







CAN SMALL BUSINESSES ALSO BECOME HIGH-PERFORMANCE ORGANISATIONS?

A South-African Story

This Quick Insight delves into the potential of small and medium-sized enterprises (SMEs) to transform into High-Performance Organisations (HPOs). The study demonstrates that SMEs can significantly contribute to economic growth, job creation, and poverty reduction by adopting the principles of HPOs. It also highlights the importance of aligning with the five HPO factors for better organisational performance. Through a case study of a leading Internet of Things (IoT) firm in South Africa, the article offers practical insights into effective management practices, employee involvement, and continuous improvement. This is a must-read for SME owners, business leaders, and policymakers interested in leveraging the HPO framework to overcome challenges and enhance organisational performance.

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KEY TAKEAWAYS

-  **Transforming Small Businesses into HPOs:** Regardless of their size or geographical location, small and medium sized enterprises (SMEs) can tackle internal and external challenges by adopting the principles of HPOs. Turning SMEs into HPOs can stimulate economic growth, create jobs, and reduce poverty. With the right internal processes and adoption of the HPO framework, these businesses can overcome their challenges and significantly enhance their contribution to the global economy.
-  **Direct Relationship Between the HPO Factors and Competitive Performance:** The greater the alignment with the five HPO factors, the better the business outcomes. Therefore, businesses looking to enhance their competitiveness should concentrate on strengthening these factors.
-  **Understanding High Performance Operations in Practice:** Studying successful organisations can provide invaluable insights. An analysis of a South African firm revealed key strengths in areas like trust-building, decision-making, risk-taking, fostering longevity, continuous improvement, and valuing employee excellence. The analysis also revealed the importance of employee involvement, promoting innovation, regular financial reporting, balancing external hiring with internal promotions, and facilitating employee growth.
-  **Suggestions for Improvement:** HPOs also have room for improvement. In this case company standardizing decision-making processes, creating risk profiling models, developing management training programs, increasing transparency in financial reporting, and encouraging collaborations with suppliers and customers can help enhance performance.



OVERCOMING HURDLES

Smaller businesses, especially those in South Africa, significantly contribute to their country's economic growth: they make up 98% of businesses and employ around 60% of the workforce. Unfortunately, they face big challenges due to economic instability and internal difficulties. In the face of global economic turmoil and issues like limited funding, slow customer demand, and difficult market accessibility, South Africa's smaller enterprises have had a tough time. Add to that the negative impact of the COVID-19 pandemic, internal inefficiencies, and the lack of managerial skills, it is clear the road to success is steep. Yet, these obstacles are not insurmountable, and the answer could lie in becoming a high-performance organisation (HPO). Through adopting HPO strategies, SMEs have the potential to elevate their growth and contribute even more to the country's development.

FIVE KEY FACTORS THAT DEFINE AN HPO

An HPO is an organisation that performs better than its peers over a sustained period, across economic and leadership cycles. We've identified five key factors that define an HPO:

- 1. Management Quality:** High-performing managers show commitment, integrity, and decisiveness. They communicate clearly and hold people accountable.
- 2. Openness and Action Orientation:** In an HPO, everyone's opinions are valued. Mistakes are allowed as opportunities to learn, leading to an open, performance-driven culture.
- 3. Long Term Orientation:** HPOs establish and grow through long-term partnerships with all stakeholders. They also create a safe and secure workplace.
- 4. Continuous Improvement and Renewal:** HPOs continuously innovate their products and services and improve their strategies and processes to respond to market trends.
- 5. Employee Quality:** HPOs value diversity and flexibility in the workforce. They encourage employees to develop their skills and they hold them responsible for their performance.



A direct, positive relationship exists between these five HPO factors and competitive performance. The higher the scores on the factors, the better the organisation's results. Therefore, for South African SMEs to improve their chances of becoming high-performance entities, they need to focus on strengthening these factors. With the right internal processes and an embrace of the HPO framework, South African SMEs can overcome their challenges and contribute even more significantly to the country's development.

INSIDE THE OPERATIONS OF A LEADING IOT FIRM

This narrative uncovers the inner workings of a prominent Internet of Things (IoT) firm nestled in South Africa's Western Cape. With a distinct focus on crafting devices and sensors that generate unique data sets for industrial use, this leading-edge company has grown exponentially over its nearly twenty-year lifespan. While its core market consists of mining companies, the company also has a robust presence in the digital, healthcare, communications, and services sectors. The company's commitment to customer relationships and after-sales support sets it apart, but the competitive landscape means the organisation is in a constant battle for innovation and technological superiority.

UNLOCKING THE INNER MECHANICS: RESEARCH AND INSIGHTS

To delve deeper into the company's core, a series of semi-structured, in-depth interviews were conducted with key figures in the company. The HR Manager, Projects Manager, Chief Technology Officer (CTO), and Chief Executive Officer (CEO) shared their insights, enriching our understanding of the company's strengths and potential growth areas. Their long tenure and extensive experience within the company enriched the credibility of their responses. The data obtained was organized into five main HPO factors, which brought forth valuable perspectives.

HPO FACTOR 1: MANAGEMENT QUALITY

Building Trust and Upholding Integrity

The employees' sense of trust in the organisation springs from a culture of transparency, authentic leadership, and extensive employee involvement. According to the CTO, the decision-making process includes employees, which increases their understanding and respect for the organisation's leadership. The HR manager further emphasizes that management's ego-less approach encourages an open-door policy and open communication, which in turn strengthens trust.



The CEO believes in fostering a culture of trust through clear and regular communication. Quarterly 'stand-ups' where financial results and other developments are discussed exemplify this approach. One-on-one engagement between managers and employees, promises kept, and an ongoing display of integrity also contribute to the organisation's trustworthy reputation.

Decision-Making and Action-Taking

The drive for high performance is balanced with the need for inclusive decision-making, but the need for responsiveness often requires quick decisions, occasionally leaning towards an autocratic approach. Despite this, the management ensures their reasoning for a decision is communicated and employee concerns are addressed. The CTO adds that strategic decisions are made quickly, ensuring that action is taken rather than indecision taking root in the organisation.

Coaching of Employees

The company fosters personal growth through bi-weekly one-on-one meetings where managers discuss work-related and personal issues with the employees. The employees' personal development plans, including their career aspirations and technical skills needs, are given due consideration. However, the CTO concedes that people management may not be prioritized as much in a technically-oriented organisation. The focus often leans more towards the delivery of products and services.

Achieving Results, Accountability, and Addressing Non-Performers

The company's robust performance management system is backed by a set of organisational goals and objectives, regularly updated throughout the financial year. Employees are empowered to set their own objectives and goals in alignment with the company's strategy.

The 'customer is king' principle is held high within the company, with employees encouraged to take initiative to please the customers. Good performance is openly acknowledged in daily departmental meetings, fostering a positive work environment. Non-performers are addressed through performance counselling, while stringent recruitment processes and psychometric tests aim to ensure the hiring of high performers.



HPO FACTOR 2: OPENNESS AND ACTION ORIENTATION

Discussion and Participation

The CEO indicated that housing all staff under one roof considerably improved communication and interaction between management and employees. A shared physical space, where most teams have offices on the same floor, facilitated employee engagement and motivation, evident through a positive attitude and a lively atmosphere.

Management communicated with employees on a formal platform monthly, where in the past this was weekly. Because of the daily scrums conducted by each department, more frequent meetings were not needed. In the monthly meetings management informed



employees about the company's direction and ongoing projects. Some stakeholders, such as the Projects Manager, believed a bi-weekly schedule would offer a better platform for interaction. The CTO and HR Manager met regular, even daily, with their teams. Additionally, the HR Manager held quarterly individual meetings with employees to gather feedback, which was then used as decision-making input.

Decisions with company-wide implications were promptly shared with employees. The company also conducted bi-annual surveys, inviting employee contribution and ideas in strategic decisions.

Embracing Risk and Accepting Mistakes

The Projects Manager noted that the company allowed employees to take risks. Employees were given the autonomy to make and implement decisions, and be accountable for their consequences. This approach encouraged creative problem-solving and individual growth. The Projects Manager insisted that both employees and management bear responsibility for any failures since employees were given the initiative in the first place by them. However, he was uncertain if other departments operated similarly. The CTO, while not always endorsing



employees making independent decisions, stressed that management valued employee input. He believed employees should justify their decisions, especially if these led to risks, by assessing the associated pros and cons. The CEO reinforced that the company encouraged measured risk-taking to avoid potential harm to the organisation.

HPO FACTOR 3: LONG TERM ORIENTATION

Customer and Stakeholder Relations

Since its inception, the company prioritized serving its customers optimally and establishing strong relationships with customers and suppliers. Consequently, the majority of these relationships have spanned over a decade. As the Projects Manager explained, the focus on maintaining excellent relations with quality suppliers is critical due to the specialized nature of the company's products.

Employee Tenure and Promotions

Several employees, including many now in leadership positions, have been with the company for an extended period, offering valuable organisational memory. However, top positions like the CEO and the HR Manager are occupied by relative newcomers. The Projects Manager reasoned this was due to the lack of required leadership experience among current employees, although he believed the younger employees did have a promising future in senior management.

While the CEO emphasized the need for regular infusion of external talent, the HR Manager mentioned the challenges faced by outsiders in having or obtaining industry-specific knowledge. She maintained that balancing internal promotions with external hiring was crucial for maintaining morale and introducing fresh perspectives.

Workplace Security

Job security, seen as vital for the company's survival, was ensured through consistent business growth. The growth trajectory also promised more opportunities within the company and enhanced financial security for employees. The CEO stated that the company had never experienced layoffs or restructuring. Employee retention was facilitated through various schemes, like share incentive programs and recreational facilities, while employee needs were regularly identified and addressed.



HPO FACTOR 4: CONTINUOUS IMPROVEMENT AND RENEWAL

Strategy and Innovation

The Projects Manager attributed the company's edge over competitors to its unique culture, ethics, and customer relationships. The organisation focused on offering top-quality products and extraordinary customer service. A crucial part of the strategy involved using machine learning and AI, which competitors hadn't adopted yet. The CEO reiterated that their dynamic strategy allowed them to reject for the organisation unsuitable opportunities to maintain focus. To ensure their strategies were executable, they utilized feedback loops, testing their hypotheses in the market and discarding unproductive strategies.

Financial Reporting

The company conducted bi-monthly meetings to discuss finances, giving employees a general idea of the company's status. However, the Projects Manager stated that comprehensive financial updates were only given annually, making it difficult for employees to understand the company's performance during the year. There were plans to transition to monthly updates, particularly as employees could now invest in the company through the share incentive program.

HPO FACTOR 5: EMPLOYEE QUALITY

Exceptional Results

The HR Manager praised the company's culture of excellence, with employees striving to overachieve. She explained that management promoted exceptional results but did not overemphasize this, believing employees naturally performed at their best. The Projects Manager attributed the achievement of exceptional results to the management's approach of granting employees autonomy and freedom.

Flexibility and Resilience

Regarding training and development, the HR Manager indicated that employees independently pursued their professional growth without external pressure. The company tried to support educational endeavors as much as possible. The organisation's primary asset was its human capital, and this was reflected in its commitment to its employees.

The organisation made considerable efforts to improve its culture, even benchmarking against Google and implementing favored attributes of that company.



CONCLUSION AND SUGGESTIONS

The study's observations indicate that the case company exhibits several qualities synonymous with an HPO, such as the empowerment of its workforce, promoting innovation, recognizing success, and providing job security and share incentive programs. However, the potential for enhancement is also there, with specific recommendations offered below.

Suggestion HPO Factor 1: Leadership Excellence

The research points out that the company largely embodies the HPO characteristic of superior management quality, as shown by effective leadership, regular communication, fairness, trust, and swift decision-making. However, the study proposes standardising the decision-making process across all management levels to ensure swift yet optimal decision-making that is transparent to all stakeholders. This can mitigate associated risks of decisions. Establishing feedback mechanisms for continuous refinement of this process, including product/service quality review systems, is also recommended.

Suggestion HPO Factor 2: Transparency and Proactivity

The research indicates that the company partially fulfils this HPO factor's characteristics. While employees are encouraged to communicate, learn, and make mistakes, there is a lack of clarity on the extent of permitted errors and the frequency of official meetings with management. To address this, it is suggested that management devise a risk profiling model, emphasize the welcoming of change and the employees' role in it, and consider a 'change framework' specifically for the organisation to support these efforts.

Suggestion HPO Factor 3: Forward Thinking

The company demonstrates several aspects of this HPO factor, including a good understanding of its customers, maintaining long-term relationships, and prioritizing job security. However, an over-reliance on external hires for management positions points to a potential skills gap of the current employees. The company should explore why internal candidates are not filling these roles and bolster training efforts, possibly through a management development program in collaboration with a university, to prepare employees for leadership positions.



Suggestion HPO Factor 4: Consistent Enhancement and Innovation

The company has a clear strategy for using cutting-edge technologies such as machine learning and AI to stay competitive and add value to customers. Greater transparency in financial and non-financial reporting could better inform employees about the company's performance, particularly in light of the position vis-à-vis the competition.

Suggestion HPO Factor 5: Workforce Excellence


The company employs high-calibre, self-motivated staff who continuously improve their skills. To further facilitate employee growth, partnerships with suppliers and customers are recommended. These collaborations could foster creativity and productivity by placing employees closer to the supplier or customer.





ARE YOU READY TO TRANSFORM YOUR ORGANISATION INTO AN HPO?

It all starts with insight, obtained through an **HPO diagnosis**. This diagnosis shows you how your organisation –or even just a specific department– scores on the success factors of High Performance organisations. You will receive development points/improvement themes that can be tackled by managers and employees together. The HPO diagnosis acts as a mirror, in which you honestly look at your organisation (or part of it) and yourself: how far are we on the path to becoming an HPO? It helps you identify the 'hard nuts to crack': the focus areas that need to be addressed to realize your strategy and become an HPO. You determine your current level (the starting point) and use this as a basis to measure the effectiveness of the HPO transition. It also strengthens the 'sense of unity' within your organisation: by identifying and addressing shared, supported improvement themes.

Achieving or maintaining the status of an HPO comes with a range of financial and strategic benefits for everyone involved: the organisation, the customers, and the employees.

 **Customer Focus:** An HPO is invaluable to its customers. The primary goal is to boost customer value and satisfaction.

 **Employee Engagement:** Aiming for high performance re-energizes your team. It leads to increased job satisfaction as HPOs concentrate on what genuinely drives organisational success. It's not a new project; it's a new mindset and approach to work.

 **Adaptability:** An HPO is designed to evolve. It thrives in our ever-changing, competitive world, making your organisation more resilient and future-proof. This is achieved through ongoing adjustments, learning, and improvements.

Our Offer

- ✓ Customized **HPO Diagnoses**
- ✓ Interactive **Lectures and Workshops** on the HPO Framework
- ✓ Comprehensive Interviews, **Articles, Books**, and Networking Opportunities
- ✓ Guidance in Implementation Led by our **HPO Experts**



Why choose the HPO Center?



Experience & Credibility

With over 15 years of practical experience combined with rigorous scientific research, the HPO Center is at the global forefront of organisational improvement advice.



Global Knowledge Center

Based in the Netherlands, the HPO Center collaborates with partners, including in emerging markets, with the aim of fulfilling its mission to improve organisations worldwide.



Unmatched Expertise

HPO doesn't stop at diagnosing organisations. We also explore, investigate, and delve deeply into related topics such as High Performance Leadership, Silo-busting, Futurizing, Social Value Creation, and High Performance Business Ecosystems—evidence of our commitment to continually expand the HPO universe.



More than Just an organisation

With a passion for inspiring, stimulating, and networking, the HPO Center is not just an organisation; it's a movement. Through scientific and professional publications (all freely available at hpocenter.com and www.hpocenter.nl), books, seminars, and roundtables, we continually disseminate the knowledge of the HPO Framework and unite professionals interested in continuous improvement and excellence.

Considering an HPO transformation?

The HPO Center is ready to support and guide you on your journey toward high performance. Contact us today for an inspiring conversation or to experience an HPO workshop. Together, we'll redefine your performance.



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