

**ACHIEVING HIGH PERFORMANCE IN THE PUBLIC SECTOR**

*WHAT NEEDS TO BE DONE?*

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## **ABSTRACT**

In the past few decades, various attempts have been made to improve performance in the public sector. These improvement programmes have had mixed and sometimes even detrimental results. Consequently, there is an increasing demand for methods which enable organisations to achieve sustainable high performance. One such a method is offered by the High Performance Organisation Framework, describing the five success factors that create a high performance organisation (HPO). By focusing on these ‘HPO factors’, public sector organisations could increase their chance of becoming high performing considerably. Research on HPOs shows that public sector organisations score worldwide significantly lower on the HPO factors than excellent - predominantly private sector – organisations do, which suggests that there is a lot of room for improvement in the public sector. Further HPO research identified six public sector specific improvement themes which need to be addressed to improve the scores on the HPO factors in public organisations. These are: identifying the profile of an excellent public sector manager, strengthening the resoluteness of management, excelling in the core competence of public sector organizations (which is ‘client dedication’), improving the performance management process of the organisation, improving process management within the organisation, and increasing the quality of the workforce. If governments were to focus their attention on improving these themes, high performance governmental organisations would actually be created, and thereby added value to society. This paper describes the HPO Framework and the results of applying this framework in the public sector worldwide.

## **INTRODUCTION**

Ever since the publication of the book *Reinventing Government* (Osborne and Gaebler, 1992), interest in effectiveness and efficiency of the public sector has been growing. The New Public Management (New Public Management) programme (Politt, 2003) attracted most attention, reaching its high point in many countries at the beginning of this century (Smidt, 2007). An important goal of New Public Management was to make public agencies more transparent by applying performance management. The reason for this was that studies in the public sector showed that by implementing performance management, public sector organisations were more likely to achieve their objectives, provide better services to citizens and companies, and improve their overall efficiency (National Partnership for Reinventing Government, 1999; United States General Accounting Office, 1999; Executive Session on Public Sector Performance Management, 2001; Moriarty and Kennedy, 2002; Waal and Kerklaan, 2004). The aim of performance management in the public sector was to make objectives, performance and (used) resources explicitly clear; integrate financial and non-financial information; integrate the policy and budget cycles; and improve quality,

accessibility and information content of the management information. The existing budgeting system, which mainly focused on resource application, had to be replaced by a budgeting system with an explicit link between objectives to be achieved, required resources to achieve them, and the expected and realised results (Waal and Kerklaan, 2004). Other New Public Management programmes focused on the need for public agencies and politicians to show better results faster in order to diminish the growing dissatisfaction among citizens with governmental performance, and proposed further development of performance management in Dutch public agencies.

Despite its popularity, there were also advocates against the New Public Management, such as Savoi (2005, p.593) who called New Public Management a “flawed concept”, or Radin (2006) who stated that the advocates of New Public Management, and especially the performance part of it, too easily “gloss over” the problems with performance management in the public sector. In fact, it is now generally acknowledged that many of these improvement programmes, although still often in place, have at best had mixed results and often failed to achieve their main objective of improving public service (Moynihan, 2006; Smidt, 2007; Alford and Hughes, 2008; Bogt, 2008; Balaguer-Coll and Prior, 2009; Fryer et al., 2009). An interesting study (Tambulasi, 2009) found that implementing New Public Management reforms actually led to increased levels of corruption in local government. A recent study (Kirby, 2009) even states that there is a crisis of government because “faith in the ability of the State to govern well has all but disappeared.” The author argues that government tries to play down the disappointing results with a variety of methods like moving goalposts (changing pre-set targets to less ambitious levels), using public relations to ‘spin’ bad performance into acceptable results, and using complex structures, procedures and language, so people cannot follow and do not really understand what the government has achieved. However, this myriad of smoke-screen techniques cannot hide that government’s performance is in urgent need of improvement and that managers of governmental bodies have to explore the possibilities to increase governmental results in a sustainable way. In this respect, new ways to improve the performance of governmental organizations is needed. One possibility is offered by the high performance organisation (HPO) framework. This article describes the HPO Framework and the results of applying this framework in the public sector worldwide. Specifically, the six improvement themes that need to be addressed by public management in order to transform their organisations into high performance governmental organisations are discussed. The article concludes with a practical example of applying the HPO Framework by evaluating the recently published Dutch Public Service Reform Memorandum and identifying the additional improvement actions which have to be taken.

## THE HPO FRAMEWORK

In the wake of Peters and Waterman's landmark study *In Search Of Excellence* (1982) and the bestsellers *Built To Last* (Collins and Porras, 1997) and *Good to Great* (Collins, 2001), there has been a strong interest in identifying the characteristics of high performance organizations (HPOs). This interest has grown even more because of the rapid changes in the competitive environment of companies, forcing them to "adapt faster and faster to growing international demands for flexibility and speed and to compete simultaneously on the basis of development cycle time, price, quality, flexibility, fast and reliable delivery, and after-sales support for their products" (Kasarda and Rondinelli, 1998). As a result of the changes in industry and society, governmental agencies too are subject to change. They have to rapidly reshape themselves into nimble and flexible organizations which focus attention on the interests of stakeholders (Zeppou and Sotirakou, 2002; Pollitt, 2003). As a consequence, there has been an increase of literature describing high performance frameworks and the characteristics of HPOs in recent years. The study described in this paper is founded on the HPO Framework, developed by the author in previous studies (Waal, 2007, 2008, 2010), which is based on a descriptive review of 290 studies on excellence and high performance, and a worldwide survey. HPOs are in this framework defined as organizations that achieve results - both financial and non-financial - which are better than those of their peer group over a period of time of at least five to ten years.

The previous HPO research by Waal was done in two phases. The first phase, descriptive literature review, consisted of selection of the studies on high performance and excellence that were to be included in the research. The selection criteria were that the study should (1) specifically aim at identifying HPO factors or best practices; (2) consist of either a survey with a sufficiently 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 that the results were at least valid for more than one organization; (3) employ triangulation by using more than one research method (e.g. a questionnaire and interviews) (Jack and Raturi, 2006); and (4) include 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. For the literature search, the Business Source premier, Emerald and Science Direct databases were reviewed, and Google was also used to look for relevant sources. Search words used were: high performance, excellence, high performing organisations, high performance managers, high performance workforce, accountable organization, adaptive enterprise, agile corporation, agile virtual enterprise, democratic enterprise, flexible organization, high-performance work system, high reliability organization, intelligent

enterprise, real-time enterprise, resilient organization, responsive organization, robust organization, and sustainable organization. In addition, books were reviewed, most of these from the business and management fields. The literature search was conducted in 2007. Based on the four search criteria, the literature search yielded 290 publications which satisfied the criteria wholly or partly. The publications were divided into three categories: (A) Publications describing studies which satisfied all four criteria. These studies formed the basis for identifying HPO characteristics; (B) Publications describing studies which satisfied criteria 1 and 2, but not criterion 3 and criterion 4 only partly. The research approach seemed (fairly) thorough, yet no clear description and justification of the method used was mentioned. These studies provided additional input for identifying the HPO characteristics; (C) Publications describing studies which basically satisfied criteria 1 and 2, but not criteria 3 and 4. No basis was therefore present for generalizing the study findings. These studies could be used to illustrate the HPO characteristics identified in categories A and B.

The 290 publications were summarized by the author and two research assistants. After that the publications were placed in one of the three categories by the person who had summarized the publication. The designated category was subsequently reviewed and approved by one of the other researchers. Eventually this resulted in 105 Category A, 66 category B, and 119 Category C publications. The publication summaries included research method(s), research population, main findings of the study, and the elements that the authors of the publication indicated as being important for becoming an HPO. All these elements were entered in a matrix. Because authors used different terminologies in their publications, the elements were grouped according to similarity in characteristics. For the first 90 studies this process was reviewed and repeated by an external academic. The results of this academic review were discussed with the author to reach complete agreement on the characteristics. After this, the 'weighted importance' was calculated for each of the characteristics, i.e. how many times did it occur in the various study categories. Finally, the characteristics which had a weighted importance of at least six percent were designated as the HPO characteristics that potentially make up an HPO. The reference list with details about the 290 studies used in the review and the matrixes with detailed scores have been documented in a white paper of 254 pages, which can be downloaded from [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=931873](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=931873). The research thus satisfied the 'criteria for good science' as given by Srnka and Koeszegi (2007): 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 second phase of Waal's HPO study consisted of practical research. In this phase the potential HPO characteristics were included in a questionnaire which was distributed during management courses, lectures, workshops and presentations given by the author and

colleagues in Europe, North-America, Asia, Africa and South-America. These subject matter of these occasions was not only high performance, they also covered topics like performance management, budgeting, and organizational behaviour, so in principle there was no bias in the respondent population. The questionnaire, conducted between 2006 and the beginning of 2007, yielded 2,601 responses originating from approximately 1,300 organisations. The respondents indicated in the questionnaire how well their organizations performed on the various HPO characteristics on a scale of 1 to 10 (1 being very poor, 10 being excellent), and also how their organizational results compared with their peer group's. Two formulas were used to calculate this competitive performance (Matear et al., 2004): (1) Relative Performance (RP) versus competitors:  $RP = 1 - ([RPT - RPW] / [RPT])$ , in which RPT = total number of competitors and RPW = number of competitors with worse performance; (2) Historic Performance (HP) of past five years versus competitors' performance of past five years (possible answers: worse, the same, or better). Research has shown that such subjective measures of organizational performance can be considered good indicators of real performance (Dawes, 1999; Deshpandé et al., 2004; Devinney et al., 2005; Dollinger and Golden, 1992; Glaister and Buckley, 1998; Bae and Lawler, 2000; Heap and Bolton, 2004; Wall, 2004; Jing and Avery, 2008). Principal component analysis with oblimin rotation and non parametric Mann-Whitney test revealed the characteristics which had the strongest correlation with organizational performance. These were identified as potential HPO characteristics. In total this analysis yielded 35 characteristics in five factors which showed a statistically significant correlation with competitive performance (Waal, 2010).

There is a substantial difference in approach between the aforementioned research by Waal and studies such as the ones carried out by Peters and Waterman (1982) and Collins (2001). In Waal's research, no selection was made in advance as to the objects or individuals that were to take part in the literature review and practical research in order to avoid bias and to make the probability of generalization (amongst others to the public sector) as high as possible (Aken, 2005). In the studies of the other researchers mentioned, and of many others, however a selection was made in advance, on the basis of financial analyses; organizations that performed well or excellently in a certain sector were compared to competitors that did not perform as well. They then determined the distinguishing characteristics of excellence based on these comparisons. A point of criticism to the latter approach is that the fact that specific organisations were selected for inclusion in the studies could be interpreted as selection bias, which affects the generalization of these studies (Niendorf and Beck, 2008; Resnick and Smunt, 2008). Therefore the research described in this paper did not make any selection, not during the literature review nor during the practical work.

In the next sections summarized descriptions per HPO factor are given. In Appendix 1 the detailed HPO characteristics are listed.

#### HPO Factor 1: High Quality of Management

The first and foremost HPO factor is the quality of management of the organization. In an HPO management combines many characteristics. It maintains trust relations with people at all organizational levels by valuing employees' loyalty, treating smart people smart, showing people respect, creating and maintaining individual relationships with employees, encouraging belief and trust in others, and treating people fairly. HPO managers live 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 and instead coming up with decisions and effective actions, while at the same time fostering action-taking by others. HPO management coaches and facilitates employees to achieve better results by supporting and 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. HPO managers develop an effective, confident and strong management style by communicating the values and by making sure the organization's strategy is known and embraced by all organizational members.

#### HPO Factor 2: Openness coupled with Action Orientation

The second HPO Factor concerns characteristics that create an open culture in the organization and use the openness to take dedicated action to achieve results. Management values the opinions of employees by frequently engaging in dialogue with them and involving them in all important business and organizational processes. HPO management allows experiments and mistakes by permitting risk-taking, taking risks themselves, and regarding 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 communication, knowledge exchange and learning in order to obtain new ideas to do their work better and make the entire organization performance-driven.

### HPO Factor 3: Long-Term Commitment

The third HPO Factor entails that long-term commitment is far more important than short-term gain. This long-term commitment applies to all stakeholders of the organization, that is shareholders but also employees, suppliers, clients and the society at large. An HPO continuously strives to enhance customer value creation by learning what customers want, understanding their values, building excellent relationships with them, having direct contact with them, involving them, being responsive to them, and focusing on continuously enhancing customer value. An HPO maintains good and long-term relationships with all stakeholders by networking extensively, being generous to society, and creating mutually beneficial opportunities and win-win relationships. An HPO also grows through partnerships with suppliers and customers, thereby turning the organization into an international network corporation. Management of an HPO is committed to the organization for the long haul by balancing common good and personal interest, and teaching organizational members to put the needs of the enterprise as a whole first. It grows new management from its own ranks by encouraging people to become leaders, filling positions with internal talent, and promoting leadership from within. An HPO creates a safe and secure workplace by giving people a sense of security (physically and mentally) and job security, and by laying off people only as a last resort.

### HPO Factor 4: Focus on Continuous Improvement and Renewal

The fourth HPO Factor is very much in line with a trend which has been occupying organizations the past two decades: continuous improvement and innovation. These start with an HPO adopting a strategy that differentiates the company from others in the sector by developing many new opportunities and alternatives to service its clients. After that, the organization will do all it can to execute this unique strategy. It continuously simplifies, improves and aligns all its processes to develop its ability to respond to events efficiently and effectively and to eliminate unnecessary procedures, work, and information overload. The company also measures and reports everything that matters, and thus rigorously measures progress, consequently monitors goal fulfilment and confronts the brutal facts. It reports these facts to management and to everyone else in the organization, so that all organizational members can access the financial and non-financial information they need to drive improvement. People in an HPO feel a moral obligation to continuously strive for the best results. The organization continuously innovates products, processes and services, thus 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.



### HPO Factor 5: High Quality of Workforce

Complementary to the first HPO Factor high quality of management, the fifth HPO Factor addresses quality of workforce. An HPO makes sure it assembles a diverse and complementary management team and workforce and recruits a workforce with maximum flexibility, to help detect the complexities in operations and to incite creativity in solving them. An HPO is continuously developing its workforce by training them to be both resilient and flexible, letting them learn from others by entering into partnerships with suppliers and customers, inspiring them to develop 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.

## **HPO IN THE PUBLIC SECTOR**

Closer analysis of the HPO research results showed that the five identified HPO Factors are interrelated. It means that when one factor improves the other factors will also improve. However, it does not mean that the five HPO Factors are always equally important and that they can be improved in random order. The emphasis on HPO Factors may shift, depending on the sector, industry and special circumstances an organisation is in. For instance, organizations in the profit sector need to focus on all five HPO Factors to become and stay an HPO, where as public sector organizations initially need to concentrate on the HPO Factors Long-Term Commitment and Quality of Management. The difference in HPO emphasis between the public and the private sector is consistent with the main differences between the two sectors (Andersen and Lawrie, 2002; Moriarty and Kennedy, 2002; Pollitt, 2003):

- *Responsibility structure.* In a private organisation, the responsibility structure is relatively simple with a management team and a board of directors. In a public organisation, on the other hand, there is political leadership which is responsible for formulating the strategy, and executing leadership which is responsible for implementing the strategy. This division of leadership and responsibilities causes many conflicts in public organisations.
- *Resources.* Both public and private organisations have material assets (e.g. capital) and immaterial assets (e.g. employees) at their disposal. Yet, public organisations have an important asset which private organisations do not have: political power, resulting from the activities they perform (e.g. tax collection, law enforcement, environmental legislation).
- *Strategy and added value creation.* Again this is relatively simple for private organisations, in which value (ROI) has to be created for the company's shareholders. For

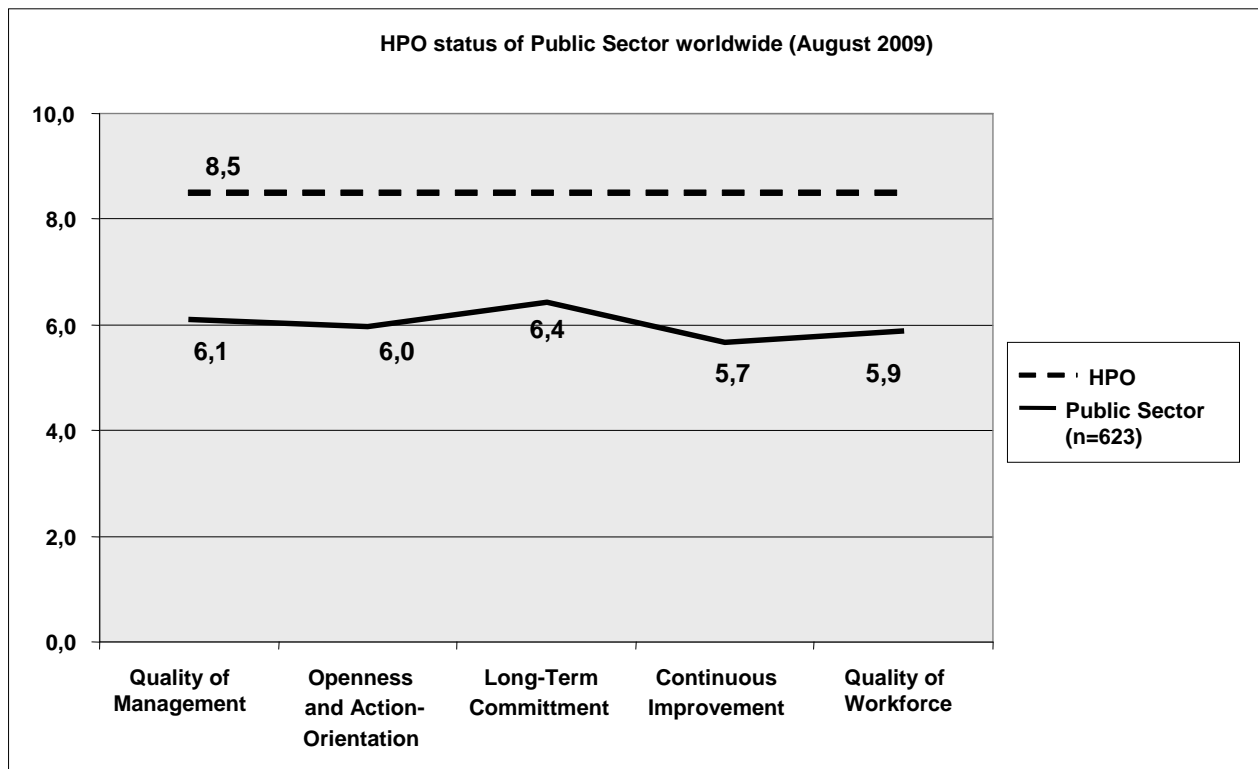
public organisations, added value is defined by supervisory agencies, which often have conflicting interests. For example, citizens not wanting to pay more tax versus social security recipients wanting to receive more benefits (Dewatripont et al., 1999).

- *Clients and customer satisfaction.* It is for public organisations more difficult than for private organisations to aim at increasing customer satisfaction, because they may be forced to act against the immediate interest of their clients. For instance, increasing public security may go against people's freedom of movement. In addition, it is not always clear who exactly the clients of a public agency are. In private sector organisations, customers pay for and receive products or services. In public sector organisations, citizens pay tax without directly benefiting from it. It is also often difficult to exactly define the goals of a public agency and, consequently, measure its results (Tiel and Leeuw, 2002).

The first two differences (responsibility structure and resources) have to do with the HPO factor Quality of Management, whereas the last two differences concern the HPO factor Long-Term Commitment.

### **WHAT NEEDS TO BE DONE IN THE PUBLIC SECTOR**

The public sector was adequately represented in the HPO research by the Waal as the worldwide survey collected data on 623 public organisations. Consequently, the statistical analysis of the data and the five HPO factors derived from that, may be considered relevant to public organisations. The HPO research provides public managers insight into the HPO factors and characteristics which create a high performance governmental organization. Knowledge of the HPO factors enables management to determine the HPO status of their own organization. The HPO status of the public sector worldwide is depicted in Figure 1. No distinction was made between central and local authorities because the data was anonymous.



*Figure 1: The HPO status of the public sector worldwide*

Figure 1 is consistent with the observation of the Dutch Prime Minister, Jan Peter Balkenende, that there is a culture of mediocrity in the public sector (Wal, 2007): the average HPO score for the public sector worldwide is 6.0. Excellent organisations achieve, on average, HPO scores of 8.5, or higher (Waal, 2008), so there is a lot of potential for improvement for public sector organisations. Figure 1 shows that the public sector scores relatively high on the HPO factor Long-Term Commitment. Public sector organisations are aimed at servicing the customers (7.0) and they maintain good and long-term relationships with all stakeholders (6.8). These relatively high scores are not really surprising because of the nature of public sector organisations. By definition, they have to navigate in a high-tension environment with many conflicting interests. Maintaining good relations is essential to be able to do this.

The detailed results of the HPO survey, as given in Appendix 1, reveal what public sector organisations need to be done to raise their overall quality. The HPO scores lower than 6.0, grouped together, indicate six improvement themes. If management of public sector organisations work dedicatedly on these themes in the coming years, an excellent public sector will be created which is ready for future challenges. The six themes are:

1. *Improve the 'aura' of public sector managers* (HPO characteristics 12, 17, 20, 27 and 34). As the HPO factor 'quality of management' is the most important to the public sector, it is of paramount importance that management of public sector organisations work on creating inspirational leadership in the sector. Public sector managers can obtain an 'aura of inspiration' by working on being a role model for employees and for each other; coaching their people to achieve extraordinary results and taking the lead in this themselves; letting their people make mistakes while experimenting and making mistakes themselves; being as effective as possible; and getting everybody, including themselves, to achieve extraordinary results (Pate et al., 2007). Public sector managers have to become *high performance managers* (HPMs), people who are guided by principles of client focus, continuous improvement and quality (Nanus and Dobbs, 1999; Angelim and de Aquino Guimarães, 2005). Public sector organisations then have to devote themselves to keep these HPMs as long as possible with the organisation (Anderson, 2004; Soo-Young and Whitford, 2008).
2. *Strengthen the resoluteness of management* (HPO characteristics 18, 19 and 25). Part of the 'aura' of management is to being resolute so it instils confidence in the employees. For this to happen, management has to become more decisive and action-orientated (Kim, 2010). In addition, management has to be more decisive regarding non-performers by dealing with them, within legal boundaries, as quick and best as possible. Public sector organizations should set-up a training program for management in which training-on-the-job and coaching-on-the-job are the main elements to become more resolute (Wolf and Sherwood, 1981; Yu, 2007).
3. *Become more innovative to be able to service the clients better* (HPO characteristics 1, 7, 8, and 30). The organization has to develop a 'manifesto' explaining how the organisation will add more and more value to society. This can be done by developing a strategy which explains what makes the organisation unique in its services to society and then continuously improve and renew the core competencies, products and services so that civilians and companies are serviced as best as possible. This will increase the social added value that public sector organizations should have at all times (Cole and Parston, 2006; Callahan, 2007).
4. *Improve the performance management process of the organisation* (HPO characteristics 5 and 6). The performance management reports need to incorporate the critical success factors and key performance indicators that measure client dedication and the important processes in the organisation that increase the performance on client dedication. These reports then have to be distributed to everybody in the organisation so that all employees are aware what is important for the public sector organisation to excel in (Mayne and Zapico-Goñi, 1997; Callahan, 2007; Ramseook-Munhurrun et al., 2010).

5. *Improve process management within the organisation* (HPO characteristics 3 and 4). Make sure that the processes are really improved, simplified and aligned, in order to be able to strengthen the organisation's client dedication. Set-up a training program for this and appoint a dedicated process manager who will watch over the quality of the process of process improvement (Ongaro, 2004; Weeks and Bruns, 2005; Mihyar et al., 2007; Rhee and Rha, 2009).
6. *Increase the quality of the workforce* (HPO characteristics 10, 11 and 28). Public sector organisations have to concentrate on increasing the quality of employees by training them to become more flexible and resilient and by urging employees to spend more time on communicating and exchanging knowledge and best practices, both inside and outside the organization. In addition, the recruitment process should be aimed at attracting and hiring employees that are willing to take and accept responsibility and that want to be challenged by management to achieve extraordinary results. These employees have to be coached in such a way that they can eventually transfer to management level (Collins, 2008; Kim, 2010).

### **A PRACTICAL EXAMPLE**

This section describes a practical example of how the HPO Framework can be applied to adjust improvement programmes in the public sector (Waal, 2009). This example originates from the Dutch public sector. In constructive generalization rhetoric the successful implementation of the new solution, in this case the HPO characteristics, makes it plausible that the solution, e.g. the HPO Framework, will also work in other organizations. It can be stated that the generalization of the HPO Framework, in the topology of Lee and Baskerville (2003), a type TT generalizability where the formulation of a theory (in this case the HPO Framework) is based on the synthesis of ideas from a literature review (Lee and Baskerville, 2003, p. 238) and from practical work. As the HPO research discussed earlier included data from over 60 countries and many industries, the HPO factors can be used for generalization (Davidson et al., 1976; Humprey and Scapens, 1992; Aken, 1995; Bowman et al., 2000; Deshpandé et al., 2000; Lee and Baskerville, 2003; Zagersek et al., 2004; Costigan et al., 2005) and are thus applicable to the Dutch public sector. The results of this Dutch case study in turn can be employed for improving governmental organizations in other countries.

The example concerns the 'Nota Vernieuwing Rijksdienst' (transl.: Public Service Reform Memorandum) published by the Dutch government in 2007. The Dutch government aimed to improve the performance of the public service by making better policy plans; reducing

compartmentalisation of government functions; reducing the civil service workforce; and generally being more efficient (Ministry of Internal Affairs, 2007). The memorandum was focused on improving those factors that would make public service organizations truly successful, in the sense that satisfaction among civilians and businesses would increase while budget stayed the same or decreased. The potential effectiveness of the Public Service Reform Memorandum as evaluated by applying the HPO Framework.

*“A civil service that makes better policies and reduces compartmentalisation of government functions is more efficient and of smaller size. That is the core of the Public Service Reform Memorandum. This memorandum describes the Cabinet programme to implement its coalition agreement objective to improve the public service function and at the same time achieve a significant reduction of the public service workforce”*

**Ministry of Internal Affairs, 2007**

The objectives of the Public Service Reform Memorandum were fairly ambitious. The memorandum outlined a civil service that wanted to work and communicate in a different way, with trust as the guiding principle for policy development, policy deployment and policy monitoring. Article 8 of the Reform Memorandum gave a more detailed description by stating that the proposed improvement programme aimed to realise a civil service that would respond swiftly and adequately on social challenges; diminish the number of complex rules and administrative burdens; make ready-to-implement policies and dispose of unsuccessful policies; show results and necessary actions; act professionally; be efficient and competent without wasting funds; and be a good employer for ambitious, competent, honest and loyal civil servants. To achieve these objectives, the civil service had to meet multiple requirements at the same time: increase the quality of service, reduce the number of civil servants, and attract a new breed of civil servants described as ‘the best and the brightest’. The eventual result would be a performance-driven civil service. The Cabinet was of the opinion that meeting these requirements all at the same time would not be a problem as “slenderness and fitness of organizations may well go hand in hand” (Article 11 of the memorandum).

The Public Service Reform Memorandum had four main components:

- Improve policy-making and execution – In the policy-making process, no longer would governmental bodies decide which issues should be subject of policy-making but society (i.e. civilians, interest groups, political parties). Consequently, governmental units would be grouped together to work together on future topics on a need-to basis. Important elements in the policy-making had to be feasibility of execution and high quality of deployment (Article 13).
- Lower administrative burden, improved enforcement – Reduction of government interference should effect in less rules and regulations for civilians, businesses, and (local) authorities. Enforcement of the remaining regulations would be increasingly delegated to lower government levels (Article 14).
- Increase efficiency of (operational) management – Increasing efficiency and effectiveness had to simplify the execution of civil service processes. This entailed centralization and standardization of services, if it made economically sense, and deployment to lower levels, if it would be more effective taking into account the differences in nature of (in particular) local authorities (Article 15).
- Increase competencies of personnel – Changing the requirements that employees should meet was inherent to changing the civil service. Staff had to keep up with developments, which required investing in training, management development programmes and new compensation schemes. Government employees would no longer be employed by a certain department or authority but by the Dutch government, which would facilitate internal transfers and increase the availability of staff.

The Dutch government decided to implement the memorandum in stages. In the first stage, the government departments each had to draw up a plan to improve policymaking and policy execution, and reduce the workforce and the operational budget. In the second stage, similar plans were prepared on interdepartmental level to make sure that redundancies would be carried out proportionally at all organizational levels and the functioning of the entire workforce would improve (Article 12). The Cabinet considered the reform memorandum as a starting point for improvement rather than a detailed document on how to make public organisations achieve world-class status. This raised the question of whether or not the memorandum was a good first step on the road to creating high-performance public organisations. One way of finding an answer to this question was to check to which extent the memorandum addressed the five HPO factors and their underlying characteristics. In Appendix 2, the 35 HPO characteristics are compared with the articles of the memorandum to establish the scope of the memorandum.

Appendix 2 shows that the Public Service Reform Memorandum paid specific attention to 17 of the 35 HPO characteristics. It mainly concerned statements that certain characteristics had to be improved, without being explicit about how to achieve the suggested improvements (e.g. action plans). There are two reasons for this. The first reason is that the heterogeneity of the public sector requires not just one but multiple customized solutions and thus action plans. The second reason why the memorandum is not very specific is that it not only aimed at organizational improvement but also at a substantial reduction of the workforce, and that it pointed out that this combination of improvement and shrinkage in a diverse public sector could not be achieved by a 'one size fits all' approach. The memorandum thus favoured a decentral approach. Reduction targets were set by each governmental department and they were themselves responsible for drafting an action plan how to achieve these targets. In addition, central improvements plans were made for supra-departmental issues, which were executed under supervision of a permanent secretary or deputy secretary.

A point of criticism with respect to the memorandum is that action plans to increase the quality of public sector management were not included in the document. Exactly 'quality of management' is the most important HPO factor for increasing the overall quality level of the public sector as the HPO research indicates. This is all the more important because managing public sector organisations generally is complicated and requires special management skills and qualities. Public sector managers have to work in a highly complicated environment, influenced by political pressures, demands of the general public, legislation, transparency requirements, supervision of Parliament and the National Auditor's Office, and last but not least the media. In addition, there are tight budgets, shortage of qualified personnel, and strict employment regulations. All in all, managing public sector organisations is a difficult task and more attention should be given to help management increase its quality so it can cope with its tasks adequately. The Public Service Reform Memorandum mentioned the improvement of quality of management only briefly and just stated this in general terms (e.g. suggesting that selecting good managers and improving flexibility, knowledge and skills of these managers should be done). Fortunately, there have already been several successful government-wide programmes in this direction, especially for lower operational management. It is important that also the higher management echelons pay attention to improving management quality highest and make sure that the improvements described in the memorandum for policy making, policy execution and operational and strategic management, will be implemented. Apart from this, tangible supplementary programmes are needed that addresses the full range of management development (from developing general management skills to specific skills for the public sector) and involve all management levels in the organisation. Such programmes are



urgently needed not only to increase the quality and flexibility of public sector managers but also to make sure that public sector organisations are ready for future challenges.

### **CONCLUSION AND RECOMMENDATIONS**

Attempts to improve performance of the public sector have had mixed results in many countries. A precondition for new improvement programmes to succeed where earlier efforts have failed, is that they should focus on improving precisely those factors that make a public service organization perform well. These success factors have been identified in High Performance Organisation research: high quality of management, high quality of workforce, long-term commitment, open and action oriented culture, and culture of continuous improvement and renewal. This article discussed the six improvement themes that need to be addressed by managers of public sector organisations in order to transform their organisations in high performance governmental organisations. The article also gave an example of how the HPO Framework can be applied, by testing the Dutch Public Service Reform Memorandum for compliance with the framework. The results showed that the memorandum addressed about half of the relevant HPO characteristics which create a high-performance governmental organisation, but failed to describe action plans for the most important HPO factor for the public sector: improvement of the quality of management of public service organisations. As the Dutch Public Service Reform Memorandum is only one example, future studies could focus on testing other improvement programmes of governmental organisations – preferably also in other countries – against the HPO Framework and making suggestions on how to improve them. Improvement plans should at all times include actions to increase the quality of public sector management. In addition, tangible action plans should be developed for improving the other HPO characteristics of the HPO Framework. If governments would take these suggestions to heart and act on them, high-performance governmental organisations will be created with much added value to society. In addition, longitudinal research of applying the HPO Framework in governmental organizations is essential to identify any necessary adjustment to the framework.

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## APPENDIX 1: THE HPO CHARACTERISTICS AND SCORES FOR THE PUBLIC SECTOR

This Appendix lists the 35 characteristics per HPO factor and the average scores for the 623 public sector organisations.

| <i>HPO factors and characteristics</i>        |   | <i>Score</i> |
|---|---|--------------|
| <u><i>Continuous improvement</i></u>          |   |              |
| 1.  | The organisation has adopted a strategy that sets it clearly apart from other organisations.            | 5.8          |
| 2.  | In the organisation processes are continuously improved.  | 6.1          |
| 3.  | In the organisation processes are continuously simplified.  | 5.1          |
| 4.  | In the organisation processes are continuously aligned.   | 5.4          |
| 5.  | In the organisation everything that matters to performance is explicitly reported.                      | 5.8          |
| 6.  | In the organisation both financial and non-financial information is reported to organisational members. | 5.6          |
| 7.  | The organisation continuously innovates its core competencies.  | 5.7          |
| 8.  | The organisation continuously innovates its products, processes and services.                           | 5.8          |
| <u><i>Openness and action-orientation</i></u> |   |              |
| 9.  | Management frequently engages in a dialogue with employees.   | 6.1          |
| 10.   | Organisational members spend much time on communication, knowledge exchange and learning.               | 5.7          |
| 11.   | Organisational members are always involved in important processes.                                      | 6.0          |
| 12.   | Management allows making mistakes.  | 5.5          |
| 13.   | Management welcomes change.   | 6.3          |
| 14.   | The organisation is performance driven.   | 6.1          |
| <u><i>Management quality</i></u>              |   |              |
| 15.   | Management is trusted by organisational members.  | 6.1          |
| 16.   | Management has integrity.   | 6.6          |
| 17.   | Management is a role model for organisational members.  | 5.9          |
| 18.   | Management applies fast decision-making.  | 5.7          |
| 19.   | Management applies fast action-taking.  | 5.8          |
| 20.   | Management coaches organisational members to achieve better results.                                    | 5.9          |
| 21.   | Management focuses on achieving results.  | 6.8          |
| 22.   | Management is very effective.   | 6.0          |
| 23.   | Management applies strong leadership.   | 6.2          |
| 24.   | Management is confident.  | 6.7          |
| 25.   | Management is decisive with regard to non-performers.   | 5.2          |
| <u><i>Workforce Quality</i></u>               |   |              |
| 26.   | Management always holds organisational members responsible for their results.                           | 6.3          |
| 27.   | Management inspires organisational members to accomplish extraordinary results.                         | 5.2          |
| 28.   | Organisational members are trained to be resilient and flexible.  | 5.6          |
| 29.   | The organisation has a diverse and complementary workforce.   | 6.5          |
| 30.   | The organisation grows through partnerships with suppliers and/or customers.                            | 5.8          |
| <u><i>Long-term commitment</i></u>            |   |              |
| 31.   | The organisation maintains good and long-term relationships with all stakeholders.                      | 6.8          |
| 32.   | The organisation is aimed at servicing the customers as best as possible.                               | 7.0          |
| 33.   | Management has been with the company for a long time.   | 6.3          |
| 34.   | New management is promoted from within the organisation.  | 5.6          |
| 35.   | The organisation is a secure workplace for organisational members.                                      | 7.1          |

**APPENDIX 2: MATCHING OF THE PUBLIC SERVICE REFORM MEMORANDUM WITH THE HPO FRAMEWORK**

In this appendix, the various articles from the Public Service Reform Memorandum are compared with the characteristics of the HPO Framework, to identify possible attention gaps in the memorandum.

| <b>HPO factor/characteristic</b>   | <b>Article</b>                      | <b>Remarks</b>   |
|--|-------------------------------------|--|
| <i>Continuous improvement</i>  |                                     |  |
| 1. The organisation has adopted a strategy that sets it clearly apart from other organisations.            | 18                                  | Places emphasis on more focus and better choices as policies are concerned. There is no mention of how to make a strategy unique.  |
| 2. In the organisation processes are continuously improved.  | 18, 42, 60, 61, 70, 90-95, 110, 118 | States only that policies should become easier to implement, not how to improve the processes themselves (except for some remarks about ICT and shared service centres). |
| 3. In the organisation processes are continuously simplified.  |                                     |  |
| 4. In the organisation processes are continuously aligned  |                                     |  |
| 5. In the organisation everything that matters to performance is explicitly reported.                      | 40                                  | States only that improvement is needed, not how to accomplish this (except for a remark about reorganisation).   |
| 6. In the organisation both financial and non-financial information is reported to organisational members. |                                     |  |
| 7. The organisation continuously innovates its core competencies.  | -                                   |  |
| 8. The organisation continuously innovates its products, processes and services.                           | 47                                  | States only that improvement is needed, not how to accomplish this.  |
| <i>Openness and action orientation</i>   |                                     |  |

|   |            |   |
|---|------------|---|
| 9. Management frequently engages in a dialogue with employees.                                | -          |   |
| 10. Organisational members spend much time on communication, knowledge exchange and learning. | 51         | Improving communication, knowledge sharing and learning is only included as a minor remark.   |
| 11. Organisational members are involved in important processes.                               | -          |   |
| 12. Management allows making mistakes.  | -          |   |
| 13. Management welcomes change.   | 19, 20, 99 | States only that management should be open to change, not how to do this.   |
| 14. The organisation is performance driven.   | -          | The entire memorandum is centred on this characteristic. However no actions are mentioned to improve the performance-driven culture of organizations. |
| <i>Management quality</i>   |            |   |
| 15. Management is trusted by organisational members.  | -          |   |
| 16. Management has integrity.   | -          |   |
| 17. Management is a role model for organisational members.                                    | -          |   |
| 18. Management applies fast decision making.  | -          |   |
| 19. Management applies fast action taking.  | -          |   |
| 20. Management coaches organisational members to achieve better results.                      | 97         | States only that coaching should improve, not how to do this.   |
| 21. Management focuses on achieving results.  | -          |   |
| 22. Management is very effective.   | -          |   |

|  |                  |   |
|--|------------------|---|
| 23. Management applies strong leadership.  | -                |   |
| 24. Management is confident.   | -                |   |
| 25. Management is decisive with regard to non-performers.                              | -                |   |
| <i>Workforce Quality</i>   |                  |   |
| 26. Management always holds organisational members responsible for their results.      | 45, 100          | Deals mainly with external accountability and that it has to be investigated how to improve. In regard to internal accountability there is only a statement that it should be improved, not how to do this. |
| 27. Management inspires organisational members to accomplish extraordinary results.    | -                |   |
| 28. Organisational members are trained to be resilient and flexible.                   | 41, 97, 102, 130 | There is only a statement that employees should become more resilient and flexible, not how to achieve this.  |
| 29. The organisation has a diverse and complementary workforce.                        | -                |   |
| <i>Long term commitment</i>  |                  |   |
| 30. The organisation grows through partnerships with suppliers and/or customers.       | 21-34, 52-55     | Places main focus on the structural aspects of the cooperation, not on improving the cooperation process itself.  |
| 31. The organisation maintains good and long-term relationships with all stakeholders. | 48- 51           | States only that this should be taken into account, not how to do this.   |
| 32. The organisation is aimed at servicing the customers as best as possible.          | 63-69            |   |



|  |                          |   |
|--|--------------------------|---|
| 33. Management has been with the company for a long time.              | 41                       | Mentions only one programme to keep people longer in public service.  |
| 34. New management is promoted from within the organisation.           | -                        |   |
| 35. The organisation is a secure workplace for organisational members. | 58, 98, 119-<br>125, 130 | The memorandum mainly talks about <i>reducing</i> the workforce. This statement is 'softened' by the fact in the future that people will be employed by the national government rather than one department. |



## ABOUT US

The Center for Organizational Performance is an independent, international research and inspiration center for the permanent performance improvement of organizations. We provide the market with a continuous stream of new knowledge and inspiration regarding High Performance Organizations (HPOs) based on scientific and practical research that is collected in a unique HPO knowledge base.

The HPO Center provides knowledge in the form of diagnoses, interviews, books, articles, lectures and workshops with best practices. This knowledge supports organizations with implementing the desired improvements.

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The great value of the HPO study for organizations is that if management knows the five HPO factors, the organization can focus on these factors. In order to obtain an idea of the HPO status within your organization, the HPO questionnaire is completed online by your managers and employees. The scores are compared to the average HPO scores in your sector and with the three best performers within the sector. This will provide a good indication of the relative performance of your organization. The results will also be analyzed by Dr. André de Waal, who will provide concrete, suitable recommendations.

The results of the analysis, the comprehensive recommendations by Dr. André de Waal and the comparison form the basis for improvement discussions within your organization and make it possible to undertake very targeted improvement measures. This will also give you opportunities to stop projects that will not improve the performance of your organization!

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