

# Why some organisations are better at everything.

Exploring the HPO Framework  
and Investors in People.

André A. de Waal, MSc MBA PhD

## About the author



**André de Waal PhD, MSc, MBA** (1960) is Associate Professor Strategic Management at the Maastricht School of Management. His teaching and research assignment is the course *Strategic Performance Management and High Performance Organisations*.

André is also Academic Director of the Center for Organizational Performance, an organisation which conducts research into high performance organisations. In addition, he was guest lecturer at the Free University Amsterdam and Erasmus University Rotterdam, and currently is a visiting fellow at Cranfield University, UK. André holds a MSc in Chemistry from Leiden University (the Netherlands), a MBA from Northeastern University Boston (USA) and a Ph.D. in Economics from Vrije Universiteit Amsterdam (the Netherlands). He has been a partner with Arthur Andersen and Holland Consulting Group for 17 years.

André's Ph.D. thesis was on the topic of the role of behavioural aspects in the successful implementation and use of performance management systems.

He has been teaching and conducting research and managerial projects in this field in countries like China, Vietnam, Bangladesh, Mongolia, Nepal, Thailand, Peru, Surinam, USA, U.K., Poland, Saudi-Arabia, Yemen, South-Africa, Namibia, Rwanda, Tanzania and Zambia.

André has been selected by managementboek.nl as one of the *Dutch Masters in Management*, ten people who have influenced management thinking in The Netherlands the most in the past decade. Especially his research into high performance organisations and high performance individuals attracts a lot of (international) attention.

André has published more than three hundred managerial and academic articles and twenty-eight books. Among his books are: *Power of Performance Management, How Leading Companies Create Sustained Value* (John Wiley & Sons, 2001), *Quest for Balance, the human element in performance management systems* (John Wiley & Sons, 2002), *What Makes A High Performance Organization, Five Validated Factors Of Competitive Performance That Apply Worldwide* (Global Professional Publishing, 2012) and *Strategic Performance Management, A Managerial and Behavioural Approach, 2nd edition* (Palgrave MacMillan, 2013). André's articles can be read on [www.hpocenter.com](http://www.hpocenter.com) and [www.andredewaal.eu](http://www.andredewaal.eu).

## Management Summary

**Investors in People (IIP)** is a management framework for high performance through people. Basically IIP forms a quality standard for organisations to measure themselves on their human resource management (HRM) practices.

The aim of IIP is to provide a blueprint to help organisations to improve the way they manage, develop and inspire their workforce, with the premise that a focused attention for the development of employees and alignment of their skills and motivation to the organisation's strategy is crucial in achieving and sustaining the competitive advantage of organisations.

Organisations can get accredited and achieve the IIP Standard when they go through a rigorous and objective assessment to determine performance. They can also choose to work with the principles of IIP and be recognised for that without getting a formal accreditation.

If they go for accreditation, organisations need to demonstrate they have policies and procedures in place relating to organisational strategy, learning and development, leadership, employee engagement and employee management and evaluation.

The motivation for an organisation to start with IIP are mainly twofold. Most organisations want the recognition from a well-respected standard for their current people policies, while other organisations engage with IIP mainly to get their people to start implementing improvements so competitive advantage can be achieved.

## It's a journey

From the beginning the IIP standard was not a static but a dynamic standard in that it has been regularly updated to keep up-to-date with the challenges and demands the business environment places on organisations.

Currently IIP is developing and rolling-out the 6th version of the IIP Standard. A combination of developments made this update necessary.

First, people have become increasingly important for the success of an organisation as we have shifted from the industrial era to the knowledge society in which immaterial or intangible assets, such as human capital, information capital and organisational capital, have becoming much more important than material or tangible assets (machines, buildings) to the success of an organisation.

Second, in many workplaces today there are three generations working: the baby boomers or Boomers (born between 1946 and 1964), Generation X (1965 – 1981), and the Millennials or Generation Y (1982 – 1999) who each has its own unique core values and attitudes that are different from the others. When management, which still mainly consist of Generation X-ers, does not deal well with the attitude and values of the workforce which nowadays mainly consists of Generation Y-ers, organisations run the risk of difficult communication, poor morale, and an increase in employee turnover.

Third, the most severe crisis since the 1980s forced many organisations to fundamentally rethink their business as continuing cost cutting (the recipe in the past to survive a crisis) did not do the trick, it only hampered the ability of organisations to be competitive. Luckily the field of the high performance organisation (HPO) reached maturity in the first decades of this century and now provides many models, frameworks and techniques for organisations

to transform themselves in HPOs. An HPO is defined as "an organisation 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 organisation."

Fourth, the feedback collected in recent years from accredited organisations and practitioners indicated that IIP was most powerful as a simple people management framework which entices organisations to strive for high performance. It is conspicuous that these developments all have in common that change is no longer an exception but the rule, and that competition now really is worldwide which means the demands on organisations have become much higher and more ambitious. It is also clear that the human factor, i.e. the quality of managers and employees, has become crucial to dealing adequately with these changes and competition and therefore have become the de facto determiner of an organisation's success.

IIP realised that the developments also meant that the bar for the IIP accreditation had to be raised in order to reflect that the (a) the human factor has to be even more appreciated and therefore looked after in the right way in organisations, and (b) that being adequate or even good in HRM processes was no longer enough and that organisations really have to strive to become world-class in these processes, enabling them to become real HPOs. So during 2014 IIP set to work to update its Standard and the resulting 6th generation is introduced in 2015.





## A new Standard

The new IIP Standard has been developed in a collaborative manner, i.e. in partnership with accredited organisations, leading academics and market leaders, to make sure the Standard contains the best 'best practices' in the HRM field aimed at supporting organisations in their strive for high performance.

The new Standard consists of three principles each containing three indicators.

**Principle 1** is 'Leading' consisting of the indicators 'Leading and inspiring people', 'Living the organisation's values and behaviours' and 'Empowering and involving people'.

**Principle 2** is 'Supporting' consisting of the indicators 'Managing performance', 'Recognising and rewarding high performance' and 'Structuring work'.

**Principle 3** is 'Improving' consisting of the indicators 'Building capacity', 'Delivering continuous improvement' and 'Creating sustainable success'. To stress the dynamic nature of the business environment, IIP is also introducing the maturity model which denotes that an organisation 'journeys' through levels of accreditation which run in parallel with increasing levels of integrated and consistently applied advanced HRM practices throughout the organisation.

There are four maturity levels, being

### Stage 1 'Developed'

(the appropriate principles and practices are in place and communicated, and people and leaders know what is expected of them);

### Stage 2 'Established'

(people and leaders are actively engaged in ensuring the appropriateness and consistency of the principles and practices);

### Stage 3 'Advanced'

(people and leaders actively drive positive outcomes, taking ownership of the principles and practices); and

### Stage 4 'High performing'

(the principles and practices are fully integrated with other business practices and people and leaders take accountability for delivering consistently positive results).

Of these maturity levels, the first two ('developed' and 'established') are seen as building blocks for starting the journey to high performance, i.e. having in place and using basic HRM practices and processes needed in an organisation so it has a basis of good people in place. The second two maturity levels ('advanced' and 'high performing') are closely linked to the HRM elements of an HPO and thus raise the bar of HRM practices to a world-class level.





## High Performing Organisations

This sixth version of the IIP Standard thus has been developed to deal with the aforementioned developments and to set the bar for excellence higher than ever before

It is however important to remember that the IIP framework does not seek to be an all-encompassing model of high performance, but rather, it is a unique view of how organisations can work towards high performance through the lens of people management. Thus a holistic business improvement framework has to be found which can support organisations in their transformation to a full-blown HPO while at the same time achieving increasingly higher levels of IIP accreditation.

Such a framework is the HPO Framework which has been a major input in the development of the 6th IIP Standard. This framework can be used in conjunction with the IIP Standard to increase the strengths of an organisation and to make it possible for that organisation to achieve increasingly higher IIP accreditations.





## The HPO Framework

The HPO Framework is a conceptual, scientifically validated structure which practitioners can use for deciding what to do to improve organisational performance and make it sustainable.

The HPO Framework consists of five factors with 35 underlying characteristics.

The first HPO factor is *the quality of management of the organisation*. In an HPO, managers at all organisational levels maintain trust relationships with employees. They work with integrity and are a role model to others: they are honest and sincere, show commitment, enthusiasm and respect, have a strong set of ethics and standards, are credible and consistent, maintain a sense of vulnerability and are not self-complacent.

The second HPO factor is *openness & action orientation*. In an HPO, management demonstrates that it values the opinions of employees by having frequent dialogues with them and involving them in all important business and organisational processes. HPO management allows experiments and mistakes by seeing these as opportunities to learn.

The third HPO factor is *long-term orientation*. In an HPO, long-term gain is far more important than short-term profit. An HPO continuously strives to enhance customer value creation by learning what customers want, understanding their values, and being responsive to them. In addition, an HPO maintains good long-term relationships with all stakeholders.

The fourth HPO factor is *continuous improvement & renewal*. An HPO adopts a unique strategy that will set the organisation apart by developing many new alternatives to compensate for dying strategies. After that, an HPO continuously simplifies, improves and aligns all its processes.

The fifth HPO factor is *employee quality*. An HPO makes sure it assembles a diverse and complementary workforce and continuously works on the development of its workforce by training staff to be both resilient and flexible and letting them learn from others by going into partnerships with suppliers and customers.

Research over the last ten years into organisations that have used the HPO Framework to diagnose and subsequently improve themselves has shown that those organisations that achieve higher HP scores indeed achieve better financial and non-financial results.

As the definition of an HPO denotes such a high performing organisation achieves better financial and non-financial results than its peer group.

The IIP accreditation can be considered to be one of the most important non-financial results, and as the definition says an HPO can be expected to have a higher, if not the highest, accreditation level compared to the other organisations in its peer group.

It is therefore interesting to see that when the IIP criteria are linked to the HPO characteristics, in order to evaluate on which HPO factors and characteristics an organisation has to work diligently in order to achieve the highest IIP accreditation, most links occur at the 'advanced' and 'high performance' maturity levels of the IIP Standard. This denotes that both the 'developed' and 'established' maturity levels form the robust basis of an organisation which satisfies the precondition to start its transformation journey to HPO.

It is not, however, until an organisation reached at least the 'advanced' stage that it starts to have the HRM practices in place, fully implemented and used, that the organisation really starts to function at a world-class level of excellence and truly becomes an HPO when it reaches the 'high performance' maturity level. Thus, combining the application of the HPO Framework and the criteria of the 6th generation IIP Standard will make it possible for an organisation to truly become a world-class organisation where people love to work and customers and suppliers love to do business with!





# Get in touch

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