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Applicability of the high performance organization (HPO) framework in the Chinese context

The case of a state-owned enterprise

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Abstract

Purpose – In recent years, China has shifted its competitive strategy from competing on low cost to producing higher value added products and services, and the country has made the promotion of business excellence a national strategic priority. As a consequence, Chinese organizations need to know the factors that will make them world-class companies. Until recently, not much research has been done into these factors in the Chinese context. The few studies available unfortunately were mainly done only into specific elements of excellence and specific improvement techniques; a holistic and scientifically validated framework for creating high performance organizations (HPOs) cannot be found. The purpose of this study is to evaluate such a framework, which was quite recently developed, for the Chinese context.

Design/methodology/approach – A possible way forward is to use the HPO framework which was validated in earlier studies for the Asian context. In this paper, this research question is answered: Can the HPO framework be used to help Chinese organization to evaluate and improve the factors for excellence in the Chinese context? The study used a questionnaire which was distributed to respondents of a Chinese state-owned manufacturing enterprise. The results were discussed during a workshop to arrive at the main attention points for the organization.

Findings – The HPO framework was validated for the Chinese context and yielded valuable recommendations for improvement for the case company.

Originality/value – This study fills the gap which currently exists in empirical research about organization performance practices in Chinese. The study also has practical implications as management of Chinese state-owned enterprises, and possibly other Chinese companies, are now able to undertake focused improvement actions.

Keywords China, HPO, High performance organisations, State-owned enterprises

Paper type Research paper

Introduction

China has for years enjoyed a strong competitive position worldwide. This enviable position was based on the low cost of products because of the sheer endless supply of cheap labor and on many foreign companies establishing themselves in the country, bringing with them production knowledge and experience. However, lately, the country has shifted its competitive strategy into the direction of producing higher value-added products and services (Rubini, 2013). Thus, the promotion of organizational business excellence has become a national strategic priority (Barbieri *et al.*, 2013), among others, to be able to deal adequately with domestic and foreign contexts simultaneously, thereby thriving in the global competitive arena (Child and Marinova, 2014). At the same time, Chinese companies

have to adapt to the dramatically changing Chinese economy, which has changed from a command economy into a market socialist system, and from an economy which was mainly dominated by state-owned enterprises to one with a wide range of public and private ownership forms (Warner and Rowley, 2013). In addition, Chinese companies have to be able to cope with increasing pressures from growing skills and labor shortages, higher wages and demands for better environmental and labor standards (Rowley and Warner, 2013). In this respect, China increasingly encourages the establishment of so-called national champions, exemplary companies which should be the role models in excellence and competitiveness (Hemphill and White, 2013; Rubini and Barbieri, 2013).

This new drive for business excellence means that Chinese organizations need to know the factors that will make them world-class companies. This is all the more important because Chinese organizations are reported to have a lower service orientation and lower quality human resource management (HRM) function than Western companies, leading to regular product recalls and subsequent lower financial performance outcomes (Sun *et al.*, 2006; Gebauer and von Zedtwitz, 2007; He *et al.*, 2011; Rubini *et al.*, 2013). Unfortunately, until recently not much academic research has been done into these factors in the Chinese context (de Waal, 2012b).

This study looks at the Chinese context for a performance improvement system, the high performance organization (HPO) framework (de Waal, 2012a, 2012b), which is a holistic and scientifically validated framework for creating HPOs. The framework was used at a Chinese state-owned company to evaluate its performance and to come up with improvement points that the company needed to address to become and stay high performing. As such, this is the first time – as far as the authors are aware – that a holistic improvement framework described in the literature has been specifically validated for the Chinese context and actually has been received favorably by managers and regarded as very useful. Thus, this study fills a gap in the current literature, by describing the first application of a holistic HPO framework in the Chinese context, thereby providing specific information about the factors of high performance in a Chinese setting. The article also has a practical contribution as the HPO Framework can be useful for other Chinese organizations to evaluate and improve their performance.

The remainder of this article is structured as follows. In the next section, a theoretical overview of high performance studies performed in China is given. This is followed by a description of the HPO framework. Subsequently, the results of the confirmatory factor analysis of data collected from Chinese organizations are given and discussed. The section thereafter describes the application of the HPO framework at a Chinese company. The article ends with the conclusion, limitations of the research and further opportunities for study.

High performance in the Chinese context

In the first decade of the twenty-first century researchers finally started to look specifically into factors of excellence in the Chinese context. For instance, Deshpandé and Farley (2002) found clear patterns of similar processes and organizational cultures among firms in six Chinese cities that were classified as being high performing (in terms of high levels of innovativeness and market orientation). Sull and Wang (2005) studied eight high-performing Chinese companies in-depth and found that these firms were especially good at handling uncertainty, dealing with future challenges and opportunities and acting fast on these, developing a flexible hierarchy, managing relationships dynamically and scaling business effectively. Xie *et al.* (2013) studied the factors that affected innovation performance of Chinese small- to medium-sized enterprises (SMEs) and found that there was a positive relationship between the availability of financial capital, technically qualified staff and access to technology and the innovative and financial performance of that SME.

Yang *et al.* (2015) examined the antecedents of strategic alliance formation in Chinese manufacturing firms and found that relational stability and effective communication were significant factors influencing strategic alliance formation among these enterprises and thus helped raise their supply chain performance. Tickle *et al.* (2016) showed that Chinese organizations with more experience with business excellence models were more likely to use specific tools and to use some of these tools more effectively and thus outperformed their less mature counterparts.

Much research has been done in the field of HRM and the related topic of high performance work systems (HPWS). Björkman and Xiucheng (2002) examined the relationship between HRM and organizational performance in Chinese-Western joint ventures and wholly owned subsidiaries. They found a positive relationship between firm performance and the extent to which firms used a high-performance HRM system as well as the degree to which HRM was integrated with the firm's strategy. Li *et al.* (2006) looked at Chinese high-tech firms and found that employee training, employee motivation and process control had positive effects on technological innovation, which in turn was positively related with performance. Qiao *et al.* (2009) investigated Chinese employees' experiences with HPWS, tested the impact of HPWS on their organizational commitment and found that organizational commitment correlates with a higher perception of the use of HPWS in the company. Their results were supported by Liang *et al.* (2012), who also identified a positive relationship between HPWS and organizational performance in companies operating in China. Lin (2012) looked into the adoption of Western HRM systems by Chinese companies and their subsequent performance. They found not only that these Western systems were positively associated with organizational performance in a Chinese context but also that HRM systems with an emphasis on "motivation and support" had a stronger positive effect than HRM systems with a "skill and development" focus. Su and Wright (2012) found that an effective HRM system in the Chinese context consisted of both commitment and control HR practices and that such a system had more significant positive effects on firm performance compared with American-style high-commitment and high-involvement work practices. Ngo *et al.* (2014) identified that HRM competency, defined as the ability of the HRM function to develop systems that support the achievement of an organization's strategy, had a positive effect on the performance of Chinese high-tech firms. Fu and Deshpandé (2014) showed that a caring climate had a significant direct impact on job satisfaction, organizational commitment and job performance in a Chinese insurance company. Xiaoling *et al.* (2015) looked at the role of the HRM department's client relationship management on the performance of Chinese enterprises and found positive effects on new-product performance and business financial performance. Yen *et al.* (2016) found that intra-organizational *guanxi* (i.e. relationships) directly affected HPWS, whereas inter-organizational *guanxi* directly influenced organizational performance.

On the topic of corporate social responsibility (CSR), Wang *et al.* (2011) studied how financial investors responded to Chinese organizations' CSR performance in terms of their investment behavior. They found that an organization's performance and the behavior of investors jointly affected stock value after an event that created both attention and concerns about CSR. Zhang *et al.* (2014) looked into the perception of Chinese employees of HPWS and the effect on CSR and concluded that a positive perception led to higher employees' affective commitment, better organizational behavior and better performance.

In the field of total quality management (TQM), Yusuf *et al.* (2007) investigated the effect of TQM practices in Chinese companies and found that the majority of expected benefits as described in the TQM literature had been experienced in Chinese companies. Ou-Yang and Tsai (2014) found that the application of business process improvement techniques from the

TQM field helped improve operational performance of investment management firms in China.

Regarding performance management using the balanced scorecard (BSC), when Yang and Yeh (2009) developed and tested an integrated strategic management system based on strategic planning – Hoshin management and the BSC – they found that the Chinese organization that used this system experienced a strong growth in turnover and profits. Lin *et al.* (2014) found that using a BSC in a Chinese hospital contributed to an improvement in organizational and personal performance and that the contributing effect increased with the extent of BSC usage.

Shou *et al.* (2014) found that both marketing and technology capabilities related positively to the performance of Chinese manufacturers but that this influence was partly nullified when *guanxi* – defined as the interpersonal connections that establish expectations and obligations to facilitate the exchange of personal resources in a hierarchical Chinese society (Lovett *et al.*, 1999) – was important and when the legal system was ineffective. In relation to this, Chen *et al.* (2011) found that integrated brand management had a positive effect on business performance in China. Zhang *et al.* (2014) found that a clear international marketing strategy influenced the international performance of Chinese SMEs positively.

Finally, in the area of information technology, Wu and Al-Hakim (2016), looking at the interplay of trust, e-commerce diffusion and organizational capacity and collaboration in Chinese manufacturing electrical companies, found that organizational collaboration was a mediator between trust and business performance as well as between organizational capacities and business performance but that e-business diffusion did not significantly affect the output of collaboration.

While reviewing the aforementioned studies, it became obvious that they were primarily concerned with elements of excellence and specific improvement techniques. A holistic and scientifically validated framework for creating HPOs in the Chinese context could not be found. The closest to developing such a framework were He *et al.* (2011), who created a measurement model fit for the Chinese context based on the Baldrige quality model. However, this measurement model was only tested for a sample of Chinese SMEs and no direct connection with organizational performance was made, rendering this model not fully suitable as a holistic framework for the Chinese context.

A possible way forward is to evaluate whether the HPO framework (de Waal, 2006, 2012a, 2012b), which was not specifically developed for China but has been tested for its applicability in various Asian countries, is an appropriate way for Chinese organizations to evaluate their performance and come up with recommendations for improvement. This framework consists of five factors and 35 underlying characteristics and was developed based on data collected worldwide, both in developed and developing countries. Thus far, the HPO framework has been empirically validated in four Asian countries: Nepal (de Waal and Frijns, 2009, 2011); Vietnam (de Waal *et al.*, 2009); the Philippines (de Waal and de Haas, 2013); and Thailand (de Waal and Tan Akaraborworn, 2013; de Waal *et al.*, 2014).

Therefore, the research question dealt with in this study is:

RQ1. Can the HPO Framework be used to help Chinese organizations evaluate and improve their performance?

The answer to this question contributes to the literature, as the identified gap in current literature of a missing excellence framework suitable for Chinese organizations will be filled, and also contributes to practice, as managers of Chinese organizations will obtain an excellence framework with which they can evaluate and improve their organizations in a focused manner.

Theoretical framework: the high performance organization framework

The HPO framework was developed based on a descriptive literature review (Phase 1) and empirical study in the form of a worldwide questionnaire (Phase 2) (de Waal, 2006 rev. 2010, 2012a, 2012b). Phase 1 consisted of collecting the studies on high performance and excellence that were to be included in the empirical study. Criteria for selecting studies from the literature review were that the research:

- was aimed specifically at identifying HPO factors or best practices;
- consisted 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 the results were at least valid for more than one organization;
- used triangulation by using more than one research method; and
- included written documentation containing an account and justification of the research method, research approach and selection of the research population, a well-described analysis, and retraceable results and conclusions allowing assessment of the quality of the research method.

The literature search yielded 290 studies which satisfied all or some of the four criteria. The identification process of the HPO characteristics consisted of a succession of steps. First, elements were extracted from each of the publications that the authors themselves regarded as essential for high performance. These elements were then entered into a matrix which listed all the factors to be included in the HPO framework. Because different authors used different terminologies in their publications, similar elements were placed in groups under a factor and each group – later to be named "characteristic" – was given an appropriate description. Subsequently, a matrix was constructed for each factor listing a number of characteristics. A total of 189 characteristics were identified. After that, the "weighted importance", i.e. the number of times a characteristic occurred in the individual study categories, was calculated for each of the characteristics. Finally, the characteristics with a weighted importance of at least nine per cent were chosen as the HPO characteristics that potentially make up a HPO; there were 89 characteristics.

In Phase 2, the 89 potential HPO characteristics were included in a questionnaire which was administered during lectures and workshops given to managers by the author and his colleagues all over the world. The respondents of the questionnaire were asked to indicate how well their organization performed on the various HPO characteristics on a scale of 1 (very poor) to 10 (excellent) and also how its organizational results compared with its peer group. Two types of competitive performance were established (Matear et al., 2004):

(1) relative performance (RP) versus competitors; and
(2) historic performance (HP) of the past five years.

RP was described as $(HP)RP = 1 - ([RPT - RPW]/[RPT])$, in which RPT = total number of competitors and RPW = number of competitors with worse performance. Possible answers for HP were: worse, the same or better. These subjective measures of organizational performance are accepted indicators of real performance (Dawes, 1999; Heap and Bolton, 2004; Jing and Avery, 2008). The questionnaire yielded 2,015 responses from 1,470 organizations. With a correlation and factor analysis, 35 characteristics, categorized in five factors, with both a significant and a strong correlation with organizational performance were extracted and identified. The factor scales showed acceptable reliability (Hair et al., 1998) with Cronbach's alpha values close to or above 0.70.

The research yielded the following definition of an HPO:

[…] 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, 2012b, p. 5).

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 these.

(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 make 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 physically and mentally) 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 non-core competences.

(5) *Employee quality*: An HPO assembles and recruits a diverse and complementary management team and workforce with maximum work flexibility. The workforce is trained to be resilient and flexible. They are encouraged to develop their skills to accomplish extraordinary results and are held responsible for their performance, as a result of which creativity is increased, leading to better results.

HPO research shows that there is a direct and positive relationship between the five HPO factors and competitive performance: the higher the scores on the HPO factors (HPO scores), the better the results of the organization and the lower the HPO scores, the lower the competitive performance. The research also shows that all HPO factors need to have equal scores. An organization can evaluate its HPO status by having its management and employees fill in the HPO questionnaire, consisting of questions based on the 35 HPO characteristics with possible answers on an absolute scale of 1 (very poor) to 10 (excellent) and then calculating the average scores for the HPO factors. These average scores indicate where the organization has to take action to improve to become an HPO.

Applying the high performance organization framework in the Chinese context

The HPO framework was applied at one of the largest stated-owned manufacturing enterprises (SOE) in China (which wished to remain anonymous). Chinese SOEs report

directly to the State-Owned Assets Supervision and Administration Commission (SASAC) of the State Council. Compared to other types of ownership companies, these SOEs are unique in many ways: They are the backbone of the Chinese economy, and, therefore, they are strictly controlled by the government; they enjoy a full range of preferential policies and benefits (including cheap finance) that are not available for other companies (so scores for some HPO characteristics could be inflated); the top strategic priority for SOEs is national (i.e. government's first political then economic) interest; they are subject to rigid systems, procedures, rules and regulations, and, as a consequence, hierarchy and bureaucracy might supersede efficiency, which makes these organizations, in general, less efficient; and they often act as outward investment arms for the government so sometimes decisions made do not always follow regular economic or business logic or rationale, implying their performance often cannot be measured simply against economic gains (Bian, 2005; Chee and West, 2007; Cooke, 2008; Fu and Deshpandé, 2014; de Graaff, 2014).

The history of SOEs in China can be traced back to the 1950s, after the establishment of the Peoples Republic of China (Bian, 2005). Under the planned economy, SOEs played a vital role in terms of economic development and job creation. In 1978, China began to adapt the policies of economic reform and started to open up to the outside world. Since then, the restructuring and reform of SOEs has undergone several stages. From 1978 to 1992 (the infancy stage), the restructuring and reform focused on separation of ownership and granting autonomy to enterprises. During 1993 to 2002 (the exploration stage), reform emphasized the establishment of modern enterprise systems in the SOEs. From 2002 to 2012 (the progress stage), the focus turned to state-owned asset management system reform. During 2013 to 2015 (the deepening stage), more attention was paid to achieving more detailed and comprehensive restructuring and reform, including regulation, governance, ownership and management reforms. On 24 August 2015, the State Council published the Guidelines on Deepening the Reform of State Enterprises and aimed at achieving specific outcomes in key areas by 2020. In addition to the establishment of state-owned asset management systems, modern enterprise systems, market-oriented operation mechanisms and rationalization of state-owned capital structures, the main objectives of the guidelines also included increasing the innovation capability and international competitiveness of SOEs; enhancing the SOEs' economic vitality, influence, control and risk resistance; and cultivating vibrant entrepreneurs with integrity as well as outstanding business and management skills (The State Council Republic of China, 2015).

Currently SOEs in China are owned by the central government or by provincial, municipal and county level governments. The former group consists of SOEs under the direct supervision of the SASAC of the State Council, or under the control of line ministries of the central government, and state-owned financial institutions run by Central Huijin Investment Ltd. (Ministry of Finance of the People's Republic of China, 2016). The Chinese SOEs referred to in this article are the 105 state-owned enterprises under the direct supervision of the SASAC of the State Council from which 47 SOEs made it to the Global Fortune 500 list in 2015. Improving the efficiency and performance of Chinese SOEs is crucial not only to the success of SOE reform but also to the continued growth of strategic industries and sectors in China (SASAC of the State Council, 2016).

The main focus of China's industrial policy in the past decades has been to transform the SOEs into globally competitive firms, and, on the face of it, this policy has been successful as several of these SOEs are in the Global Fortune 500. However, according to Nolan (2014) this apparent success masks their weakness in global competition: The success of the SOEs has

been mainly based on their privileged position within the fast-growing domestic market. When looking outside China, these SOEs have only a limited presence and thus a small share of the international markets. This is another reason for SOEs to develop themselves into HPOs, so they can take on the global competition.
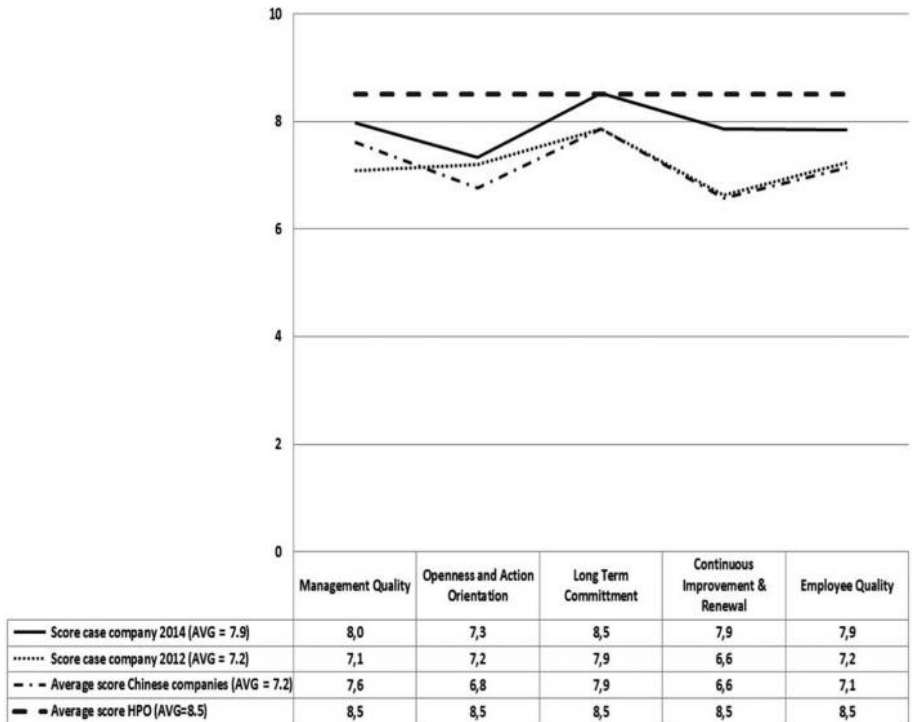
The case study company (Company), established in the 1970s and consisting of several divisions employing approximately 130,000 people worldwide, had a reputation as one of the better managed and better performing companies in China. In its mission statement, the Company said it wanted to be the leader in the industry, driving the development of green technology and, thus, becoming the corporate model for well-run Chinese companies. As part of the strategy to achieve its mission, the Company paid much attention to the development of management. In this context, in 2012 a group of 14 management team members and middle managers participated in an executive program at the Maastricht School of Management (MSM) in The Netherlands. These managers were from both headquarters and the various divisions, they belonged to either high-potential personnel or had already achieved an important managerial position and they were chosen purposefully to create a representative distribution of the company. All participants had been working in the Company for more than five years and, in many instances, more than ten years. The Company had rigorous selection procedures for participating in (external) training programs, consisting of a number of written examinations as well as interviews by selection panels. Among other criteria, work experience, performance, development potentials and motivation were evaluated in this selection process to determine whether a candidate was eligible for special training.

The executive program ran for several weeks and dealt with topics such as strategic management, operational management and HRM. One module was on HPO, which was organized and taught by the authors. As part of this module, the participants, while still in China working at their company, received a link to the internet-based HPO questionnaire (which contains the statements in the Appendix) with the request to complete this questionnaire. The data were collected by the authors in The Netherlands and subsequently analyzed. This analysis was then discussed by the authors with the participants while they were at MSM partaking in the module. In 2014, another group of 11 management team members and middle managers visited MSM for a similar program, which again incorporated the module on HPO. After completion of the HPO questionnaire by the respondents while still in China and the subsequent analysis by the authors in The Netherlands, in a similar manner as in 2012, these participants, while visiting MSM, received the assignment to discuss among themselves the scores of both 2012 and 2014 and come up with explanations for the scores and suggestions for improvement. They also needed to evaluate whether the HPO framework was useful for analyzing their company and whether the framework could help them improve the company. For this purpose, they received the data from 2012 and 2014 and the analysis of the authors and then were divided into four groups, with each group having to discuss one attention point (see next section for these points). After several hours of discussion, each group made a presentation on a flip-chart and shared it with the other groups, who criticized each analysis. This discussion was captured on tape by the authors. Finally, the flip-charts and the recordings were collected and transcribed, after which the captured information was used as input for this article.

Research results and analysis

Figure 1 is a graph depicting the scores of 2012 and 2014 for the Company compared to the average score of an HPO and the average score of Chinese companies ($n = 98$) collected in the

Figure 1.
HPO scores for the case company in 2012 and 2014 compared to the average scores of an HPO and of Chinese organizations

	Management Quality	Openness and Action Orientation	Long Term Committment	Continuous Improvement & Renewal	Employee Quality
Score case company 2014 (AVG = 7.9)	8,0	7,3	8,5	7,9	7,9
Score case company 2012 (AVG = 7.2)	7,1	7,2	7,9	6,6	7,2
Average score Chinese companies (AVG = 7.2)	7,6	6,8	7,9	6,6	7,1
Average score HPO (AVG=8.5)	8,5	8,5	8,5	8,5	8,5

HPO database of the HPO Center in The Netherlands. Appendix contains the detailed scores for both years.

Figure 1 shows that the Company was, according to the participants in both 2012 and 2014, not yet an HPO in either year although it was making progress toward that status. The Company also was, from an HPO perspective, not in balance as there were clear peaks and valleys in the scores on the HPO factors in both years. In 2012, the Company seemed to be a typical Chinese organization, as both the average HPO scores and the shapes of the graphs were almost the same. There were slight deviations only for HPO factors management quality and openness and action orientation. In 2014, the shape of the HPO graph for the Company was more or less exactly the same as for the Chinese companies except that the scores for the Company were now clearly higher, indicating that the Company was starting to take a leading role in Chinese industry. In this same year, the Company climbed up 11 places in the Fortune Global 500 list compared to its ranking in 2012, whereas several other ranked Chinese companies competing in the same sector dropped several places. However, a critical discussion of the scores is still in place here. It is safe to say that the real gap between Chinese organizations (including the Company) and the HPOs is probably bigger than the one reflected in Figure 1. This has its root in Chinese culture. While Chinese people, in general, are modest when talking about themselves, when it comes to evaluation or assessment, the numbers are ultimately important, and a low score is viewed as "losing face" (Cardon, 2006; Chee and West, 2007). As Li *et al.* (2006, p. 785) stated:

When failing to live up to the expectations set by themselves and others for their roles, people "lose face". Not only may they themselves face ridicule, contempt, or social ostracism, but their failure

may also reflect upon their families, their ancestry, their friends, and even the larger community. Thus, having an honored face is vital to Chinese people.

And Meraz (2011, p. 3) emphasizes that "the Chinese fear 'losing face' in a business situation". Thus, for example, when in Europe an academic scores 8 out of 10, he/she is qualified for distinction, whereas in China, only a score of 9 to 9.5 is regarded as distinction level. For this reason, the authors experience is that Chinese respondents generally give higher scores than European or American respondents. In addition, fueled by national pride and self-confidence, critical thinking has not been known to be a strong quality for Chinese companies (especially SOEs), and, therefore, inflation in evaluation/assessment scores is to be expected. What, however, is important from an HPO point of view is not only the absolute scores but also the shape of the HPO curves. Figure 1 shows that the shapes of both the 2012 and 2014 curves are more or less the same (the only real noticeable difference being management quality) which means that both sets of respondents recognize the same attention points in their company. And these attention points need to be addressed, no matter what their relative scores against HPOs or other companies might be. Based on the scores, four attention points were identified by the authors that the Company needed to address to become a full HPO. These attention points were given to the course participants who were asked to answer the following three questions:

Q1. What are the reasons that the Company scores high?

Q2. What are the reasons for the high performance organization attention points?

Q3. How can the high performance organization attention points be improved?

The participants gave a presentation for each attention point, which was captured in a MS Word document. In addition, the discussion was recorded so the authors could listen back to what was said and use the information as input for this article. In the next sections, the four HPO attention points are described and discussed. For each attention point the participants' recommendations are also given.

High performance organization attention point 1: finish what you started
This attention point was based on scores for the following HPO characteristics. HPO "2": In our organization, processes are continuously improved (score: 8.3). HPO "3": In our organization, processes are continuously simplified (6.5). HPO "4": In our organization, processes are continuously aligned (7.3). A high score on characteristic "2" and relatively lower scores on characteristics "3" and "4", in general, indicate that an organization has enough ideas for improvement and, indeed, puts many of these into action but is then less able to finalize these initiatives and achieve the desired results (de Waal, 2012b). The issues to be discussed by the participants were therefore: Are we starting too many improvement projects? If we start a process improvement, do we finish it successfully?

The participants agreed that the strategy of the company was clear and adapted to the circumstances of the organization. These circumstances were characterized by an oversupply of products, high-quality demands of customers and public and governmental pressure to strengthen environmental protection and decrease energy consumption. The clear strategy drove a culture of continuous improvement and strong, self-disciplined management, which included incentives to encourage employees to continuously improve. On the downside, these incentives caused people to take action too quickly and start an improvement initiative without thinking it over and without being well prepared. In addition, headquarters put in too many advanced management theories and methods too

quickly which made the improvement process needlessly complex and put a heavy burden on employees to keep up with developments.

One reason alignment of processes had become relatively arduous was the increasing complexity of the organization itself, caused by more and more layers of management, specifically, bigger and bigger middle management, thus lengthening the process of decision-making in the operation. As a way to improve the alignment of process improvement projects, it was suggested to first reverse the organizational pyramid so that customers instead of being at the bottom now would be at the top, thus showing that from now on customers came first, being the most important to the Company. This would mean that every process improvement had to serve the interests of the clients first and foremost. A practical implication would be that the organization should be delayered so that the distance between any organizational layer and the customer would be decreased and processes would, indeed, be simplified. Another suggestion was to organize the company no longer according to a hierarchical set-up but to a network set-up in which corporate would no longer "rule the roost" but would be part of the network, on equal footing with the divisions.

High performance organization attention point 2: measure, so it gets everybody's attention
This attention point was based on the scores on the following HPO characteristics. HPO "5": In our organization, everything that matters to the organization's performance is explicitly reported (score: 7.4). HPO "6": In our organization, both financial and non-financial information is reported to organizational members (8.0). These scores seemed to indicate that people in the company received enough information but that there was a question whether they received the right information and, for them, relevant information. The issues to be discussed by the participants were therefore: Are we on top of our critical success factors and key performance indicators (KPIs)? Do the right people get the right information at the right time?

In general, the participants were satisfied with the current performance management system, as it had a clear hierarchy, with the strategy communicated in corporate annual plans and outcomes measured with KPIs. These KPIs were regularly reviewed and in a feedback loop served as input for both adapting the strategy and the annual plans. In this way, there was regular verification of the company's performance in the key areas of customer feedback, finance, production and auditing. In addition, there were good communication mechanisms, such as smart mobile working platforms for easy access to information, a Company newspaper and the Company TV. However, according to the participants, the nature of the KPIs could and should be improved as these were strictly annual-based which created problems during the year when circumstances changed, and they were sometimes mutually conflicting. In addition, management in the division changed frequently (every two to three years), and each new management team brought new KPIs, superseding the old ones. In the end, the performance management system was seen as not supporting creativity and enthusiasm enough. In line with the improvement suggestion for HPO attention point 1, the participants wanted to make the KPIs more customer- and results-oriented. These new KPIs should be supported by a robust IT system and knowledge platform. Management should put the emphasis on using these KPIs as a source for continuous improvement and renewal and should empower employees more in the sense that they should be allowed to make mistakes when using the KPIs to become more innovative and performance-driven.

High performance organization attention point 3: use all the intellect in the company
This attention point was based on the scores for the following HPO characteristics. HPO "9": The management of our organization frequently engages in a dialogue with employees

(score: 7.4). HPO "10": Organizational members spend much time on communication, knowledge exchange and learning (7.3). HPO "11": Organizational members are always involved in important processes (7.7). HPO "12": The management of our organization allows making mistakes (6.0). HPO "28": Organizational members are trained to be resilient and flexible (7.5). People in the company clearly were taken seriously by management, as they were regularly involved in discussions, knowledge sharing and important processes, and there was attention for their development. On the other hand, management seemed to be uncharacteristically strict with people making mistakes and, in fact, had become more intolerant in 2014 of these mistakes compared to 2012. The issues to be discussed by the participants were therefore: Can we "profit" even more from the collective knowledge in the Company? Do we as management cooperate enough with each other and with employees? Can we pay even more attention to the development of our people?

The participants offered a host of reasons for the scores, such as regular meetings between management and employees, which included, for instance, discussions on KPI targets; regular feedback from managers to employees; much on-line communication; leaders of the company being inquisitive and always investigating and researching; and lots of training offered, both in-house and at colleges and research institutes. The main reason for the growing intolerance of mistakes should, according to the participants, be sought in the organizational culture which in recent years had become stricter and with a strong emphasis on performance. This was probably due to the growth of the Company and the increased expectations of the shareholder (the government) of potential profits. This hardening culture started to create several negative effects: the ability for innovation became less, and ambitions in this respect were lower anyway; people started to dodge their responsibilities, showed less passion and activity and became more conservative. The Company was still performing adequately, but the participants pleaded for a cultural reform in which management would acknowledge that benefits could be gained from making mistakes and, therefore, that making mistakes would be allowed. Improvement suggestions for this reform were to study how HPOs worldwide dealt with mistakes, appoint a strong leader who was not afraid of making mistakes him/herself and by others and give middle management training in how to deal with mistakes and how to have discussions with employees about their ideas and experiments and subsequent mistakes. However, it has to be taken into account that intolerance to mistakes is deeply rooted in traditional Chinese culture. Unlike in Western cultures, where making a (non-vital) mistake is regarded as normal, a fact of life, a valuable experience and an opportunity to learn, in China, it is regarded as "losing face". The mistake is often viewed as a reflection of the overall competence of the person who made the mistake; hence, when dealing with mistakes, instead of objectively analyzing the fact itself, people always take it personally: "You will be remembered for your mistakes". Unlike HPOs, where people are encouraged to be daring, act on new ideas, make (small) mistakes along the way so they can learn and improve and perfect their performance; both management and employees of Chinese companies, especially state-owned enterprises, try to avoid the embarrassment and shame of "losing face". Furthermore, the remuneration system reflects this culture, as people are punished for the mistakes they made and not rewarded for the improved performance they achieved by learning from their mistakes. Improvement suggestions for this attention point thus involve a change not only of mindset of the management and employees but also of the whole system of performance assessment, remuneration policies, and promotion criteria. This will, however, be particularly difficult in state-owned enterprises because their systems, rules and regulations are rigidly stipulated by the Chinese government.

HPO attention point 4: become the leader you need to be

This attention point was based on the scores on the following HPO characteristics: HPO "13": The management of our organization welcomes change (score: 7.5). HPO "18": The management of our organization applies fast decision making (7.1). HPO "19": The management of our organization applies fast action taking (7.9). HPO "20": The management of our organization coaches organizational members to achieve better results (7.8). HPO "22": The management of our organization is very effective (7.8). HPO "25": The management of our organization is decisive with regard to non-performers (7.0). HPO "26": The management of our organization always holds organizational members responsible for their results (7.8). These scores are by no means low and, therefore, the discussion focused not on improving but on strengthening the skills of the Company's managers. The issues to be discussed by the participants were thus: Do we have what it takes to become High Performance Managers? Are we performance-driven enough? Are we "tough" and professional enough?

The fact that the Company had such a good potential of managers was caused, according to the participants, by the fact that an outstanding company attracted outstanding people; the Company had an effective method to find good managers and a tough system to identify the potential leaders for the future; and the Company was a learning organization which was used to accept and welcome change thus making its managers better and stronger in the process. There were still some things the Company could do to help its managers improve further. Basically, the participants stated that addressing the aforementioned HPO attention points would already support managers in their development. In addition, top management could give lower level managers more empowerment and responsibilities.

Conclusion, limitations and future research

This article sets out to find an answer to *RQ1*. Our exploratory research shows that the answer to this question is affirmative, as illustrated by the evaluation, at the end of the HPO module conducted in 2014 at MSM, made by the participants of the HPO diagnosis as being a useful diagnostic tool and a catalyst for improvement at their company. The HPO questionnaire was generally seen as an easy to fill in survey which asked the right questions to pinpoint the issues at the Company. The respondents were of the opinion that these identified attention points were indeed the ones that troubled the company the most at the moment and that these should be taken seriously by them and the top management. In that respect, the participants felt that the HPO questionnaire should be filled-in by many more people in the company, especially top management and employees, to obtain a wider view on the Company. As such, the participants concluded that the HPO framework was a good tool for evaluation purposes and that it potentially could serve as a catalyst not only for improvement but also for change if a wider population in the Company would participate in the HPO questionnaire.

This study has both theoretical and practical implications. Theoretically, researchers now can use as a research tool a holistic HPO framework which has the potential of describing and explaining the factors of high performance in the Chinese context, opening avenues of further research into the various forms and stages of high performance in different types of Chinese organizations. As the HPO framework can also be used as the basis for longitudinal research, it provides researchers with the opportunity to follow the development of Chinese organizations closely. Practically, Chinese managers now have a framework at their disposal which can help them evaluate the performance of their organizations and subsequently provide them with the points they need to pay attention to work on improving organizational results in a focused way. It is true, in general, that it is difficult to generalize the study results found at one organization to other organizations.

However, in this study, the Company was one of the better managed and better performing SOEs in China, and, as such, it already functions as a role model for other SOEs. Therefore, the results of this study might encourage other SOEs to apply the HPO framework.

This research has several limitations. The small number of participants from the Company is a limitation. In fact, one could state that this research population constituted a convenient sample the authors had to use and took advantage of the fact that the people of the Company participated in one of MSM's programs. Fortunately, managers, in general, do have a good view on how their company is performing and, therefore, potentially a fairly accurate picture of the Company's status was achieved (Delaney and Huselid, 1996; Collier *et al.*, 2004). However, it would be good to achieve a wider picture of the Company by involving more managers and employees in the HPO questionnaire. Another limitation is that China is a vast and diverse country with many regional differences, so generalizing the research results to other Chinese organizations can be problematic (Zhang *et al.*, 2014). Thus, in future research more Chinese organizations from different regions should be involved. A final limitation is that the HPO framework was tested only on its diagnostic qualities and not on its catalytic properties. Therefore, longitudinal research should take place at the Company to evaluate whether management adopts the HPO attention points and is, indeed, able to improve the performance of the Company.

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Appendix: The HPO Framework
This appendix lists the 35 characteristics of the five HPO factors, with the average scores for the state-owned enterprise. The first column shows the factors to which the HPO characteristics belong: ci = continuous improvement and renewal, oao = openness and action orientation, mq = management quality, wq = employee quality, lto = long-term orientation. The columns "2012" and "2014" give the results of the HPO Questionnaire in those years (Tables AI).

Factor	No.	HPO characteristic	2012	2014
ci	1	Our organization has adopted a strategy that sets it clearly apart from other organizations	8.2	8.5
ci	2	In our organization, processes are continuously improved	7.7	8.3
ci	3	In our organization, processes are continuously simplified	5.1	6.5
ci	4	In our organization, processes are continuously aligned	6.0	7.3
ci	5	In our organization, everything that matters to the organization's performance is explicitly reported	6.6	7.4
ci	6	In our organization, both financial and non-financial information is reported to organizational members	5.9	8.0
ci	7	Our organization continuously innovates its core competencies	6.5	8.3
ci	8	Our organization continuously innovates its products, processes and services	6.9	8.6
oao	9	The management of our organization frequently engages in a dialogue with employees	6.9	7.4
oao	10	Organizational members spend much time on communication, knowledge exchange and learning	7.0	7.3
oao	11	Organizational members are always involved in important processes	6.6	7.7
oao	12	The management of our organization allows making mistakes	7.0	6.0
oao	13	The management of our organization welcomes change	7.6	7.5
oao	14	Our organization is performance driven	8.1	8.1
mq	15	The management of our organization is trusted by organizational members	7.2	8.5
mq	16	The management of our organization has integrity	7.7	8.3
mq	17	The management of our organization is a role model for organizational members	7.4	8.1
mq	18	The management of our organization applies fast decision-making	5.7	7.1
mq	19	The management of our organization applies fast action taking	6.5	7.9
mq	20	The management of our organization gives coaching organizational members to achieve better results	7.4	7.8
mq	21	The management of our organization focuses on achieving results	7.9	8.4
mq	22	The management of our organization is very effective	6.5	7.8
mq	23	The management of our organization applies strong leadership	7.3	8.3
mq	24	The management of our organization is confident	7.6	8.5
mq	25	The management of our organization is decisive with regard to non-performers	6.7	7.0
mq	26	The management of our organization always holds organizational members responsible for their results	7.6	7.8
wq	27	The management of our organization inspires organizational members to accomplish extraordinary results	7.6	8.3
wq	28	Organizational members are trained to be resilient and flexible	6.3	7.5
wq	29	Our organization has a diverse and complementary workforce	7.5	7.8
wq	30	Our organization grows through partnerships with suppliers and/or customers	7.3	8.3
lto	31	Our organization maintains good and long-term relationships with all stakeholders	6.9	7.7
lto	32	Our organization is aimed at servicing the customers as best as possible	8.2	8.9
lto	33	The management of our organization has been with the company for a long time	8.4	9.0
lto	34	New management is promoted from within the organization	8.1	8.8
lto	35	Our organization is a secure workplace for organizational members	8.3	8.5
		Average HPO score	7.2	7.9

Table AI