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Course Project:
Creating a High Performance
Organization Study

Keller Graduate School of Management

GM591 - May/09 Session

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i. EXECUTIVE SUMMARY

As part of the *GM591: Leadership and Organizational Behavior* class of the Masters in Project Management, this assignment was intended to be an opportunity to utilize the High Performance Organization (HPO) and Organization Behavior concepts discussed during the class. Included goals in the assignment are an assessment of the current state of the department, a literature review of High Performance Organization principles and suggested steps and actions towards achieving a high performance organization status for the department I currently work for. Possibly, also serve as a benchmark for other departments and organizations of the company.

The significance of a high performance organization has become even more critical, especially during turbulent times we have been experiencing. The ability to respond to business environment changes and to maintain or improve effectiveness is critical in creating any high performance organizations. In order to succeed, many of the traditional management methods need to be replaced with an innovative, modern approach to performance management.

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I. INTRODUCTION

A. *The Environment*

The company that I work for is a major player in the aerospace industry. The department that I am with is tied directly with the company's production system, specifically, the *Value Stream* of the commodities of the product marketed. Value Stream is the linkage of process, material and information flows for our product. It starts with the customer request, then through acquisition, design, procurement, production, certification, delivery and in-service support for a specific commodity of the product. The Value Streams are optimized by focusing on ways to eliminate non-value added activities (waste), increase velocity and provide the best value to the customer within the Value Stream Teams structure. A Value Stream Team (VST) is a cross-functional / cross-organizational team that links the value stream system described above (Perez, 2009).

B. The Employees

Our department consists of a group of Lean Coaches and Project Managers. The Lean Coaches provide support to the VSTs by facilitating different lean activities aimed at identifying waste in their current state process. Once the current state map is documented, the lean coaches facilitate discussions and activities to identify opportunities for improvement. The future state map then is created based on the opportunities discussed. In the project manager position, my role is to aid the Lean Coach in mentoring the teams during the improvement activities as well as the overall management of the more complex improvement activities that become value stream or company projects (Perez, 2009).

II. CURRENT STATE (PROBLEM)

The scope of the Value Stream Team starts and ends with the customer. The company's high priority on customer satisfaction places emphasis and importance on the management of the VSTs and the organization in which I work. Implementation *and culture* of the value streams in the business system is a moderately new

journey as compared to the overall existence of the company. Not surprising, the implementation of the value stream teams began as a pilot initiative that produced favorable outcomes that lead to in the implementation of subsequent teams for other commodities. As a result of the phased implementation, teams today are at different levels of maturity.

However, one mutual concern amongst the management body of the Value Stream Teams is the lack of authority or empowerment the teams have over the processes and procedures that govern their commodities. While, at first, it may appear to be the problem of the teams, it could be a symptom of the problem the teams share: *the management system of the value streams in place does not align with the current requirements of the value streams of the commodities!* As a consequence, many of the teams could be seen as low performers if one considers the potential throughput and capacity gains expected when value stream teams were idealized. Now the question then becomes: What would take to elevate our department, and concurrently the value stream teams, to a High Performance Organization level?

III. LITERATURE REVIEW

A. What is a High Performance Organization?

"We must be a High Performance Organization!" This appears to be the preferred statement in the majority of the senior management and leadership of companies within a competitive market. But what is a High Performance Organization?

One uncomplicated way to analyze would be to first respond what is not a High Performance Organization. Nicole Young (2005) describes in a very simplistic way by making an analogy with a boat where rowers are not in synchronism. Even counting with the presence of top rowers, the fact is that the boat is not performing at its peak performance potential. Not being in sync makes this boat a low performance boat, even if it appears to be currently ahead of the pack. Given the current race conditions and its forecast, chances are this boat will be passed by other boats in which rowers are synchronized (Young 2005).

From the previous analogy, it can be concluded that the key to win the race is not to have top rowers. Instead, the key for a boat to win the race is to have its rowers synchronized so it performs at its highest level. Occasionally, the top rowers of

the not synchronized boat will be attracted to row for the synchronized boat. They realize that in sync rowers efforts contributes to a higher speed than the waste of energy in their current boat. And that's basically how a high performing boat, or organization, operates.

High Performance Organizations are, according to the American Management Association on page vi of its 2007 How to build a High Performance Organization study, "...the role models of the organizational world. They represent real-world versions of a modern managerial ideal: the organization that is so excellent in so many areas that it consistently outperforms most of its competitors for extended periods of time" (American Management Association 2007, p. vi).

Other authors have also developed specific definitions for High Performance Organizations. "Hanna (1988) defines "High Performance" organizations as those organizations that are designed taking into consideration the business situation (the external environment), the business results, and the business strategy of the organization" (Varma 1998, p.2).

There are also small variations to High Performance Organization title and/or definition. Recently, Prof. Beer, from Harvard Business School, during a question and answer session with Martha Legacy, was preparing a book related to a study on how to manage in difficult times in order to avoid the loss of

human and cultural assets. The book, due out this summer, is in basically the result of a study on how successful CEOs build and sustain what he described as High Commitment, High Performance Organizations (Legacy 2009). Another example is High Performance Work Systems (HPWS). While not exactly named as High Performance Organization the principles of HPWS are based on the same principles of HPO.

"Nadler and Gerstein (1992) also suggest several key design principles that would help organizations establish successful HPWSs. While there is a fair amount of overlap between their suggestions and Gephart's principles, Nadler and Gerstein emphasize the importance of information sharing and access, in addition to the notion of multi-skilling" (Varma, 1998, p.2).

B. What is a High Performance Organization composed of?

Whether referred exactly as High Performance Organization, or any variance of, the principles and characteristics are fundamentally similar, if not the identical for organizations that outperform the competition. They all share the same end goal to sustainably obtain the maximum throughput by putting emphasis on the human side of the business.

Several authors and companies have elaborated their own list of principles and characteristics. The following is a brief

overview of the principles and characteristics as perceived or created by a few authors and organizations that compose a High Performance Organization.

Newbold-Coco, R. (2006), cites R.V. Armstrong and Associates (1997), when stating that "a high performance organization is reflected within a company's structure, management operating system and culture where everyone participates in a shared vision and innovative leadership, dynamic change, sharing of information, systems understanding, self-managed teams, cross-trained workers, customer focus and the on-going introduction of new technology is present (R.V. Armstrong & Associates, 1997). The five components of a high performance organization include employee involvement, self-directing work teams, integrated production technology, organizational learning, and total quality management (Schermerhorn, Jr., Hunt, Osborn, 2003)" (Newbold-Coco, 2006, p.1).

Resource Development Systems, LLC (2008), or RDS, lists the seven elements of principles as:

- Put People at the Center of everything you do;
- Build Trust as a foundation
- Allow Personal Responsibility
- Share a Vision of an Aligned Purpose, Values, and Goals

- Create Emotional Connections through Leadership
- Focus on Strengths and Accentuate the Positive
- Encourage Innovation (RDS 2008, p.1).

Lawler III (n.d.), in his Designing High Performance Organizations, suggests four components of employee involvement to increase performance:

- "Information about business strategy, processes, quality, customer feedback, events, and Business results
- Knowledge of the work, the business, and the total work system
- Power to act and make decisions about the work in all of its aspects
- Rewards tied to business results, individual growth, capability, and contribution" (Lawler III, n.d., p. 14).

The same principles are also discussed in Lawler III's publications of 2003 *"What it means to treat people right"* and of 2008 *"The Talent Lie: "Putting people first" can be more than a slogan"*.

Young (2005) lists the five qualities of a high performance organization as:

- "Commitment to Excellence
- Clearly Stated Purpose and Desired Results

- Effective Change Management Processes
- Open, Multi-Directional Communication
- Culture of Continuous Learning" (Young 2005, pp.2-5).

Fisher & Thomas (1996), identify the seven practices of highly effective teams as:

- "A commitment to a clearly defined mission;
- Mutual support and encouragement among team members;
- The existence of clearly specified roles and responsibilities;
- Win-win cooperation among team members [and other stakeholders],
- Individual competency among the team's members;
- Empowering communication; and
- A winning attitude" (Fisher & Thomas, 1996, pp. 37-38).

The United States General Accounting Office (2000), or GAO, found ten underlying and interrelated principles of human capital management during a review of performance of nine private sectors. According to GAO "Although human capital management alone cannot ensure high performance, proper attention to human capital is a fundamental building block to achieving an organization's mission and goals" (GAO 2000, p.2).

- "Treat human capital management as being fundamental to strategic business management
- Integrate human capital functional staff into management teams
- Leverage the internal human capital function with external expertise
- Hire, develop, and sustain leaders according to leadership characteristics identified as essential to achieving specific missions and goals
- Communicate a shared vision that all employees, working as one team, can strive to accomplish
- Hire, develop, and retain employees according to competencies
- Use performance management systems, including pay and other meaningful incentives, to link performance to results
- Support and reward teams to achieve high performance
- Integrate employee input into the design and implementation of human capital policies and practices
- Measure the effectiveness of human capital policies and practices" (GAO 2000, pp. 2-4).

C. External Influences in Organizational Performance

Organizations, low and high performers included, do not operate in a vacuum. They are susceptible to the influence of external factors that may drive to different results. "External criteria [that are] important consequential changes in the business environment: Economy, Demand shifts, Competitive conditions, Globalization of markets, intense international competition, deregulation, Shifting resources, merging operations, adding operations, Obsolesce, Pace of change, Market demand, market share, industry trends, Growth, different customers, Suppliers, New competitors. New products, services. Patents. Loss, acquisition of major customers. Synergy, integration with an acquisition, new business. Sold off assets; discontinued a business, product line. Growth. New partner, joint venture, merger. International ventures (R.V. Armstrong & Associates, 1997)" (Newbold-Coco, R. 2006, p.2).

The American Management Association (2007) sorted many of the external influences listed above by R.V. Armstrong & Associates into seven categories:

- *Talent and Skills of the Workforce*: this is basically the primary driver of a high performance organization. Without high performer worker (the top

rowers!) achieving high performance is substantially more challenging.

- *Global Competition:* this influence is a consequence of globalization which has impacted the economy of the countries over the past few decades.
- *Faster and more disruptive changes:* advancement in technology and the dynamics of market demand have raised the need for companies to adapt systems that would allow quicker responses to the changes.
- *Technology:* technology has always influence one's ability to perform better than before. The same applies to organizations seeking competitive advantage.
- *Political and Regulatory changes:* regardless of what government model is adopted, governmental influence will always be present with performance of organizations. In fact, many of the advancements of performance come as result of a political or regulatory change.
- *Ethics:* "In 2006, Baylor University professors and two of five coauthors of "Ethical Attitudes in Small Business and Large Corporations" – a survey sent to 10,000 U.S. business professionals in 1985, 1993, and 2001–concluded that an ethical atmosphere in an

organization was good for efficiency and the bottom line" (American Management Association, 2007 pp. 13-14).

- *Environmental Changes*: "The so-called sustainability paradigm assumes that a company should be not only financially sustainable but socially and environmentally sustainable as well" (American Management Association, 2007 p. 15).

IV. ANALYSIS

In beginning to analyze the problem as stated in part II: "*the management system of the value streams in place does not align with the current requirements of the value streams of the commodities!*" and comparing to the literature review some issues can be identified as contributors to the problem.

As specially stressed by Lawler III (n.d.) as well as Fisher & Thomas (1996) during the literature review, empowerment is key. The current organizational structure does not allow value stream teams to act and make decisions about the processes and procedure in which teams operate. Both R.V. Armstrong & Associates, 1997, cited in Newbold-Coco, R. (2006) as well as

James Haskett stress the importance of empowerment expressed as self-management. Haskett referred in his article: "Self-management is perhaps an extreme case of what we have found, in our research, to be one of the features of high-performance work places that are most attractive to the people who work there: latitude to deliver results for customers, whether external or internal to the organization" (Haskett, 2006, p.1).

Bureaucracy is another cause of the problem as stated. The current organizational functional structure, perhaps because of the age of the company has added layers of bureaucracy that contributes to slow downs in business improvements suggestions, or worse, it can discourage team members to try new opportunities of improvement. "If you are going to be flexible and cope with rapid growth and change, you can't be bureaucratic" (O'Reiley & Pfeffer 2000, Ch. 6).

The lack of a reward / performance system related to business results as stressed by Lawler III (n.d.) and GAO (2000) can also be a contributor lower performance. This issue can be associated with the absence of clearly defined metrics for the teams that are aligned with daily process (normal) work performance goals.

Finally, another cause is the lack of integration of value stream activities into the normal business practice instead the perception of "an additional work" imposed by management. A

clear example is the comments "get back to work" comments of some team members once an improvement workshop is ended. Another example is the "I need to work harder to meet the monthly metrics for production. If we have time we will work on improvements". This lack of integration is often discouraging for team members to work on an improvement activity knowing that they have the normal daily work goals as perceived top priority.

V. OPPORTUNITIES (SOLUTIONS)

Based on the analysis of the issues, it is evident that any improvement solution applied to any of the contributing factors listed in the analysis portion would have a significant, positive effect in moving the department and value stream teams towards high performing organization.

However, the most complex and most challenging improvement opportunity is replacing the current traditional organization functional management model with a value stream management model approach where each commodity is managed per its value stream. This change is most definitely an enabler to make teams empowered, less bureaucratic and it will allow the team work

environment, strengthening in our company the basis of any high performance organization, the Human Capital.

Great! But how should today's economy change our view of innovation? Harvard Business School professor Lynda M. Applegate says during Q&A of HBS Working knowledge published in April 27, 2009: *"This is a time of unprecedented opportunity to rethink offerings, markets, business processes, and organizational structure—and to improve them to achieve growth"* (Applegate, April 27, 2009, p.1).

VI. REFLECTION

I strongly believe this assignment has been a good learning experience to me. On the personal side I believe, the research done in HPO has showed me that the same principles can be applied in my personal life. Articles of Young and RDS don't even contain word like business, work and other words more related to our professional lives.

Academically, I strongly believed this assignment has helped me in the development in absorbing (and forming!) opinion based on theories and models of different authors and drawing my own conclusions.

Professionally, it definitely helped to enrich my knowledge of characteristics and requirements of high performance organization towards my professional development.

Finally, this was an opportunity to participate in discussion with my senior management in regards to our organization in addition to be a subject that can be immediately applied to my workplace. As originally planned, I will be reviewing the findings of this assignment with my management. This was a good opportunities to work on something that can be applied directly apply to my workplace.

"It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change".

Charles Darwin

(class discussion, June 10, 2009)

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