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Welsh Government

# High Performing Organisations

A whole systems approach to long term  
effectiveness

*sowing seeds*



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# Introduction

The challenges facing public service organisations in Wales remains ever constant and it is crucial that the managers and leaders within these often vast and complex bodies use every tool, practice, technique and theory to help them deliver high quality services to the citizens of Wales.

Emerging from the international business world is the developing theory and practice behind 'High Performing Organisations' – what are the principles and practices that underpin the operation of High Performing Organisations (HPOs) and how do public service leaders begin to implement these to maximum effect?.

What follows is an overview and commentary on the current published literature; describing the characteristics, approaches and strategies needed by organisations to implement and sustain organisational high performance to meet both the demands of the present and the unquantifiable challenges of the future.





# Background

The term High Performing Organisation entered the management literature some 25 years ago. It drew upon existing management theories that emerged in the 1970's and 1980's, particularly in respect of models of transformational leadership and whole systems approaches to organisational change. The approach was given added impetus as a result of the global economic turndown in the mid 2000's.

The implementation of HPO practices was originally taken up by commercial organisations which were seeking to maintain or achieve market leadership, add shareholder value and develop flexible business strategies which would 'future proof' them in a rapidly changing (some commentators described as 'chaotic') global economic and technological environment.

Interest in and published evidence of the application and impact of HPO principles to public sector organisations began to appear from 2009 onwards. The changes taking place in industry and society were driving public sector bodies to reshape themselves into nimble and flexible organisations, with the interests of citizens at the centre, sometimes known as New Public Management.

There have been changes in terminology in the application of HPO to the public sector, for example, referring to 'stakeholders' or 'citizens' rather than 'shareholders' and 'customers'. However, most researchers have concluded that the principles that underpin the HPO model are relevant to public sector organisations, albeit with some changes in emphasis on the characteristics which HPO's display.

## Defining High Performance Organisations

HPO is not a new management theory. Rather it is the bringing together of existing theories and good practice evidence from a number of management disciplines covering such areas as innovation and improvement, corporate governance, continuous improvement and human resource and workforce management.

There is no generally accepted common definition of an HPO. One reviewer commented that '... researchers approach

the topic of high performance from different backgrounds and angles and with different goals, it makes sense that there is not yet a consistent definition of an HPO.' Another noted that of 63 published papers on HPO only seven included a definition.

The two definitions that follow illustrate this lack of a common definition, though they are representative of those published in the literature:

***“... an organisation that achieves financial results that are better than those of its peer group over a longer period of time, by being able to adapt well to changes and react to these quickly, by managing for the long term, by setting up an integrated and aligned management structure, by continuously improving its core capabilities, and by truly treating the employees as it’s main asset.”***

Andre A. de Waal, from,  
The Characteristics of a High  
Performance Organisations, Maastricht  
School of Management, undated

The final line of the above represents a common thread running through much of the literature on HOP and will be addressed in more detail later. The following definition was specifically directed at the public sector:

***“... generate maximum public value. They are relentlessly citizen centred and outcome focused. Their capabilities and operational activities all support the delivery of outcomes defined by their mission, and they measure their performance based on those outcomes, not just inputs and outputs. At the same time, they are committed to cost-effectiveness. They hold themselves accountable; they actively accept their role as stewards of the public trust; and they make their operations and results transparent to all.***

***They are innovative and flexible, continually striving to improve value delivery, and are able to respond creatively to new challenges and opportunities. They work in open and collaborative ways, understanding that their organisation is part of a larger system, and cultivate working relationships with other agencies, organisations and stakeholders. Finally, they reflect their enthusiasm for delivering public value. This evident passion engages both internal staff and external stakeholders in active support of their organisations’ missions.”***

**Driving High Performance in  
Government: Maximizing the Value  
of Public-Sector Shared Services,  
Accenture, 2005**

The fact that there is no commonly accepted definition should not be a source of criticism of the HPO approach. Rather it reflects the emergent state of the model and the recognition by many researchers that HPO principles and practices need to be adapted to meet the context specific requirements of the implementers.

With the work already in place in Wales to support pan sector collaboration on leadership, culture and adding public service value, it might be appropriate to synthesise an operational definition of a HPO in Wales that draws upon the published literature, reflects the specific context and builds on the work already undertaken.



# The Characteristics of HPOs

In the same way that there is no standard definition of a HPO, there is no definitive list of the characteristics of a HPO in the literature. Indeed whilst for the purposes of this paper the term 'characteristics' is used, they are also described as 'factors' and 'domains'.

Equally the number of HPO characteristics generally ranges between 5 to 8, though one report suggests 12. Closer inspection reveals that the variance in numbers is often the result of sub-division of a characteristic into smaller sub-characteristics.

The literature and evidence indicates that it is the consistent application of the 'characteristics', which creates a HPO. Evidence suggests that, when implemented together in an organisation, the characteristics interact and reinforce each other. In short 'the whole is better than the sum of the parts'

The level of detail in describing HPO characteristics also varies; from fairly high-level statements of intent to more prescriptive statements of actions or behaviours. The two examples that appear below are representative of the range that appears in the literature.

## Example 1

### Organisational design

- Stimulate cross-functional and cross-organisational collaboration.
- Simplify and flatten the organisation by reducing boundaries and barriers between and around units.
- Foster organisation-wide sharing of information, knowledge and best practices.

### Strategy

- Define a strong vision that excites and challenges.
- Balance long-term focus and short-term focus.
- Set clear, ambitious, measureable and achievable goals.
- Create clarity and common understanding of the organisations direction and strategy.

### Process

- Design a good and fair reward and incentive system.
- Continuously simplify and improve all the organisations processes.
- Measure what matters.
- Report to everyone financial and non-financial information needed to drive improvement.
- Continuously innovate products, processes and services.
- Strive to be a best practice organisation.
- Create highly interactive internal communication.
- Implement flexible ICT systems throughout the organisation.



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### **Leadership**

- Maintain and strengthen trust relationships with people at all levels.
- Live with integrity and lead by example.
- Apply decisive action-focused decision making.
- Coach and facilitate.
- Stretch yourself and your people.
- Develop effective, focused and strong leadership.
- Allow experiments and mistakes.
- Inspire the people to accomplish extraordinary results.
- Grow leaders from within.
- Stimulate change and improvement.
- Assemble a diverse and complementary management team and workforce.
- Be committed to the organisation for the long haul.

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### **Individual and Roles**

- Create a learning organisation.
- Attract exceptional people with a can-do attitude who fit the culture.
- Engage and involve the workforce.
- Create a safe and secure workplace.

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### **Culture**

- Empower people and give them freedom to decide and act.
- Establish strong and meaningful core values.
- Develop and maintain a performance-driven culture.
- Create a culture of transparency, openness and trust.

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### **External environment**

- Continuously strive to enhance customer value creation.
- Maintain good long-term relationships with stakeholders.
- Monitor the environment constantly and respond quickly.
- Choose to compete and compare with the best in the marketplace.
- Grow through partnerships and be part of a value-creating network.

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*Andre A. de Waal, from, The Characteristics of a High Performance Organisations, Maastricht School of Management, undated.*

## Example 2

### Strategy

- Organisation's philosophy statement is consistent with its strategy.
- Respondents know what they need to know about their organisation's strategy in order to do their jobs effectively.
- The basic theme of the organisation's philosophy statement matches respondents' personal philosophy.

### Approach to customers

- Organisation believes that the business exists primarily to serve customers.
- Organisation strives to be the best in the world in providing value for its best customers.
- Organisation assesses and determines its customers' future needs.

### Approach to leadership

- Immediate supervisor understands the strengths employees bring to their jobs.
- Employees believe that their behaviour affects the organisation.
- Everyone is clear about the organisation's performance expectations.

### Processes and structure

- Organisation's highest priorities are on meeting customers' needs.
- Organisation's delivery schedules for products and services are based on customer needs.
- Organisation's performance measures are clearly defined.

### Values and beliefs

- Most employees think the organisation is a good place to work.
- The organisation's organisational culture is externally focused on customers, markets, and competitors.
- The organisation emphasises readiness to meet new challenges.

*How to Build a High Performance Organization,  
American Management Association, 2007*



# The Role of Values in HPOs

The HPO literature clearly demonstrates the absolute importance of aligning an organisation's mission, strategy, culture and most importantly, actions. As one commentator put it:

***“When we work in an organisation whose culture aligns with our personal values, we feel liberated. We are able to bring our full selves to work. We not only bring our energy, our creativity, and our enthusiasm, we also bring our commitment to the well-being of our associates and the success of the organisation. Unleashing this energy is tantamount to liberating the corporate soul... Our research and that of others, shows that there is a strong link between financial performance and the alignment of an***

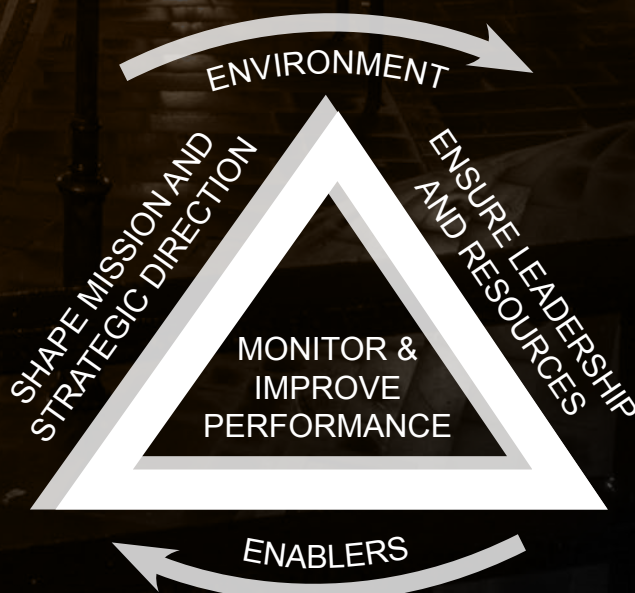
***organisation's cultural values with employees. ... Our experience in mapping the values of more than 2,000 private and public sector institutions over the past ten years in more than 60 countries allows us to state categorically that values driven organisations are the most successful organisations on the planet....”***

***Richard Barrett, Building a Values-Driven Organization: A Whole-System Approach to Cultural Transformation, Boston: Butterworth-Heinemann, 2006***

It is arguable that where the pursuit of profit is not the primary purpose of the organisation, then culture, or more specifically, values becomes a key organising principle.

# The Role of Boards in HPOs

## Three Distinct Roles of High Performing Boards



From the two lists of characteristics which appear in the previous section and specifically those that address strategy and process, it is evident that the Boards of organisations play an essential role in implementing HPO principles and practices as part of their corporate governance responsibilities.

The scope of corporate governance has broadened in recent years, with the overall objective being to enhance organisational performance. Thus corporate governance has moved from a position of being primarily focused upon:

- compliance with legal requirements;
- management of risk;
- adherence to best practice sector standards;
- accountability to relevant stakeholders.

To a wider model which incorporates:

- monitoring the performance of the organisation and the senior management team;
- setting organisational goals and developing strategies for achieving them;
- being responsive to changing environmental demands, including the prediction and management of risk.

The OECD takes this broad view of Corporate Governance and defines it as:

***“...the full set of relationships among a company’s management, its board, its shareholders and other stakeholders. It provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance determined.”***

### ***OECD Principles of Corporate Governance, Ad-hoc Taskforce on Corporate Governance, 1999.***

The independent Commission on Good Governance in Public Services identified the following principles of Good Governance:

- focusing on the organisation’s purpose and on outcomes for citizens and service users;
- performing effectively in clearly defined functions and roles;
- promoting values for the whole organisation and demonstrating the values of good governance through its behaviour;
- taking informed, transparent decisions and managing risk;
- developing the capacity and capability of the governing body to be effective;
- engaging stakeholders and making accountability real.

*The Good Governance Standards for Public Services, The Independent Commission on Good Governance in Public Services, OPM and CIPFA, 2004.*



## Three Distinct Roles of High Performing Boards

### Mission/Vision and Strategy

- Mission: Why does the organisation exist?
- Vision: Monitor performance and ensure accountability
- Strategy: How will we achieve these Goals



- Shape the mission and vision.
- Engage actively in strategic decision making and policy decisions.

- Select, evaluate & develop the CEO.
- Ensure adequate financial resources.
- Provide expertise and access for organisational needs.
- Enhance reputation of organisation.

- Monitor performance and ensure accountability.
- Oversee financial management and ensure appropriate risk management
- Improve board performance

*In their research paper on corporate governance and organisational performance, Cornforth, Chris and Chambers concluded that:*

***“There is some evidence from a variety of different fields that there is an association between good governance and good organisational performance... The emerging evidence is that high performing boards concentrate on shaping strategy, resource identification and use, and talent management... There is***

***also evidence in support of having a majority of outside non-executive directors in order to provide independent challenge.”***

***Cornforth, Chris and Chambers, The Role of Corporate Governance and Boards in Organisational Performance. Cambridge University Press, 2010***

*From the definitions and research evidence provided above, it is clear that Boards and in particular their non-executive Director and stakeholder members play a significant role in ensuring the success of a HPO.*

# The Role of Executive Leaders in HPOs

The role of senior leaders is to enact the decisions of the Board, create a performance management culture, measure performance and report on progress. Leaders need to create and sustain an environment which recognises that front line staff are the 'public face' of the organisation through which its mission and values are demonstrated; invest in their development and both encourage and support local decision making and leadership.

KPMG identified the following for developing a performance management culture in public sector organisations:

- agree a small number of consistent measures and embed performance management down throughout the organisation;
- strike a balance between quantitative and qualitative indicators. Give preference to relevant qualitative information over irrelevant data;

- engage the whole organisation - educate staff to ensure that performance indicators will be interpreted consistently across the organisation and explain the links between actions and performance management;
- include staff in routine decision making and the overall development of performance management within the organisation;
- link individual performance and incentives to the achievement of organisational objectives;
- seek to ensure that any additional reporting burden on staff is balanced by the benefits to them of having additional, and meaningful, performance information.

*An Achievable Quest: High Performing Public Sector Organizations, KPMG China, 2009.*



A number of sources caution against the appointment of more leaders. Rather, creating a HPO is about exercising more leadership at all levels by developing capability and ensuring that overly complex structures do not impede the ability of individuals across the organisation to exercise leadership and deliver on their performance objectives.

### **1. The difference between private and public sector HPOs**

One published study was found in the literature that specially identified context specific factors that uniquely affect the public sector when implementing HPO processes. This is reproduced overleaf:

- Responsibility structure

In a public organisation, there is political leadership, which is responsible for formulating the strategy, and executive leadership, which is responsible for implementing the strategy. This division of leadership and responsibilities causes many conflicts in public organisations.

- Resources

Public organisations have an important asset that private organisations do not have: political power, resulting from the activities they perform.

- Strategy and added value creation

For public organisations, added value is defined by supervisory agencies, which often have conflicting interests. For example, citizens not wanting to pay more tax versus social security recipients wanting to receive more benefits.

- Clients and customer satisfaction

It is for public organisations more difficult than for private organisations to aim at increasing customer satisfaction, because they may be forced to act against the immediate interest of their clients. For instance, increasing public security may go against people's freedom of movement. In addition, it is not always clear who exactly the clients of a public agency are. In public sector organisations, citizens pay tax without directly benefiting from it.

*Achieving High Performance in the Public Sector – What Needs to Done?*

*André A. de Waal, Center for Organizational Performance BV, Undated*

The above differences should not be viewed as reasons preventing the introduction of HPO practices in public sector organisations. Rather it re-enforces the point made earlier at the importance of understanding and working within the context of implementation if HPO practices are to be successfully implemented.



# Considerations for Action

If public sector bodies are to move towards the implementation of HPO characteristics and practices changes in activity need further consideration:

- Boards must be fully involved and engaged in the strategy formulation, implementation and oversight of a HPO model. The Board, therefore, acts as both the champion of an HPO strategy and the 'holders to account' for its effective delivery through its governance and risk management responsibilities.
- All management disciplines from strategy development, through finance and IT, to human resources have a role to play and an accountability to deliver HPO. Thus, service heads on senior management teams have an individual and collective role in leading the implementation of successful HPO practice.
- Successful HPO implementation requires a continuous and some have argued 'relentless' focus on improving services for clients and customers.
- There is no 'fixed' model for implementing HPO. Whilst adhering to the broad principles and characteristics that underpin the HPO model, individual organisations and sectors will need to determine their approach based on their particular context and starting point.
- HPO is a 'do with' not a 'do to' model. HPO is not 'owned' by the Board or senior management alone. The literature clearly demonstrates that success in HPO implementation occurs when it engages with, and involves the whole workforce. It is therefore the role of the senior management team to champion the model and actively seek to include and engage the entire workforce in its implementation.
- HPO is not a quick fix. Rather it is way of organising and delivering the business; "The way we do things around here". Organisations will need to commit to the long haul in implementing HPO. Some researches have suggested that it takes at least five years of operation before the quantifiable benefits of implementing HPO can be measured in an organisation.
- Some changes can be introduced with pace and scale, whilst others will take far longer. Streamlining and simplifying the documentation processes in an organisation can be achieved 'relatively' quickly. However, changing the culture and mind-set of a dis-engaged and possibly dis-affected, workforce will take much longer. But just because the latter is hard does not mean it isn't important. As quoted elsewhere, 'values-driven organisations are the most successful organisations on the planet.'



# Conclusion

Advocates of HPOs do not claim to have invented a new and original theory of management practice. Rather they have drawn upon the best research and empirical evidence that has emerged from a number of different management

disciplines over the past thirty years and pulled these together. What makes HPOs 'original', therefore, is that it creates a 'whole system' approach to continuous organisational transformation and improvement.

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