

CREATING SOCIAL VALUE





The Power of the High-Performance Organization Approach

This Quick Insight explores the transformative power of the High-Performance Organization (HPO) Framework in enabling multinational enterprises to create substantial social value. The study discusses how multinationals, who strengthen the five factors of the HPO framework, are better able to address pressing societal issues such as COVID-19 recovery, economic equity and climate change. It is an essential read for business leaders, offering insights into achieving both organizational excellence and meaningful societal contributions.

This article is the management summary of: de Waal, A., Patel, S. and de Jong, A. (2023), "Creating Social Value Using the High-Performance Organisation Framework", Socialis Series in Social Science, Vol. 4, pp. 59-74.



KEY TAKEAWAYS

-  **The Increasing Role of Businesses in Social Value Creation:** Society is demanding businesses, especially multinational enterprises (MNEs), to contribute meaningfully towards societal issues such as COVID-19 recovery, economic equality, climate change, and general wellbeing. This involvement can generate significant social value, leading to improved community relations, better brand image, and enhanced long-term success.
-  **High-Performance Organization (HPO) Framework:** The HPO Framework, based on extensive review of scholarly and professional publications, outlines five essential factors for businesses to achieve sustainable success: Continuous Improvement and Renewal, Openness and Action-Oriented, Management Quality, Employee Quality, and Long-Term Orientation. These elements are directly linked to organizational performance.
-  **Linking HPO Framework to Social Value Creation:** This study establishes a theoretical link between the HPO Framework and social value creation. By embracing the HPO Framework, organizations are able to improve their capability to generate social value.
-  **Application of HPO Framework for Social Value Creation:** The HPO Framework is a promising approach to identify the organizational capabilities MNEs need for creating and sustaining social value. Overall, the study suggests that organizations focusing on high performance with the HPO framework are better able to create and sustain social value, providing a significant competitive advantage and contributing to the long-term success of the organisation.



Introduction

The business world is being called upon to contribute more meaningfully to society. This call is not just due to the resources businesses possess - financial, technological, and management - but also due to recent corporate scandals which have led society to demand a shift in focus from just financial gain to social responsibility. This shift is already reflected in the UK government's new requirement for suppliers to demonstrate in their quotations their commitment to create social value during their services. They must show how they plan to contribute to various societal issues such as COVID-19 recovery, economic equality, climate change, equal opportunities, and general wellbeing. It is expected that more governments globally will soon make the same demand of their suppliers.

Multinational enterprises (MNEs) have an important role in creating social value due to their global influence and the impact they have on local communities. For these businesses to effectively deliver on this, they need to boost their ability to create social value. The question is: how can they do this? Our study aims to identify the capabilities MNEs need to create and maintain social value. We will use the de Waal's high-performance organization (HPO) framework, a validated technique that helps businesses identify what they need to achieve great results. An HPO not only delivers impressive financial and non-financial results, but also focuses on what truly matters to the organization and the society. We propose that becoming an HPO will facilitate MNEs during their efforts to create social value. In this article, we will connect the HPO Framework to various components of social value, demonstrating their interconnectedness.

Social Value and Social Value Creation

In simple terms, 'social value creation' is the process of contributing something valuable to society or solving societal problems while also making changes to existing social structures. This implies creating sustainable value for all stakeholders, which includes shareholders, employees, customers, suppliers, governments, and communities. It involves not only creating economic value, but also respecting individuals' rights, enhancing their human and social capital, and protecting and restoring natural capital. In doing so, social value creation strengthens the social and environmental ecosystems where the organization operates, and in turn, boosts its performance in the medium to long term.



The HPO Framework

The High-Performance Organization (HPO) Framework is a scientifically validated model that helps businesses assess their performance level and pinpoint the areas they need to improve in order to maintain sustainable success. The framework was built following an in-depth review of 290 scholarly and professional publications about high performance. From each of these studies, key elements were identified and sorted, resulting in 89 features that were integrated into a global HPO survey involving over 3,200 respondents. These respondents were asked to rate their organization's performance regarding these HPO characteristics (on a scale from 1 to 10), and to compare their organization's results to those of similar organizations. The analysis of the survey data revealed five factors, with 35 accompanying characteristics, that are all connected to competitive performance:

- 1. Continuous Improvement and Renewal:** High-performance organizations consistently refine their strategies. They perpetually improve, simplify, and align their processes, innovate their offerings, and generate new competitive edges to respond to market changes. They also manage their core competencies efficiently and outsource non-core competencies.
- 2. Openness and Action-Oriented:** These organizations foster a culture of openness where managers value employees' opinions and involve them in critical business processes. Mistakes are allowed and seen as learning opportunities. Employees spend considerable time on dialogue, knowledge sharing, and learning to create new ideas that improve their performance and make the organization more performance-driven.
- 3. Management Quality:** Managers in high-performance organizations are trustworthy and act with integrity. They show commitment, enthusiasm, and respect, and make decisions in a decisive, action-oriented manner. They also hold people accountable for their performance, promoting clear responsibility for outcomes.



4. **Employee Quality:** High-performance organizations build diverse, complementary management teams and workforces. They encourage their employees to be resilient and adaptable. Employees are also encouraged to develop their skills to achieve exceptional results, and they are held accountable for their performance, thereby boosting creativity and improving outcomes.
5. **Long-term Orientation:** High-performance organizations grow through partnerships with suppliers and customers, leading to long-term commitments with all stakeholders. They prioritize promoting high-potential internal candidates, and ensure a safe working environment (both physically/mentally).

The HPO research showed a direct positive link between these five HPO factors and competitive performance. Higher scores on the HPO factors lead to better organizational results, whereas lower scores correspond to lower performance.

Research Approach

To uncover the organizational capabilities that MNEs need to create and sustain social value, we needed to connect the social value concept with the HPO framework. First, we dissected social value into its components: Environmental, Social, and Governance (ESG); Corporate Social Responsibility (CSR); and Equality, Diversity, and Inclusivity (EDI). Subsequently, we created an impact matrix that combined these social value elements with the individual traits of the HPO framework. For each social value component, we examined its potential impact on every HPO characteristic. The results of this alignment are summarized below:

HPO factors/characteristics	ESG	CSR	EDI
<i>Continuous Improvement and Renewal</i>			
1. The organization has adopted a strategy that sets it clearly apart from other organizations	X	X	X
2. In the organization processes are continuously improved.	X	X	X
3. In the organization processes are continuously simplified.	X	X	X
4. In the organization processes are continuously aligned.	X	X	X
5. In the organization everything that matters to performance is explicitly reported.	X	X	X
6. In the organization both financial and non-financial information is reported to organizational members.	X	X	X
7. The organization continuously innovates its core competencies.			
8. The organization continuously innovates its products, processes, and services.	X		

HPO factors/characteristics	ESG	CSR	EDI
<i>Openness and Action Orientation</i>			
9. Management frequently engages in a dialogue with employees.		X	X
10. Organizational members spend much time on communication, knowledge exchange and learning.	X	X	X
11. Organizational members are always involved in important processes.	X	X	X
12. Management allows making mistakes.			
13. Management welcomes change.			
14. The organization is performance driven.	X	X	X

HPO factors/characteristics	ESG	CSR	EDI
<i>Management Quality</i>			
15. Management is trusted by organizational members.		X	X
16. Management has integrity.		X	X
17. Management is a role model for organizational members.		X	X
18. Management applies fast decision making.			
19. Management applies fast action taking.			
20. Management coaches organizational members to achieve better results.	X	X	X
21. Management focuses on achieving results.	X	X	X
22. Management is very effective.	X	X	X
23. Management applies strong leadership.			
24. Management is confident.			
25. Management is decisive with regard to non-performers.			

HPO factors/characteristics	ESG	CSR	EDI
<i>Employee Quality</i>			
26. Management always holds organizational members responsible for their results.			
27. Management inspires organizational members to accomplish extraordinary results.	X	X	X
28. Organizational members are trained to be resilient and flexible.	X	X	X
29. The organization has a diverse and complementary workforce.			X



HPO factors/characteristics	ESG	CSR	EDI
<i>Long-Term Orientation</i>			
30. The organization maintains good and long-term relationships with all stakeholders.	X	X	
31. The organization is aimed at servicing the customers as best as possible.	X	X	X
32. The organization grows through partnerships with suppliers and/or customers.	X	X	
33. Management has been with the company for a long time.			
34. The organization is a secure workplace for organizational members.	X	X	
35. New management is promoted from within the organization.			X

Table 1: Matching the HPO Framework with the Components of Social Value

In the following sections, we will delve into each of the matches (indicated by an 'X' in the table), explaining how specific HPO characteristics influence each component of social value.

HPO factor: Continuous Improvement and Renewal

1. The organisation has to incorporate all components of social value in its strategy.
2. The organisation has to tailor all its processes to support the creation of all social value components.
3. See explanation for characteristic 2.
4. See explanation for characteristic 2.
5. The organisation has to make sure to develop key performance indicators for all the social value components, and include these in the reporting to both managers and employees.
6. See explanation for characteristic 5.
8. The organisation innovates its products, services, and processes to be(come) increasingly environmental-friendly.

HPO factor Openness and Action Orientation

9. Management regularly discusses the social value components, to keep on top of what is happening in the organisation with respect to social value creation and maintenance, while employees are also continuously informed about developments in this area.



10. In these discussions the social value components are emphatically the subject of learning.
11. Employees are emphatically involved in discussing, making decisions, and taking action in regard to the various social value components.

HPO factor Management Quality

15. Management is trusted by employees (and stakeholders) in an environment where managers are ethical, create and maintain individual relationships with people at all levels, have belief and trust in others, show people respect and exhibit fairness in the way all people (and stakeholders) are treated.
16. It is important that management is honest and sincere, i.e. has high integrity, so as to lead by example. The demonstration of commitment, enthusiasm, and respect in accordance with ethical standards is strongly encouraged in order to support the ethical level of the organisation. This is related to creating clear, strong, and meaningful core values which are put in practice, showing decisiveness and acting boldly when needed, in particular, with fundamental social responsibilities linked to employees (and stakeholders). In addition, the equal treatment of employees is a clear sign of integrity.
17. See explanation for characteristic 16.
20. Managers should coach employees on a regular basis in creating and achieving social value (in all its components).
21. The organisation and its management emphatically want to achieve positive results in regard to the social value components.
22. The organisation and its management are actually very good in achieving positive results in regard to the components of social value.

HPO factor Employee Quality

27. Managers should be able to enthuse employees for supporting the achievement of social value (in all its components).
28. When employees get regular training aimed at dealing with ESG, CSR and EDI issues, it will make them more flexible and agile which helps the creation of social value.
29. A diverse workforce is a clear sign of diversity and inclusivity.



HPO factor Long-Term Orientation

30. The stakeholder theory is the key theory in the debate on business' role and responsibility in society and addresses the capacities of an organisation to respond to social pressures and to create social value. The main claim is that organisations are not simply managed in the interests of their shareholders but that there is a range of groups (stakeholders) that has a legitimate interest in the organisation as well. Organisations that treat stakeholders in a trustworthy manner will develop a competitive advantage since they are able to reduce costs and environmental impacts, that is, good stakeholder management translates into good business. Therefore, management should be able to handle the relational process with stakeholders very well by empathically looking out for their interests.
31. CSR is mainly reflected in a fair pricing of the product and service delivered but also in taking interest in the customer beyond the product/service exchange. At the same time, consumers are becoming more interested in buying products from socially and environmentally responsible companies. After all, organisations that are perceived by customers and governments to be behaving badly with regard to the environment or human rights standards are increasingly at risk of falling sales.
32. Through globalisation of the economy, organisations are increasingly involved in a network of international chains of suppliers and customers. It has therefore become important them to establish alliances and partnerships within their value chain and to be part of a value creating network, so together all parties in the business ecosystem can make sure environmental and social issues are addressed adequately.
34. In terms of labour issues, when subscribing to CSR and EDI principles the organisation is committed to providing high-quality working conditions that reduce potential liabilities and health hazards of employees (and the other stakeholders). This goes hand in hand with the importance of an integrated and continuous environmental strategy for processes, products, and services in order to increase the overall business efficiency and thereby reduce potential health and working risks to employees.
35. When new management is promoted from within the organisation it means that internal people get a fair chance on promotion.



Conclusion

This research set out to identify the organisational capabilities MNEs need for creating and sustaining social value by theoretically linking the HPO Framework to the various components of social value.

As Table 1 shows, there are actually many links to be made between the two. In fact, the Table indicates that 25 of the 35 HPO characteristics influence one or more of the social value components positively. The consequence of this research result is that – theoretically – when an organisation becomes an HPO it will be in a much




better position to create and sustain social value as it has at its disposal the organisational capabilities needed to do just that. This means that the HPO Framework is a promising framework to achieve the ultimate research objective to identify the organisational capabilities MNEs need for creating and sustaining social value. The next research stage therefore is to take the results depicted in Table 1 and evaluate these in a follow-on empirical study at several MNEs.





ARE YOU READY TO TRANSFORM YOUR ORGANIZATION INTO AN HPO?

It all starts with insight, obtained through an **HPO diagnosis**. This diagnosis shows you how your organization—or even just a specific department—scores on the success factors of High Performance Organizations. 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 organization (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 organization: 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 organization, 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 organizational 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 organization 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 organizational 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 organizations worldwide.



Unmatched Expertise

HPO doesn't stop at diagnosing organizations. 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 Organization

With a passion for inspiring, stimulating, and networking, the HPO Center is not just an organization; 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.



HPO Center

Oude Enghweg 2
1217 JC Hilversum
The Netherlands

Telefoon: +31 (0)35 603 7007

Email: schreurs@hpocenter.com

Website: www.hpocenter.com

Contact: Marco Schreurs

