

Working on High Performance in the Philippines: The Case of NEH

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The Philippines is one of the world's leading exporters of bananas. The banana industry, however, is facing severe problems: crop diseases, increasing pressure to keep prices down while improving quality, and poor cooperation among industry partners. To effectively deal with industry-wide threats, there is an urgent need to increase the quality of the performance of all the players in the banana value chain and transform them into high-performance organizations (HPOs). At NEH, a banana exporter based in the Philippines, managers tackled that challenge by using the HPO Framework, an instrument for deciding what to do to improve organizational performance and make it sustainable. A thorough assessment of their operations led them to devise a multipronged strategy that improved production and quality after only four months. ©2013 Wiley Periodicals, Inc.

Food production is one of the Philippines' largest industries, accounting in 2009 for 18.1 percent of the nation's GDP and employing 33.9 percent of the national labor force of 35 million people. The production of rice, sugarcane, coconut, and bananas dominates the local agricultural scene. The country is a net importer of rice and, at the same time, the world's leading exporter of coconut and bananas. In 2009, banana exports earned the country US \$344 million. This makes the Philippine banana export industry the third biggest banana industry in the world, and a main contributor to the economic development of the country.

In terms of local tax contribution, the banana industry remitted about Ph P389 million (US \$7.3 million) worth of local taxes in 2008. The banana

industry is also a large employer, not only in the industry itself, but also in related local industries, such as those in the transportation and food sectors, and fosters the development of infrastructure and education. The Philippine banana industry is concentrated on Mindanao, the southernmost island of the archipelago that makes up the nation. Since the 1960s, the industry has occupied approximately 50,000 hectares (about 124,000 acres) of farmland. In 2008, about 150 million boxes (each box containing a gross weight of 14 kilos, or 30 pounds) were exported to the industry's main markets, which are Japan, Korea, Hong Kong, New Zealand, Brunei, China, Singapore, the Middle East, Indonesia, Russia, and Canada.

The banana industry is also facing severe problems worldwide, however. The biggest threat is disease, in particular the Panama disease, a fungus for which no adequate remedy is available. This disease threatens to wipe out the popular Cavendish banana, just as it decimated the Gros Michel banana in the early 1960s.

Another challenge that the banana industry faces is the expectation to meet increasingly high standards set by the big supermarket chains that operate worldwide. Because these enterprises, which demand a uniform quality of bananas at a low price, have buyer power, banana growers and exporters are forced to become ever more efficient.

The extreme weather conditions that regularly afflict the areas where the bananas grow constitute another threat to the industry. The latest of these was the December 2012 typhoon that destroyed one-fourth

of the banana farms in the southern Philippines. All the while, demand for the fruit is growing, for it provides many calories at a low price and with a good taste, which makes it pre-eminently suitable to bolster the dietary intake of the growing world population.

There have been many studies on HPOs, but none of them resulted in a universal theory, model, or framework that could be applied in different organizational settings—at least not until a few years ago.

These challenges call for cooperation in the banana industry in order to channel the necessary resources toward finding remedies for the diseases that afflict the crop while developing new varieties of the fruit. Cooperation is also needed to strengthen the industry by facilitating learning among the various growers, exporters, and other parties in the banana value chain. The industry has traditionally been dominated by three fiercely competitive players—Chiquita Brands International, Dole Food Company, and Fresh Del Monte Produce—that do not cooperate easily, either with each other or with governments. For decades, the banana industry has been characterized by a lack of transparency, environmental pollution, political games, questionable employee and farmer treatment, short-termism, weak management, and feeble internal organizations—elements that are not conducive to building partnerships to deal with the aforementioned threats. In recent years, however, some of the larger firms in the industry have undertaken environmentally conscious initiatives—with varying degrees of success—but such efforts are not yet standard industry practice.

To deal with the threats outlined above and ensure the survival of an industry crucial to supplying nutrition for a growing world population, it is essential that all the parties in the banana value chain

take steps to become high-performance organizations (HPOs). NEH Philippines, a banana exporter based in the Philippines, is using the HPO Framework, a scientifically validated structure for deciding what to do to improve organizational performance and make it sustainable, in order to achieve world-class status in its industry. The following account of the company's experience constitutes the first study into the workings of the HPO Framework in the Philippine context. In addition to demonstrating that the HPO Framework can be applied to improve the performance of a Philippine organization, this case study yielded tangible improvement suggestions that managers of other banana companies and Philippine organizations can take forward to transform their organizations into HPOs.

The HPO Framework

There have been many studies on HPOs, but none of them resulted in a universal theory, model, or framework that could be applied in different organizational settings—at least not until a few years ago, when the HPO Framework, which incorporated the research results of multiple disciplines, was developed after an extensive review of 290 academic and practitioner publications on high performance. In that study, an HPO was defined as “an organization that achieves financial and non-financial results that are exceedingly better than those of its peer group over a period of time of five years or more, by focusing in a disciplined way on that what really matters to the organization” (de Waal, 2012, p. 5).

For each of the 290 studies, the authors identified and categorized the elements that were important for becoming an HPO. Because different authors used different terminologies, similar elements were put in the same category. The resulting categories were each labeled “potential HPO characteristic.” For each of those characteristics, the researchers calculated the “weighted importance”—that is, the number of times that it occurred in the examined studies. The characteristics with the

highest weighted importance were considered the HPO characteristics. These characteristics were subsequently included in an HPO survey that was administered worldwide and encompassed more than 3,200 respondents. They were asked to indicate how well (on a scale of 1 to 10) they thought their organizations were performing as to the HPO characteristics and how the results of the organization they worked at compared to those of peer groups. The competitive performance was calculated using two formulas:

- *Relative Performance (RP)*—performance of the organization versus performance of its peer group: $RP = 1 - ([RPT - RPW] / [RPT])$, in which RPT = total number of peers and RPW = number of peers with worse performance;
- *Historic Performance (HP)*—performance of the organization in the past three to five years versus the performance of its peers during the same time period (possible answers: worse, the same, or better).

These subjective measures of organizational performance are established indicators of real performance. By performing a non-parametric Mann-Whitney test, researchers extracted the 35 characteristics having the strongest correlation with organizational performance and identified them as the HPO characteristics. The resulting correlation was as expected: The high-performing organizations scored higher on the 35 HPO characteristics than the lower-performing organizations. A principal component analysis with oblimin rotation was performed on the 35 characteristics, which resulted in five distinct HPO factors. The HPO Framework, consisting of these five HPO factors and their underlying characteristics, is given in **Exhibit 1**. The five HPO factors are:

1. *Management Quality*. Belief and trust in others and fair treatment are encouraged in an HPO. Managers are trustworthy; live with integrity; show commitment, enthusiasm, and respect; and have a decisive, action-focused decision-making style. Management holds people accountable for their results by maintaining clear accountability for performance. Values and strategy are communicated throughout the organization, so everyone knows and embraces them.
2. *Openness and Action Orientation*. An HPO has an open culture, which means that management values the opinions of employees and involves them in important organizational processes. Making mistakes is allowed and is regarded as an opportunity to learn. Employees spend a lot of time on dialogue, knowledge exchange, and learning to develop new ideas aimed at increasing their performance and making the organization performance-driven. Managers are personally involved in experimenting, thereby fostering an environment of change in the organization.
3. *Long-Term Orientation*. An HPO grows through partnerships with suppliers and customers, so long-term commitment is extended to all stakeholders. Vacancies are filled by high-potential internal candidates first, and people are encouraged to become leaders. An HPO creates a safe and secure workplace (both physical and mental) and dismisses employees only as a last resort.
4. *Continuous Improvement and Renewal*. An HPO compensates for dying strategies by renewing them and making them unique. The organization continuously improves, simplifies, and aligns its processes, and innovates its products and services, creating new sources of competitive advantage to respond to market developments. Furthermore, the HPO manages its core competences efficiently, and sources out noncore competences.
5. *Workforce Quality*. An HPO assembles and recruits a diverse and complementary management team and workforce with maximum work flexibility. Workers are trained to be resilient and flexible. They are encouraged to develop their skills to accomplish extraordinary results and are held responsible for their performance. In such

Exhibit 1. NEH's Scores on the 35 Characteristics of an HPO

| No. | Characteristic | Score |
|--------------------------|--|------------|
| 1 | NEH has adopted a strategy that sets it clearly apart from other organizations. | 8.0 |
| 2 | In NEH processes are continuously improved. | 8.4 |
| 3 | In NEH processes are continuously simplified. | 7.8 |
| 4 | In NEH processes are continuously aligned. | 8.0 |
| 5 | In NEH everything that matters to NEH's performance is explicitly reported. | 8.3 |
| 6 | In NEH both financial and non-financial information is reported to organizational members. | 7.4 |
| 7 | NEH continuously innovates its core competencies. | 8.3 |
| 8 | NEH continuously innovates its products, processes, and services. | 8.6 |
| 9 | The management of NEH frequently engages in a dialogue with employees. | 8.6 |
| 10 | Organizational members spend much time on communication, knowledge exchange, and learning. | 8.2 |
| 11 | Organizational members are always involved in important processes. | 8.4 |
| 12 | The management of NEH allows making mistakes. | 4.3 |
| 13 | The management of NEH welcomes change. | 8.6 |
| 14 | NEH is performance-driven. | 8.6 |
| 15 | The management of NEH is trusted by organizational members. | 8.6 |
| 16 | The management of NEH has integrity. | 8.7 |
| 17 | The management of NEH is a role model for organizational members. | 8.6 |
| 18 | The management of NEH applies fast decision making. | 8.6 |
| 19 | The management of NEH applies fast action taking. | 8.6 |
| 20 | The management of NEH coaches organizational members to achieve better results. | 8.7 |
| 21 | The management of NEH focuses on achieving results. | 8.9 |
| 22 | The management of NEH is very effective. | 8.5 |
| 23 | The management of NEH applies strong leadership. | 8.6 |
| 24 | The management of NEH is confident. | 8.8 |
| 25 | The management of NEH is decisive with regard to non-performers. | 8.2 |
| 26 | The management of NEH always holds organizational members responsible for their results. | 8.3 |
| 27 | The management of NEH inspires organizational members to accomplish extraordinary results. | 8.6 |
| 28 | Organizational members are trained to be resilient and flexible. | 8.4 |
| 29 | NEH has a diverse and complementary workforce. | 8.2 |
| 30 | NEH grows through partnerships with suppliers and/or customers. | 8.9 |
| 31 | NEH maintains good and long-term relationships with all stakeholders. | 9.0 |
| 32 | NEH is aimed at servicing the customers as best as possible. | 9.0 |
| 33 | The management of NEH has been with the company for a long time. | 8.1 |
| 34 | New management is promoted from within NEH. | 7.8 |
| 35 | NEH is a secure workplace for organizational members. | 8.6 |
| Average HPO score | | 8.3 |

a setting, creativity flourishes, leading to better results.

An organization can evaluate its HPO status by having the HPO Center—an organization that conducts research into HPOs and helps organizations transition toward HPO status (www.hpocenter.com)—conduct an HPO questionnaire, which has to be

completed by management and employees. The HPO Center then calculates the average scores on the HPO factors and conducts interviews with selected managers and employees to “get the story behind the figures.” The analysis of the HPO scores, combined with the interview results, indicates where the organization has to take action to improve in order to become an HPO.

A Look at NEH Philippines

Based in Davao in the south of the Philippines, Nader & Ebrahim S/O Hassan Philippines (NEH) was established in 2001 by two partners from Bahrain and one from the Netherlands. The organization consists of five companies. NEH Philippines, Inc., buys, packages, cools, transports, and sells bananas; Fresh Studio Innovations Asia is responsible for all innovations in products, services, and packaging related to bananas; Dana Farms Aviation, Inc., has several airplanes used for spraying the banana fields against pests; Dana Farms Agri-Development consists of plantations where NEH can both grow its own bananas and experiment with new growing and harvesting techniques; and Dana Foundation, Inc., channels the corporate social responsibility efforts NEH practices in the Philippine society.

In terms of culture, five values—integrity and respect, excellence, accountability, passion to learn and innovate, and simplicity—were introduced to serve as the directive for all actions undertaken by NEH employees.

The main markets for NEH are the Middle East—in particular, Bahrain, Kuwait, Qatar, and Saudi Arabia—and Asia, especially Japan, Korea, China, and Russia. NEH's exports are measured in boxes. Their number steadily increased from 1.4 million in 2004 to about 4 million in 2012. The company aims to sell 10 million boxes per year within the next three to five years. In addition to several private labels, current brands are Dana Banana, Delmon Bananas, Diamond Bananas, K.1 All Time Bananas, and DeLuxe Bananas, but in the near future these will be remediated to one brand, Dana Banana.

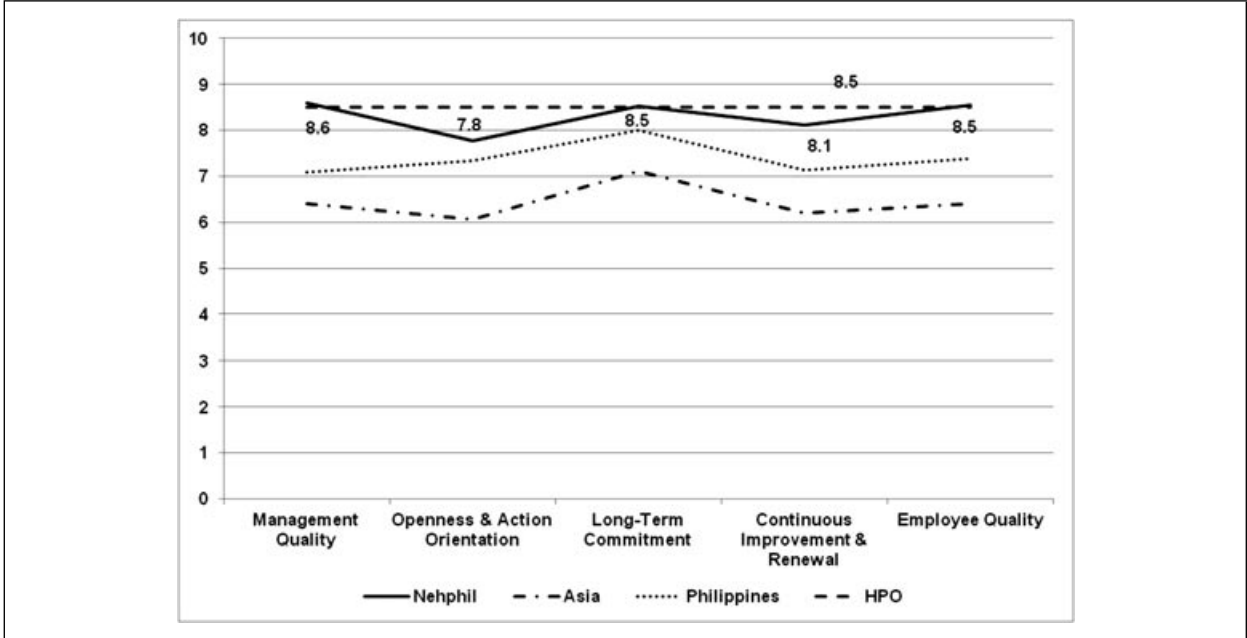
NEH currently employs approximately 220 people. The company differentiates itself from other Philippine companies by not only providing competitive salaries, which are often higher than those

at other firms, but also providing additional benefits, like health care insurance, loans to employees to let family members set up their own business, and vocational training. This makes NEH a popular employer.

Another way NEH differs is that it mainly deals with farmers who cultivate small plots of land, and it provides them with fair compensation. NEH also differs from other banana companies by making sure it establishes win-win buying price agreements with its partner-growers/farmers, which makes the company a popular buyer among growers. Finally, NEH is quite active in research and development. The organization established a research unit at the University of Wageningen in the Netherlands, where a new variety of banana is currently being developed. NEH tries to actively involve other parties in the banana industry (including competitors) in these R&D activities because its philosophy is to share information so the banana value chain can provide more added value to all parties involved.

In 2005, NEH's board of directors appointed a new young Dutch general manager who fostered the development and growth of the then-fledgling company. Many improvements both in the primary and supporting processes were implemented, additional companies were established, and the internal organization was strengthened. In terms of culture, five values—integrity and respect, excellence, accountability, passion to learn and innovate, and simplicity—were introduced to serve as the directive for all actions undertaken by NEH employees. These activities helped NEH expand, but in 2009 the company hit a ceiling. The company seemed to have difficulty adequately coping with the increasing pressures in the industry, which required better-quality bananas for ever-decreasing prices. At the same time, the increasing worldwide demand for bananas offered the company a great opportunity. This required management to look for a way to produce 10 million boxes per year of class-A bananas at a reasonable price. Believing that the HPO

Exhibit 2. HPO Scores at NEH and Other Philippine and Asian Organizations



Framework could open up a path to such a level of improvement, NEH’s management decided to conduct an HPO diagnosis of the entire company.

Reading Between the (Graph) Lines

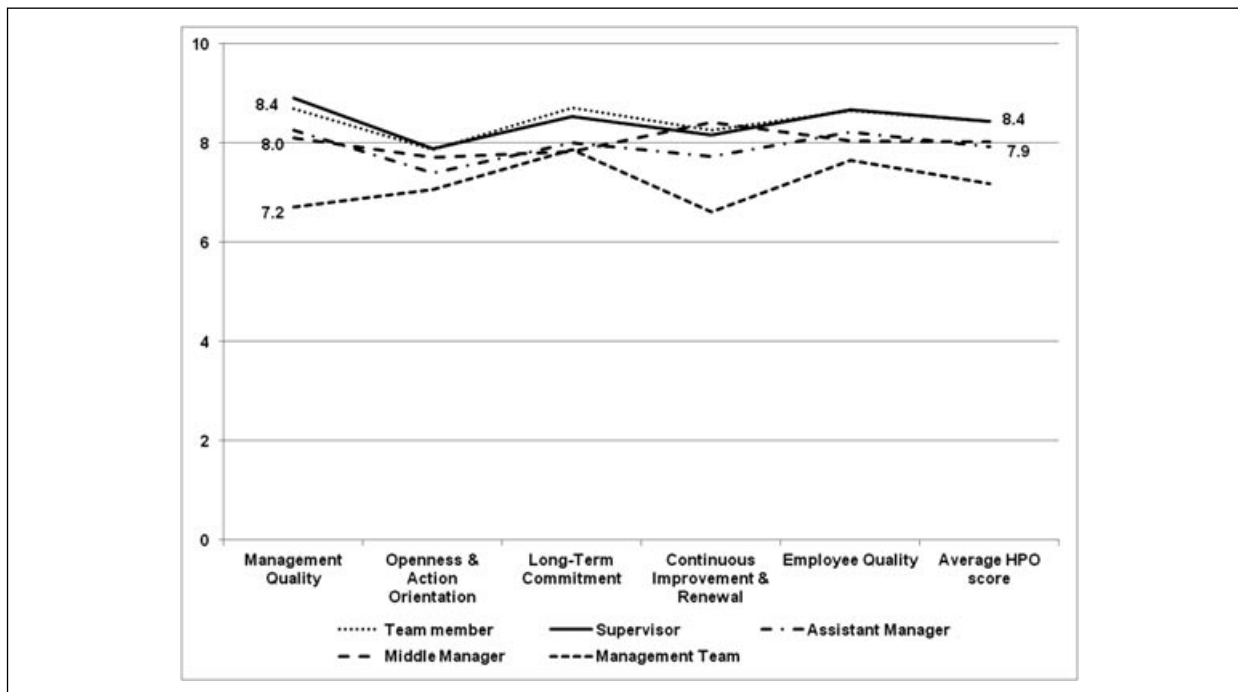
The HPO diagnosis at NEH, which took place from June to August 2012, consisted of several steps. In Step 1, every manager and employee filled out an on-line questionnaire based on the 35 HPO characteristics (thus, the response rate was 100 percent). The answers ranged from 1 (very poor) to 10 (excellent). Individual HPO scores were then calculated, summarized, and presented in a graph indicating NEH’s performance relative to an HPO. To be an HPO, an organization would have to have an average score of at least 8.5 on each HPO factor. The graph also showed which characteristics would have to be improved to boost organizational performance.

Subsequently, interviews were held with 21 managers, middle managers, supervisors, and team

members (as employees at NEH are called) to get the stories behind the scores. The researchers analyzed the data from the questionnaires and interviews to identify areas for improvement. They then shared the results of the analysis with the management team during a workshop to explain the HPO scores, identify areas for improvement, and discuss rolling out the action plan to address those issues. A comparison of NEH’s HPO scores and the average scores of other Philippine and Asian organizations in the HPO Center’s database are depicted in Exhibit 2.

With an average HPO score of 8.3, NEH seemed to virtually be an HPO that performed better than other Philippine and Asian organizations (average scores of 7.4 and 6.4, respectively). The flow of the graph lines in Exhibit 2 showed great similarity, indicating that NEH was a typical Asian/Philippine organization with the same strengths and weaknesses. A breakdown of NEH’s scores at the various organizational levels revealed an interesting picture (see Exhibit 3 on page 12).

Exhibit 3. NEH's HPO Scores, Broken Down by Organizational Level



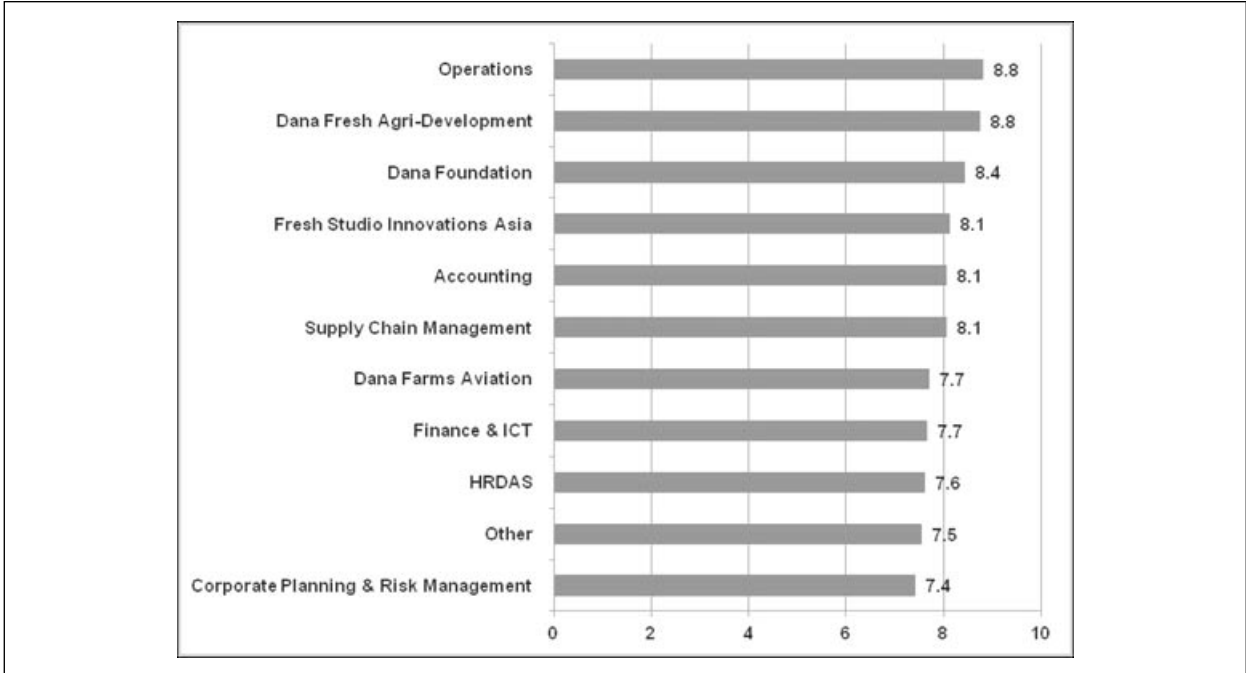
The management team scored significantly lower (average HPO score 7.2) than the other levels (middle managers: 8.0, assistant managers: 7.9, supervisors: 8.4, team members: 8.4), creating a perception gap between the management team and the rest of the company. Especially interesting was the fact that NEH's team members scored the highest and, therefore, were the most positive about the organization. In many HPO diagnoses, the management team scores higher than employees, since managers often feel more in control of their organization and, therefore, tend to be more positive about it. A look at the average HPO scores of the organizational units (see Exhibit 4), combined with the information obtained during the interviews, yielded several possible explanations for the high scores.

Operations, the unit where most of NEH's employees worked in the fields, away from corporate

headquarters in Davao, earned the highest score. The Corporate Planning & Risk Management unit, which was based at headquarters, got the lowest score. There were several reasons for the high HPO score of team members. In general, these individuals were happy and grateful to be working at NEH, since the benefits they received at the company were much better than they could get at other Philippine companies. Thus, they were not likely to be critical of the company.

There was also some uncertainty about the purpose of the questionnaire. Even though it was anonymous and confidentiality was guaranteed, some feared the possible consequences of being too frank. This is in line with Philippine culture, in which direct feedback and openness are not common. For quite a few team members, NEH was their first employer, which meant they lacked comparison information about other Philippine employers.

Exhibit 4. Average HPO Scores for NEH's Organizational Units



Finally, it seemed that the further away a team member was from headquarters and the management team, the less the level of openness. This is in line with the high power distance that exists in a country such as the Philippines, where the people are used to a hierarchical order in which everyone has a place and management clearly is the boss, with all the power to reward and punish. The researchers concluded that the respondents' lack of openness in filling out the HPO questionnaire constituted a missed opportunity for them to reveal possibilities for improvement.

Fortunately, the scoring profiles (that is, the shape of the lines in Exhibit 3) for team members and management were virtually the same, which meant that everyone in the company acknowledged the same good points and areas needing improvement. This made it possible to concentrate with confidence on improving the areas indicated by dips in the graphs. NEH's managers learned that they had to share more

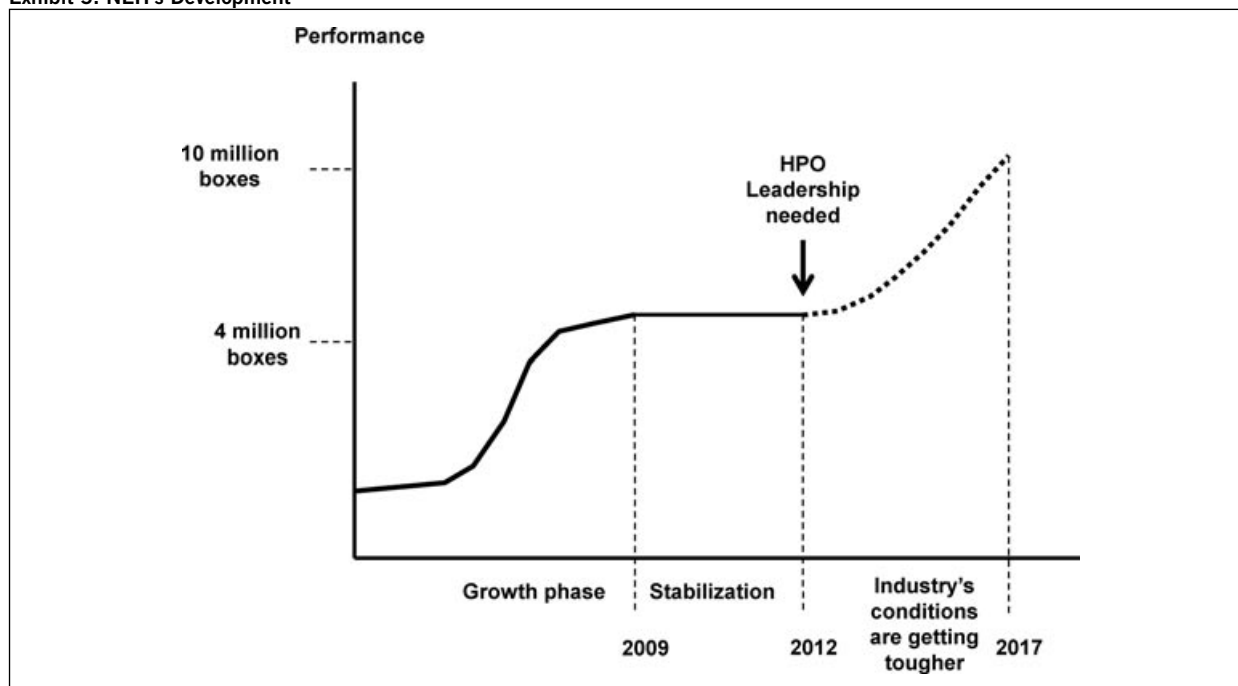
information about the need to be an HPO and the purpose of the HPO diagnosis, and that they had to do more to stress the positive aspects of HPO status.

Analyzing the Results

During the workshop, discussions with the management team first concentrated on the company's strong points. NEH could be characterized as a unique organization in the way it was performing its activities. As one of the participants said, "We're not doing different things than the competition, but we're doing them differently." Another participant added, "We're unique in the sense that we're very flexible. We are a small company so we can arrange win-win packages for our partners. NEH is run like a family corporation."

NEH was also an innovative company, as it had two separate entities concentrating on innovations: Fresh Studio Innovations Asia and Wageningen.

Exhibit 5. NEH's Development



NEH's people were from a diverse background, with an international board, a foreign general manager, and employees with a background in the banana industry and others with experience in many different industries. Also, there was a good mix of women and men and young and older people. During the interviews, they expressed a great passion for the company and for serving its customers. As one interviewee said, "NEH's people are not playing a part; they are the part."

Finally, NEH could be characterized as an inspirational company that needed to get better at executing its vision and putting its inspiration into practice. This had to be done at a time when NEH had reached a crucial point. As Exhibit 5 shows, the company had experienced strong growth until 2009. Its reputation as a good employer and a reliable business partner also was growing. From 2009 to 2012, the number of boxes sold had not increased and there was a definite opportunity to achieve growth

from 4 to 10 million boxes between 2012 and 2017. Thus, NEH had to change its management style and foster a professional environment throughout the company.

The researchers identified four attention points, based on management's responses to the HPO questionnaire. They felt that NEH's managers were better informed about the status of the company, its competitors, and industry developments and, therefore, could more realistically appraise the company's efforts in achieving HPO status. Each attention point is described in the sections that follow, along with the actions taken at NEH to address it.

Attention Point 1: Achieve Consistency in All Processes

The critical success factor in the banana industry was to be able to simultaneously achieve low cost and high quality. Therefore, all processes at NEH

had to be geared toward achieving this goal. The comparatively low scores that NEH achieved on the HPO characteristics “In NEH processes are continuously simplified” (5.8) and “In NEH processes are continuously aligned” (6.8) indicated that processes were not designed or executed in a manner that would enable the company to achieve the goal of high quality for a low price. This was partly because of the company’s rapid growth between 2001 until 2008, which put a great deal of pressure on both the processes and those executing them. During this time, people had to be swiftly hired, which did not allow enough time to properly train them. In addition, the ambitious management team started many projects at the same time, which made it difficult to finish them on time and within budget, and to deliver the expected results.

Executing processes in a focused and consistent way was crucial for NEH, since a significant part of its identity was tied into the way those processes served farmers and customers. Therefore, it was clear that in order to fulfill and strengthen the organization’s unique strategy and achieve sustainable growth, NEH needed to focus with more discipline on executing processes consistently according to standardized procedures. People also needed to look more closely for opportunities to simplify processes. This included the reporting process, which was quite cumbersome and recorded a great deal of data that was not effectively used for learning purposes.

Since it was the biggest part of the company, operations had to be regarded as the key area of focus for improvement, but other processes (such as talent management) also had to be considered. In addition, a limited number of key improvement projects had to be chosen. Others would have to wait until the key projects were completed, integrated, and aligned. If simplification and consistency could be achieved at the same time, NEH would be able to create a repeatable business model with

which to leverage its unique abilities in other areas of business. By becoming able to offer differentiated, higher-end products that would be valued in the international market, NEH would remain competitive.

It was clear that in order to fulfill and strengthen the organization’s unique strategy and achieve sustainable growth, NEH needed to focus with more discipline on executing processes consistently according to standardized procedures.

In the months after the HPO diagnosis, NEH began taking the following steps to increase consistency in its processes:

- discussing how to go from functional processes to business processes and, thus, from many “islands” in NEH to *one* team with one common goal;
- refocusing all key business processes so that they fully support NEH doing what matters most to the customers: sourcing 3,000 hectares (about 7,400 acres) of net productive areas, producing 4,000 boxes per hectare of farm land, and achieving a 100 percent A market quality score and, thus, obtain premium selling prices in all markets;
- refocusing all support processes on consistently doing what matters most to major internal customers: sales, sourcing, production, and quality assurance;
- involving all NEH’s people in establishing simplified and aligned business processes, key process indicators, and performance monitoring systems (scoreboards, quick coordination meetings, and team reports); and
- involving all NEH’s people in the business processes of performance planning and performance management, instead of doing this traditional, top-down fashion.

To achieve an optimum level of productivity per farm, strong alignment and teamwork among the R&D, operations, finance, human resources, and purchasing departments were needed. Each department at NEH had established ISO 9001:2008-certified processes, but the various functional processes were not aligned and continuously improved toward achieving the optimum production level. To address this, the various departments worked together to develop a simplified and aligned productivity improvement business process aimed at achieving the optimum productivity level per farm. As a result, they agreed on a three-year productivity target per farm as well as on a process for how to achieve it. In addition, the team revisited the key data and reports needed to monitor actual performance and what types of meetings would be needed to ensure continuous improvement on the performance of the process.

Traditionally, the management team prepared the annual performance review, three-year direction, and annual targets. To ensure greater involvement of all people in the company, the company now conducts per-business process annual performance reviews, three-year target setting, preparation of key strategies, and three-year resource requirements. The leaders of each process come from the cadre of appointed HPO leaders and coaches, but all those who contribute to the process are involved in setting these goals.

Attention Point 2: Create Strong Leadership

In general, the Philippine culture makes it difficult to show strong leadership, in the sense of being both inspirational and firm, and giving evidence of both planning and control. This is because Filipino management is characterized by being sensitive, loyal, and indirect. Therefore, raising one's voice and implying that someone is incompetent are to be avoided at all times, social harmony has to be maintained, and communication is evasive, with a variety of approaches to soften unpleasant messages and prevent embarrassment.

At NEH, management tried to install systems and procedures to institute discipline and firmness. As one participant remarked during the workshop, however, "Systems do not show strong leadership." Managers had to learn how to actively apply consistent discipline to guide NEH employees and each other to do the right thing. They had been quite successful in communicating their inspirational message about NEH becoming a great company to employees. This motivational capability had to be extended to include focus and firmness, in the sense that employees had to be inspired to understand that discipline and control were needed at every level for NEH to become an HPO.

To ensure greater involvement of all people in the company, the company now conducts per-business process annual performance reviews, three-year target setting, preparation of key strategies, and three-year resource requirements.

Therefore, one of the first activities for management was to make people more accountable by more clearly expressing what was expected from them, and by establishing appropriate and predictable consequences for non-conformity. Strong leadership in this respect could be connected to the Philippine value of *dangal*, which signifies having a good character and being firm in conviction and fair in judgment. In the months following the HPO diagnosis, NEH took the following steps to foster strong leadership:

- Encouraging all managers to ask themselves these questions: How can I become more like an HPO? What will I do to make that happen?
- Coming to agreement on the goal of becoming an HPO and, therefore, closing the current performance gaps. As often happens in an entrepreneurial company, various new initiatives were undertaken every year, leading to confusion.

Now the owners and managers have agreed to focus on one goal at a time in order to become an HPO.

- Agreeing to be firm on this focus and aligning all resources accordingly. For example, the board of directors agreed on one simple policy: No is no and yes is yes. No matter how enthusiastic one member might be about pursuing a particular initiative, if another member does not agree after thorough discussion of the subject, the company will not pursue it. This helps ensure that the tone at the top is firm and that the organizational focus remains only on those activities aimed at helping NEH become an HPO.
- Reviewing current performance with all employees, jointly setting three-year targets, and jointly agreeing on the proposed new direction toward HPO status.
- Identifying core, functional, and leadership competencies needed to become and remain an HPO (desired employee and management behaviors).
- Identifying and appointing HPO champions, leaders, and coaches to help NEH in its transition to HPO status. In the closing workshop with the HPO Center, NEH's managers agreed to take the HPO leadership role. The management team agreed which managers would focus on which core processes: sales, sourcing, productivity and quality improvement, and quality assurance. Every manager voted on who would be the transition manager, or champion, per process. The teams worked for several months on simplifying and aligning the new business processes and established core and functional competencies needed for people to be able to execute the processes effectively. Then the process leaders used these competencies to identify role models within the process to be the process coaches. These coaches are involved in any HPO activity aimed at managing process performance and planning for continuous simplification and improvement of the process, management quality, and employee quality.

Attention Point 3: Deal Positively With Mistakes

Among the high scores generally given by NEH's people, the low score for the HPO characteristic "The management of NEH allows making mistakes" stood out. This reflected the general feeling that mistakes were not tolerated because in the past those who had made a mistake were publicly held accountable. Also, as a manager explained: "By the time a mistake gets the attention of management, its impact is already big. So when the mistake is being noticed by the management, there is a real issue."

Managers had to build not only their own self-esteem, but also that of their colleagues and employees, to encourage them to actively contribute, take accountability, have the courage to speak up, and undertake experiments.

At the same time, the members of the organization were not clear about which mistakes were never allowed, which were to be avoided but were not "lethal," and which were, in fact, experiments with unexpected outcomes. Therefore, management had to establish a playing field with clear boundaries concerning what was allowed and what was not. Then employees had to be encouraged to experiment within the boundaries and engage in constructive feedback to help improve the company. For this to work, managers had to build not only their own self-esteem, but also that of their colleagues and employees, to encourage them to actively contribute, take accountability, have the courage to speak up, and undertake experiments. Doing so would take concentrated effort, especially when it came to getting people to give constructive criticism and feedback. This is because the Philippine culture greatly values *pakikisama*, going along with others and helping them for the good of the group, and *hiya*, which stipulates that offense to others should be avoided. Both values can make it difficult for Filipino people to be critical of each other or of their company.

Finally, when mistakes were made, these had to be dealt with in a learning mode instead of a punishing mode, and employees who were continuously learning—even from mistakes—had to be rewarded. This would make it possible for NEH to become a so-called *generative firm*—a dynamic, learning Philippine organization that is highly adaptive and creative, driven by its mission and core values, not afraid of change, and even actively seeking it.

The further away from headquarters a person physically was located, the less contact that person had with the inspirational management team and the more difficulty that person had in getting needs and wishes across to higher management.

In the months after the HPO diagnosis, NEH began taking the following steps to deal positively with mistakes:

- Conducting an assessment of the organizational culture and talent management strategies, in order to align them.
- Establishing key HPO (core, leadership and functional) competencies to align and build competence of all employees and managers.
- Aligning organizational requirements with individual strengths, passions, and needs by establishing win-win performance agreements (which include clear expectations, a clear playing field, and clear consequences). For example, every year each manager will conduct a voice dialogue with all direct reports. This voice dialogue is aimed at clarifying what matters most for each person and to determine how each manager can help the team to grow, develop and make the greatest contribution. On the basis of the insights gained from the voice dialogue and the three-year corporate direction, the employee and manager develop a win-win performance agreement aimed at ensuring that what matters most for the person and the

company is well balanced. This agreement sets the boundaries for each employee, as well as the consequences of both success and failure.

- Aligning reward and recognition systems with key HPO competencies. For example, talent management activities, including individual performance planning, individual development planning, training curriculum, succession planning and review, and differentiation are aligned with the core HPO and functional competencies. Opportunities for further self-development, professional growth, incentive pay, and promotion will depend on a person's HPO competence and development level.
- Going from auditors to “dialoguers” by reviewing performance problems with all stakeholders, jointly formulating corrective and preventive action plans, and then promptly implementing these. For example, under the ISO system, the company performed process and farm audits to identify non-compliance with the agreed-upon documented processes and procedures. The members of the organization perceived such activities as fault finding or policing by management. To improve on dealing with mistakes, management discontinued its ISO certification and auditing function and, instead, focused its resources on engaging in frequent dialogue with the team to find areas for continual improvement and learn lessons from any “mistakes” or variances in performance.

Attention Point 4: Improve Dialogue Throughout NEH

The interviews made it clear that the further away from headquarters a person physically was located, the less contact that person had with the inspirational management team and the more difficulty that person had in getting needs and wishes across to higher management. Since every member of the organization was needed to make NEH an HPO, everyone had to be involved in the effort.

Therefore, the management team—but also the middle managers and assistant managers—had to start building a greater number of physical connections.

Employees, especially those out in the fields, needed to see more of management so that they could feel that the uniqueness of the organization was not only to be found in the benefits it offered, but especially in the way it treated farmers, customers, and each other. Managers had to ensure involvement throughout the organization and more clearly explain developments and other issues that were important to the company by doing a better job of cascading messages from the top down in dialogue form. Managers had to talk about not only what was happening in their own department, but also about the goings-on in other units. This dialogue form could also be used to more quickly respond to needs (both big and small) so employees could be made to feel that they were seen and heard. These responses did not necessarily always have to be a “yes,” but all needs deserved a response. Hence, the dialogue did not always require managers to come up with solutions; it could be used to simply show that they cared.

In the months after the HPO diagnosis, NEH started implementing the following steps to improve the dialogue throughout the organization:

- Having HPO teams visit pockets of excellence within NEH to understand local drivers of success and opportunities to replicate them. For example, to develop a simplified and aligned productivity process, the HPO team wanted to understand why certain farms performed well, whereas others did not. The team engaged in dialogue with the farmers and others involved to identify keys to success and used these as the basis for designing new business processes.
- Conducting dialogues with all teams to understand how to improve from average to high performance in the areas of sales, sourcing, production, and quality assurance. After the teams simplified their business processes and agreed on HPO targets, they met every week in one-hour sessions to review the previous week’s commitments, highlights, and misses; new commitments

to improve performance; and any obstacles needing management attention. The HPO champion and leaders facilitate these meetings, with involvement of all key contributors to the process from the various departments.

- Making it a habit to solve problems through dialogue and teamwork, instead of fault finding and finger pointing. For example, last year a Korean customer complained about recurring quality problems and the intention to stop working with NEH if the matter was not resolved promptly. In the past, such customer complaints were aggressively passed to the operations team and only resulted in defensive behavior and finger pointing. This time, the team clearly defined the problem at hand, involved the various functions that potentially were contributing to the problem, and engaged in dialogue to determine possible root causes and solutions to the problem. The team communicated its findings and commitments to the customer and assured the customer that NEH would resolve the situation. Six months later, the team captured the highest-quality scores in the Korea market.
- Involving growers and customers in realizing NEH’s opportunity for improvement. For example, to ensure productivity and quality improvements, the team met with all contracted growers to review current and potential performance levels and develop a joint productivity, quality, and cost improvement plan. The team computed the impact of this plan on the bottom line and cash flow to enable both growers and customers to visualize the benefits they stood to gain. All growers have committed to the initiative.

On the Way to HPO Status

NEH’s management calculated the possible improvements that could be achieved by addressing the four attention points to the fullest. The calculations were based on the potential performance of the top 20 percent best performers in the company, the ability to replicate examples of high performance within

NEH and with all value-chain partners, and the ability to create value without cutting costs. The management team came to the conclusion that the following improvements were possible:

- Increase the net productive area each year from 50 to 250 hectares (about 124 to 618 acres), which would yield an extra income of \$1 million.
- Increase productivity per hectare per year from approximately 3,000 to 4,000 boxes, which would yield an extra income of \$6.5 million.
- Increase the quality of the bananas, based on market quality scores, which would yield an extra income of \$2 million.
- Increase the bottom line by \$9.5 million, of which approximately \$6 million would go to the growers and \$3.5 million to NEH.

After the first four months of working with the HPO Framework and addressing the four attention points from the HPO diagnosis, NEH noticed the following improvements:

- a clarified, mutually agreed-upon ambitious but realistic corporate direction;
- a joint HPO mind-set throughout the organization, which included a commitment to one goal and one team, in which dialoguing was a key activity;
- customized plans per grower, to achieve optimum productivity, quality, and income;
- an increase in the net productive area from 50 hectares per year to 250 hectares;
- an improvement in the quality of the bananas from 50 percent A to 90 percent A; and
- an improvement in selling prices for 2013.

Regarding the suitability of the HPO Framework as a method to help NEH improve its performance, the company's logistics manager said, "The HPO Framework to me is really applicable to the Philippines and particularly NEH for the reason that we are in an industry where competition is very stiff, and we have an organization with team members

which are very diverse in talents, experiences, and culture. For NEH to be successful and sustainable, there is a need for strong leadership and highly cooperative members. As such, the HPO Framework aided us to identify areas for improvement, individually and as an organization, so we can together attain our goals and, thus, become HPO."

To this, the marketing manager added, "The concept of HPO in itself is not something new to NEH or to Filipinos in general. It just provides a roadmap on how we can all optimize our performance and become great individuals and a great organization. But the challenge for NEH is how to be consistent and practicing the HPO characteristics as a way of living, making this a habit for each individual. Being 'candid' and having the 'optimism to give criticism' to most Filipinos are traits that we are not very much comfortable with, and this hinders the, to my mind, most important characteristic of an HPO, which is the dialogue. This is one of the challenges that has to be addressed within NEH to make HPO successful in the company and in the Philippines in general. Thus, HPO requires a paradigm shift in our culture."

Finally, the general manager noted, "Now the NEH people are saying: 'We need to become a high-performing organization by focusing to improve our attention point. The dialogue and the cooperation have created great enthusiasm and positive energy, which we are using to propel us toward HPO.'"

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