

IMPROVING BRITAIN'S COMPETITIVE POSITION

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Chartered Management Institute (CMI)

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Abstract

Many organisations in Britain struggle with the sustainability of their performance. Having come out of the worst recession since the 1920s they have been busy rebuilding their companies. However, many of these companies might have come from being a low performing organisation to now being an average performing organisation but how do they become and stay a high performing organisation (HPO)? There have been many publications on HPO but none of these have led to a unified theory, model or framework which has been proven in practice. Based on an extensive literature review and practical research, taking ten years, a generically valid HPO Framework was developed that can help British organisations to improve their performance and through this their competitive position. The application of the HPO Framework is illustrated with research data obtained from UK organisations.

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Setting the scene

Looking up from the latest financial statement, the CEO heaved a deep sigh of relief. Only having taken over the company four years ago and pulling it away from the brink of disaster, it had been touch-and-go for a few years. Bringing in a new management team, ousting quite a few of the old-timers, moving to a new location, and securing new financing from the shareholders had clearly done the trick as could be seen in the statements. Revenue had gone up considerably and, although profits had not risen at the same pace, the prognosis for the rest of the year looked better than it had done in years. However another report, the employee engagement survey, told a different tale. Engagement had gone up the last year but had now taken a dive, with many employees complaining about the lack of support they got from their managers and the fact that they felt that management did not involve them enough in the organisation's processes. A telling quote in the report caught the eye of the CEO:

“I believe we are a great organisation and have come a long way in the past year. I do however think that we are struggling with the growth and staffing levels are not correct yet. We are an organization with great people but limited tools. Emphasis is on growth in sales and technological capabilities, but not enough on improving internal processes and resources that enable us to adapt to the growth. Too many of our projects get delayed or downright fail. And with such a high number of new starters a disproportionate share of the burden falls on a handful of key employees, many of which are breaking under the strain.”

The CEO sighed once more but this time from frustration. He had tried all kinds of improvement tools and techniques but apparently nothing had really stuck. With increasing trepidation he was thinking to himself: “Getting out of a mess and then aiming for the top is one thing, but how do I make sure I stay there? How can I be certain that we fulfil our potential and make our bright future a reality in a profitable way, with everybody happy?”

The High Performance Organisation Framework

The CEO in this story is by no means alone in his worries. Many organisations in Britain struggle with the sustainability of their performance. Having come out of the worst recession since the 1920s they have been busy rebuilding their companies and are now finally seeing an appealing future before them. However, many of these companies might have come from being a low performing organisation to now being an average performing organisation but how do they become and stay a high performing organisation (HPO)? After all, many sports people will tell you: “It isn’t that difficult to get the top, but staying there sure is.” It therefore does not come as a surprise that many managers turn to the field of the high performance organisation (HPO), to find ideas which will help them strengthen their organisations. The 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” (de Waal, 2012).

There have been many publications on HPO but none of these have led to a unified theory, model or framework which has been proven in practice. Based on a literature review of 290 academic and practitioner publications on high performance I did develop a generically valid HPO Framework. For each of the 290 studies those elements that the authors indicated as being important for becoming a HPO were identified. For each of the potential HPO characteristics the ‘weighted importance’ was calculated, i.e. the number of times that it occurred in the studies. The characteristics with the highest weighted importance were selected as potential HPO characteristics, which were subsequently included in a survey which was administered worldwide and which encompassed more than 3200 respondents. In this survey the respondents were asked to indicate how good they thought their organizations were performing on the HPO characteristics (on a scale of 1 to 10) and also what their organizational results were compared to their peer group (choices: worse, the same, or better). By

performing several statistical tests, 35 characteristics which had the strongest positive correlation with organizational performance were extracted and identified as the HPO characteristics. These characteristics grouped into five factors with the expected correlation: high-performing organisations score higher on the five HPO factors than organisations with lower performances. This means that organizations which pay dedicated attention to strengthening these factors achieve better results than their peers, in every industry, sector and country in the world.

These are the five HPO factors (see the Appendix for the detailed characteristics):

1. Management Quality

The management of an HPO is of high quality, relationships based on trust by combining integrity coaching leadership with highly exemplary behaviour, is quick to make decisions (also regarding non-performers), and is result-oriented committed to a long-term vision.



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2. Employees Quality

The employees of an HPO are diverse, complementary and well able to work together. They are flexible and resilient when it comes to achieving results. They are busy every day answering the question: “How can I make our organization more successful?”

3. Openness and action orientation

The culture of an HPO is an open one in which everyone is involved in important processes through shared dialogue, continuous knowledge sharing and learning from mistakes. In an HPO change is encouraged and mistakes are allowed.

4. Continuous improvement and innovation

An HPO is aware of its distinctive (strategic) characteristics and has all employees continuously contributing to improving, simplifying, aligning and renewing processes, services and products.

5. Long-term orientation

To an HPO, continuity in the long term always takes precedence over profit in the short term. The long-term orientation of an HPO applies to clients and collaboration partners, but also to its managers who are promoted from the ranks.

Making the HPO Framework practical

In order to make the HPO Framework tangible and practical for organizations, to allow them to use the framework for improving themselves, I developed the HPO Diagnosis (Figure 1).



Figure 1: The steps of the HPO Diagnosis

The HPO Diagnosis consists of six consecutive steps. Step 1 consists of a workshop with senior executives in which the HPO Framework is discussed with them to get their buy-in. Step 2 entails a full HPO Diagnosis in which as many people at all levels of the organization fill in the HPO Questionnaire, to obtain a complete picture of the organisation. This questionnaire consists of questions based on the 35 HPO characteristics with possible answers on a scale of 1 (very poor) to

10 (excellent). After this, the HPO scores are calculated and analysed. The scores for the five HPO factors are visualized in a graph. This graph indicates whether the organization is an HPO or not; to be an HPO the average score has to be at least 8.5. The graph also shows which factors need to be improved to increase the performance of the organization. On the basis of the scores interviews are conducted with managers and employees on “the story behind the figures.” The HPO Framework, the results of the analysis and the interviews, and the HPO graph are discussed with senior executives - and in steps 3 and 4 in the departments and with employees - to increase the understanding of the persons who are going to work with the HPO Framework. During the workshop possible actions to address the HPO attention points are discussed and a tangible action plan is drawn up. In step 5 a network of HPO Coaches is set up, consisting of people from different departments and organizational levels. The task of the HPO Coaches is to promote an HPO culture and support management in its endeavours to make the organization an HPO. To evaluate the progress the organization has made, a second HPO diagnosis is conducted in step 6 after 1½ to 2 years. The aim of this diagnosis is not only to see what progress was made but also to identify additional or new HPO attention points so further improvements can be achieved.

The added value of the HPO framework

The added value of the HPO Framework was tested during longitudinal research at organizations in Europe, North America, Middle East, Asia and Africa. These organizations reported the following benefits of using the HPO Framework:

- *Improved attitude of employees.* Employees are more aimed at improving their results, and they feel more responsibility toward continuous improvement of products, services and processes within the organization. They also take more initiatives and organisations are therefore able to introduce successfully more often and faster new products and services. Employees are proud to work for the company and have a renewed élan.

- *Better cooperation within and outside the organization.* Employees are working better together with colleagues from other departments as well as with suppliers and clients. They have a more open mind toward ideas from others and they think and work less in silos. There is a more mutual trust between employees which makes it easier to build good relationships. There is also more openness within the organization and there is more opportunity for dialogues between managers and employees, and more knowledge sharing between departments.
- *A stronger organization.* The organization is better able to develop a strategy which is unique compared to the peer group, making it more attractive for (new) clients and (new) employees. There is more focus and discipline within the organization which is expressed in more successful executed projects. The organization obtains a quality reputation by better service, less problems and mistakes, and better fulfilment of clients' needs.
- *Better financial results.* The above-mentioned non-financial advantages translate into better financial results. Productivity rises because the same number of people do more with more success. Profitability is rising because costs are decreasing and revenue is increasing. In non-profit organizations more is done and achieved for the same budget. Because turnover and profitability increase and the organization is more attractive for customers, market share is rising.

In fact, *every* organisation (both profit, non-profit and governmental) that has used the HPO Framework to identify and subsequently work with discipline on improving HPO attention points, has reported not only achieving a higher HPO score during the second HPO Diagnosis but also better financial and non-financial results, *no exceptions worldwide!* This means that the HPO Framework is the only improvement technique which has been proven to give organisations the best chance on increasing their performance in a sustainable manner. This makes the HPO Framework unique in the world, and as such should be the improvement technique of first choice for British companies.

Improving Britain’s competitive strengths

Figure 2 shows the graph which is the key outcome of the HPO Diagnosis. In this case I have taken all the scores from people working at British organisations (which I collected in my database over the past eight years) and I calculated their average score. The resulting graph is thus representative for British companies, including the case company described at the beginning of this article.

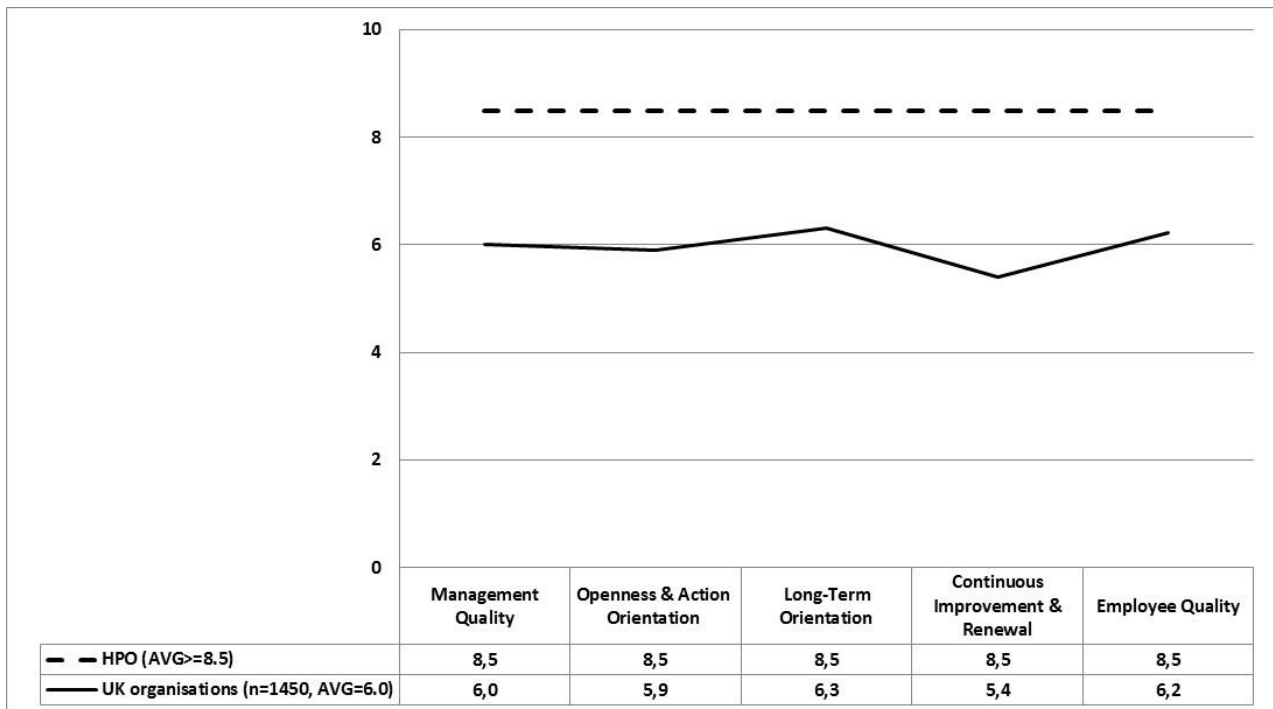


Figure 2: Average HPO score for the UK

Figure 2 clearly shows the attention points which have to be addressed if a British company wants to improve its performance and competitiveness. The low score for HPO Factor Continuous Improvement & Renewal is mainly caused by low scores for process improvement, simplification and alignment. Typical remarks made during the HPO Diagnosis at the case company in this respect were: *“The dots are not joined up end-to-end, it needs to be a complete process”* and *“We don’t know where we are in the process, so we cannot communicate with the client”* leading to the recommendation to educate people about the end-to-end delivery process using process frameworks

and workflow models. Another interesting remark was *“The freedom we have is great but we miss guidance and therefore we are running around as headless chicken”* yielding the recommendation to create more leadership during the process of process improvement. Another attention point to look at is the HPO Factor Openness & Action Orientation. The low score here is mainly the result of management not having enough dialogue with employees, not involving them enough in important processes, and not fostering knowledge-sharing between departments. This is illustrated by some further remarks originating from the case company: *“The monthly updates from the CEO are a good start but they are not a place for a real dialogue”*, *“We feel we’re not trusted by management, why would they otherwise not ask for our opinion?”*, and *“We are all silos doing our own thing and not working toward the same goal, and therefore not willing to share knowledge.”* This leads to recommendations as: create a specific space and time to conduct a real dialogue; create a knowledge-sharing attitude centring on conversations; and create specific non-financial incentives for sharing knowledge.

And what about the CEO of the case company? He remarked at the end of the feedback workshop: *“I have seen and tried many improvement methods but the HPO Framework is by far and away the best one I have encountered. I am impressed how quick but nonetheless accurate it is, and how practical the recommendations are. And on top of this, I can see my management team being all excited about becoming an HPO. Thanks chaps!”*

Reference

A.A. de Waal (2012), *What Makes A High Performance Organization: Five validated factors of competitive advantage that apply worldwide*, Global Professional Publishing/HPO Center Publishing

Appendix

This appendix lists the 35 characteristics of the five HPO factors. The first column in the Table shows the factor to which the HPO characteristics belong: ci = continuous improvement & renewal, oao = openness & action orientation, mq = management quality, wq = employee quality, lto = long-term orientation. The appendix also lists the average scores for British organisations.

Factor	No.	HPO characteristic	Scores
ci	1	Our organization has adopted a strategy that sets it clearly apart from other organizations.	5,8
ci	2	In our organization processes are continuously improved.	5,8
ci	3	In our organization processes are continuously simplified.	5,8
ci	4	In our organization processes are continuously aligned.	5,8
ci	5	In our organization everything that matters to the organization's performance is explicitly reported.	5,8
ci	6	In our organization both financial and non-financial information is reported to organizational members.	5,8
ci	7	Our organization continuously innovates its core competencies.	5,8
ci	8	Our organization continuously innovates its products, processes and services.	5,8
oao	9	The management of our organization frequently engages in a dialogue with employees.	5,8
oao	10	Organizational members spend much time on communication, knowledge exchange and learning.	5,8
oao	11	Organizational members are always involved in important processes.	5,8

oao	12	The management of our organization allows making mistakes.	5,8
oao	13	The management of our organization welcomes change.	5,8
oao	14	Our organization is performance driven.	5,8
mq	15	The management of our organization is trusted by organizational members.	5,8
mq	16	The management of our organization has integrity.	5,8
mq	17	The management of our organization is a role model for organizational members.	5,8
mq	18	The management of our organization applies fast decision making.	5,8
mq	19	The management of our organization applies fast action taking.	5,8
mq	20	The management of our organization coaches organizational members to achieve better results.	5,8
mq	21	The management of our organization focuses on achieving results.	5,8
mq	22	The management of our organization is very effective.	5,8
mq	23	The management of our organization applies strong leadership.	5,8
mq	24	The management of our organization is confident.	5,8
mq	25	The management of our organization is decisive with regard to non-performers.	5,8
mq	26	The management of our organization always holds organizational members responsible for their results.	5,8
wq	27	The management of our organization inspires organizational members to accomplish extraordinary results.	5,8

wq	28	Organizational members are trained to be resilient and flexible.	5,8
wq	29	Our organization has a diverse and complementary workforce.	5,8
wq	30	Our organization grows through partnerships with suppliers and/or customers.	5,8
lto	31	Our organization maintains good and long-term relationships with all stakeholders.	5,8
lto	32	Our organization is aimed at servicing the customers as best as possible.	5,8
lto	33	The management of our organization has been with the company for a long time.	5,8
lto	34	New management is promoted from within the organization.	5,8
lto	35	Our organization is a secure workplace for organizational members.	5,8