6.0	6.1	0.5	−0.4
Long-term orientation						
18	The organisation maintains good and long-term relationships with all stakeholders	8.1	8.1	7.6	0.0	−0.5
19	The organisation is aimed at servicing the customers to the best possible extent	8.1	8.0	7.7	0.1	−0.4
20	The organisation grows through partnerships with suppliers and/or customers	8.6	8.5	8.5	0.1	−0.1
21	Management has been with the company for a long time	7.7	7.1	7.3	0.6	−0.4
22	The organisation is a secure workplace for organisational members	7.1	6.3	6.2	0.8	−0.9
23	New management is promoted from within the organisation	8.2	7.7	8.0	0.5	−0.2
	Average long-term orientation	8.0	7.6	7.5	0.4	−0.5

(*Continued*)

Table AI

No.		2008 management	2007 management	2008 employees	Difference 2007-2008, management	Difference 2008, employees-management
Continuous improvement						
24	The organisation has adopted a strategy that sets it clearly apart from other organisations	7.3	6.5	7.0	0.8	−0.3
25	In the organisation processes are continuously improved	7.1	6.1	6.4	1.0	−0.7
26	In the organisation processes are continuously simplified	6.4	5.9	5.9	0.5	−0.6
27	In the organisation processes are continuously aligned	6.5	6.1	5.7	0.4	−0.8
28	In the organisation everything that matters to performance is explicitly reported	7.0	6.9	6.7	0.1	−0.3
29	In the organisation both financial and non-financial information is reported to organisational members	7.0	7.0	6.1	0.0	−0.9
30	The organisation continuously innovates its core competencies	6.9	6.4	6.6	0.5	−0.3
31	The organisation continuously innovates its products, processes and services	7.0	6.8	6.9	0.2	0.0
	Average continuous improvement	6.9	6.5	6.4	0.4	−0.5
Workforce quality						
32	Organisational members want to be held responsible for their results	6.9	6.8	6.9	0.1	0.0
33	Organisational members want to be inspired to accomplish extraordinary results	7.3	7.1	7.1	0.2	−0.2
34	Organisational members are trained to be resilient and flexible	6.5	6.6	6.1	−0.1	−0.4
35	The organisation has a diverse and complementary workforce	7.6	7.0	6.9	0.6	−0.7
	Average workforce quality	7.3	7.1	6.9	0.2	−0.4
	Average HPO score	7.0	6.7	6.6	0.3	−0.4

Corresponding author

André de Waal can be contacted at: andredewaal@planet.nl