Suitability of High Performance Organisation Framework to Financial Institutions

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Abstract
The purpose of the study was to establish performance levels in financial institutions in Uganda using the subjective measure of high performance organization framework (HPO framework). The study used a sample of financial institutions (FIs) drawn through a convenience sampling scheme. Performance level was evaluated using high performance organization framework questionnaire, which has five factors and 35 characteristics. The paper empirically shows that financial institutions fare better statistically on all factors of the HPO framework. Except the factor openness and action orientation that had a lower mean score than other factors. The scores for the other factors are just satisfactory and there is further scope for improvement. The study used a small sample and thus, findings may lack generalisation. Therefore, it would be interesting to verify the findings using a larger sample size.

The paper can serve as a basis for FIs in Uganda to adopt the HPO framework as a tool to measure performance. The HPO framework could be an organisational model that entities are looking to achieve in terms of economic, environmental and social sustainability. Detailed scores on the HPO factors show strong and improvement points of the organization and will set the action agenda for transitions to HPO. The paper tries to bring forth concern areas for performance improvement in the Ugandan finance sector. The study provides a non-financial measure for performance that could help the FIs evaluate their performance.

Keywords: *High performance organization framework, financial institutions, Uganda.*

Introduction

Applicability of the HPO framework depends on willingness of an institution to assess its performance. We applied the HPO framework to financial institutions (FIs) that were ready to participate via their employees after an explanation to the management. The HPO framework is a subjective measure of performance that has been applied in different organisations to establish their HPO status (cf. Waal, 2008; Waal and Frijns, 2011; Waal, 2012). The HPO framework has five factors with 35 characteristics. Significance of the HPO study is that known factors for high performance can be used as a framework by companies to identify actions such companies should undertake to become successful and remain so. The importance of a high performing financial sector to a country's economic growth and development is well established in literature (Beck, and Hesse, 2009; Waal, Hai Duong and Vu Ton, 2009; Beck *et. al.*, 2012). Financial institutions (FIs) collect funds from the public and invest them in financial assets such as deposits, loans and bonds, rather than tangible property (Harvey, 2004). Efficient financial systems help countries to grow, partly by widening access to external finance and channelling resources to sectors that need them most (Mugume, 2007; Afande, 2013). Financial markets and institutions are central to the process of economic development and growth. Careful comparative analysis of growth rates of different countries has produced convincing evidence that having a deeper financial system contributes to growth and it is not merely a reflection of prosperity (Kridan, and Goulding, 2006; Honohan and Beck, 2007). Countries with unrestricted financial systems also seem to have a lower incidence of poverty than others at the same level of national income.

The structure of this paper consists of literature review followed by description of research methodology, comparison of the HPO status of FIs with banks worldwide, discussion findings, implications of the study and conclusions. The paper ends with limitations of the research and suggestions for further research.

Literature Review

Literature on the HPO framework and FIs in Uganda was reviewed with the aim of answering our research question. Literature review is related to high performance organisation factors. Previous investigations on high performance have suggested analogous ideas. Becker and colleagues (1998) remarked that, "organisations' high performance work systems are highly distinctive and must be tailored carefully to each firm's individual situation to achieve optimum results." This was further echoed by Sung and Ashton (2005). Armstrong (2009) stated that, ''it would be wrong to seek one magic list.'' Clearly, it depends on environment of the study. The most important observation has been given by Waal (2010) who suggested the HPO framework. Waal's (2010) research involved an examination of over 290 publications on studies performed in the last 30 years in the area of high performance. The common themes established were tested in a worldwide survey of over 1400 profit, non-profit and governmental organisations. The research yielded 5 factors with 35 characteristics, which have the most impact on high performance. Thus, together, they can be coined as an HPO framework. Currently, they are worldwide an inherent part of all organisations that aim at the epithet on "high performance organisation."

The developed HPO framework contains characteristics that potentially are applicable in various settings and contexts (Waal, 2010). For completeness, we reiterate Waal's (2008, 2010) work. Out of each of the 290 reviewed publications, elements were extracted regarded by authors essential for becoming an HPO. For each of the possible HPO characteristics, the number of times that it occurred in the publications, that is, the 'weighted importance' was calculated. Finally, possible HPO characteristics with the highest weighted importance were included in an HPO questionnaire administered worldwide and encompassed more than 3200 respondents. An HPO framework has five factors with 35 characteristics that can be influenced by managers in such a way that they are able to take targeted actions to start achieving superior results (Waal, 2008). Below we describe five factors of the HPO framework and highlight their characteristics.

The first factor is management quality. It is characterised by managers who have an effective, confident and strong management style and are trusted by all organisational members. Management quality primarily focuses on leaders as being sound role models who nurture and inspire trust, respect as well as enthusiasm and they are performance oriented both in their ability to make decisions and to execute them. Honesty and integrity were found by Selvarajah and co-workers (1995, 2007) as the most important measure of excellence in leadership and personal quality of a leader among Asian and Chinese organisations. It was further emphasised by Rogers and Blenko (2006) that HPOs were differentiated from less performing ones by their ability to implement repeatedly their decisions successfully. The following are eleven characteristics of the HPO factor Management Quality: *the manager* is trusted by organisational members, has integrity, is a role model for organisational members, applies fast decision-making, applies fast action taking, coaches organisational members to achieve better results, focuses on achieving results, is effective, applies strong leadership, is confident, and is decisive with regard to non-performers.

The *second factor is work force quality*. It is characterised by a diverse and complementary management team including workforce, which are flexible as well as resilient. The organisation must not only have good people who are energised and focussed on achieving extraordinary performances but also they must be able to update continuously their skill levels. The AMA (2007) identified lack of skilled and talented employees as hindering a firm's competitiveness. Furthermore, they indicated that retaining good employees was also a challenge. Murphy and Thomas (2009) argue that an organisation must have a pipeline of future leaders to achieve sustained performance. The pipeline of leaders must also be equipped to learn from experience that shapes and refines a leader. The four characteristics of the HPO factor Workforce Quality include the following: *an employee* wants to be held responsible for their results, wants to be inspired to accomplish extraordinary results, is trained to be resilient as well as flexible and is diverse and complementary.

The third *factor is long-term orientation*. It is characterised by commitment. Commitment is far more important than short-term gain and extends long-term commitment to all stakeholders of the organisation. Long-term commitment ensures that the organisation maintains mutually beneficial enduring long-term relationships as well as partnership with stakeholders and is socially responsible. An HPO must anticipate and proactively respond to market changes to remain relevant and competitive and meet customer expectations. The six characteristics of the HPO factor Long-Term Commitment are: *the organisation* is a secure workplace for organisational members, maintains good and long-term relationships with all stakeholders, is aimed at servicing the customers as best as possible, grows through partnerships with suppliers and/or customers, is equipped with management that has been with the company for a long time, and has new management promoted from within the organisation.

The *fourth factor is continuous improvement*. It is characterised by a strategy that sets the organisation apart from its peer group and structures its processes, products including services in such a way that the unique strategy is achieved in an innovative way. The organisation continuously innovates products, processes, and services thereby permanently creating new sources of competitive advantage by rapidly developing new products and services to respond to market changes. It also masters its core competencies and is an innovator in them by deciding and sticking to what the company does best, keeping core competencies inside the firm and outsourcing non-core competencies (Waal, 2008). The eight characteristics of the HPO factor Continuous Improvement and renewal include the following: *the organisation* adopted a strategy that clearly sets it apart from other organisations, has processes that are continuously improved, has processes that are continuously simplified, has processes that are continuously aligned, receives explicit reports on what matters to the organisation's performance, has both financial and non-financial information reported to organisational members, continuously innovates its core competencies, and continuously innovates its products, processes as well as services.

The *fifth factor is openness and action orientation*. It is characterised by an open culture that focuses on using such openness to take dedicated actions to achieve results. Openness and action orientation encourage dialogue together with risk taking in an organisation. They are essential for creating renewal and innovativeness. Openness also fosters innovation by improving flow and frequency of information, implying that promising ideas in Research and Development (R&D), product development, strategy, and marketing are aired as well as refined sooner and less promising ones are decided on faster (Swaminathan, 2008). The six characteristics of the HPO factor Openness and Action Orientation are: *management of the organisation* frequently engages in dialogue with employees, allows mistakes to be made, welcomes change, spends much time on communication, knowledge exchange including learning and it is involved in important processes and it is performance driven.

In summary, the five factors and their 35 characteristics may guide managers as to kind of actions they need to take to lead their organisations to superior results. Therefore, our study intend to try to establish whether or not characteristics already identified could be suitable if applied in the FIs in the Ugandan context.

Figure1 Theoretical framework

Four important differences of Waal's study with other HPO studies are as follows: first, other researchers make a selection based on financial parameters of good or excellent organisations in a specific sector and then compare them against less well performing organisations. The weakness in this is that the initial selection brings an element of chance. Second, many researchers give scanty information about their approach, leaving in doubt about what they did and how trustworthy their results are; third, a large number of such studies have not been replicated because it is a proper procedure with scientifically based research; and fourth, many studies focus on the Western world, for example, USA and Europe, and ignore Asia and developing countries while claiming universal applicability. We reiterate that Waal's (2008, 2010, 2012) successive contributions in sub-domain of high performance organisation factors are of outstanding quality. Therefore, our choice for Waal's HPO framework is beyond any doubt.

The Financial Sector

Uganda's financial sector is characterised by a formal finance sector (FFS) and an informal finance sector (IFS). This is similar to the situation in other developing countries. Financial services sector includes activities by the Bank of Uganda, Commercial banks, Insurance companies, and the Foreign exchange bureaux as well as other activities auxiliary to financial intermediation. Of these, commercial banking is the main contributor to the financial services sector. A commercial bank is an institution, which accepts deposits, makes business loans, and offers related services. A Micro-finance deposit-taking institution is a financial institution licensed to carry on, conduct, engage in or transact in microfinance business in Uganda.

In 2010/11, the finance sector realised a big growth of 23.6 percent. However, in 2011/12, growth decreased to 11.8 percent. The share of the financial services sector with respect to the total Gross Domestic Product (GDP) in 2011 was around 4.0 percent (UBOS, 2012). FIs in Uganda have experienced changes and a notable growth, an increase in the number of commercial banks from 15 in 2006 to 23 in 2011, and 25 in 2016. That being the case, Ugandans have limited sources of finance, which is a big impediment in business performance (cf. Ishengoma and Kappel, 2011). It has adversely affected the national economic growth rate thereby decreasing from 10.8 percent in 2005/2006 to 5.8 percent in 2009/2010 (GOU/MFPED, 2011). Average annual growth rate is 3.2 percent per annum (BoU Report, 2012). So, there is concern that an inefficient and weak financial management system hinders economic growth.

The financial sector in Uganda is fundamental to other sectors in the economy and has a significant impact on efficiency together with productivity of the country's economy. The institutions are expected to improve their own performance for sustainability and competitive advantage. The FIs are important to Ugandans for performing at least the following four tasks: they provide essential financial services to Ugandan population, they benefit the domestic economy, they improve business performance, and they are instrumental in reducing poverty levels (Bagorogoza *et. al*., 2013). The importance of the FIs to the economy cannot be overstated. Therefore, a fast development towards

HPOs is of utmost importance. Changes in performance and structure of banks so far had far-reaching implications for the whole economy as observed by many scholars (cf. Ali and Ahmad, 2006; Beck and Hesse, 2009; Afande, 2013). For our investigation, when looking at possibilities to increase the quality of Uganda's FIs, we turn to the high performance of organisation's research.

Research Method

The study was a quantitative cross-sectional survey. The cross-sectional design was preferred because of lack of control that would be required in the longitudinal design (Creswell, 2009; Sekaran, 2008) and yet, we could use cross-sectional design to understand what has happened or what has been happening (Cooper and Schindler, 2006) about high performance.

Population and Sample Description

The population consisted of FIs in Uganda, in particular, that offer FFS and regulated by the Bank of Uganda (BoU). Our study concentrated on the formal finance sector, in particular, on Commercial banks and Micro-finance Deposit-taking Institutions (MDIs). Unlike the IFS where players are non-institutionalised and unregulated and where their performance is largely not-documented, FFS are regulated by the central bank and industrial associations. Obviously, it is easier to apply research methods in the FFS since they provide a reliable context for a theoretical (and practical) framework. The sampling procedure involved stratifying the FIs according to the BoU listing of Tiers. We selected 10 FIs distributed as follows: seven commercial banks and three MDIs. A convenient sampling scheme was used, that is, sample selection was influenced by willingness of the organisations to participate in the study.

Data Collection and Management

The HPO framework questionnaire (see Appendix C) was applied to employees of the ten selected FIs to find out the status of their performance. Moreover, it served also as a test on reliability of the HPO framework theory. Special attention was paid to matching of characteristics of the HPO framework and characteristics influencing on success of FIs. A pilot study was done to pre-test instrument and to identify researchable constructs so as to refine the instrument. Results showed that the instrument was both reliable and valid.

We administered 50 questionnaires to employees of the FIs operating in Uganda at the time of the study and forty usable questionnaires were returned. Collected data were coded and cleaned for analysis. Data cleaning and exploration of missing values were done using means and standard deviations. Such measures were acceptable because we used a ten-point Likert scale. Scatter-plots indicated a fairly good level of linearity. Such level is an indication that results are coming from the same population and the distribution is close. Tests for normality were made. It was established that variables were normally distributed. Before conducting the analysis, a validity test was conducted on each of the five factors of the high performance framework and the full set of 35 items in the instrument. Significance level for items was established at .03. The alpha score obtained for all sections was above 0.80 and this is generally accepted for field research (cf. Hair *et. al*., 2006). When the value of alpha is more than 0.60, it means that the research instrument is reliable for the purpose of the study.

Measure

The HPO framework measurement scale developed by Waal (2008) was adopted. The scale has 35 items: (1) eleven items refer to quality management, (2) four items refer to quality workforce, (3) six items refer to long-term orientation, (4) eight items refer to continuous improvement, and (5) six items refer to openness as well as action orientation. The HPO framework measurement scale covered the following two main issues: organisational characteristics and general information. An organisation can find out its HPO status by having management and employees fill in an HPO questionnaire and calculate average scores on HPO factors.

Research Results

Descriptive statistics

Results of descriptive analysis of the HPO factors in the FIs were used to establish individual scores per FI in a fair way. The mean scores indicated that the main best practices of the FIs in Uganda could be found in the HPO factors: LTO, WQ, and MQ. The results of the mean scores are presented in Table 1.

Table 1 The means scores of FIs on HPO.

Bank Code	MQ	WQ	LTO	CIR	OAO	Ave Score	HPO
C6	5.8	7.3	6.9	5.3	6.0		6.3
C7	8.3	8.8	7.8	7.7	7.3		8.0
C8	7.3	7.7	8.2	7.7	7.5		7.7
MDI23	6.3	6.7	6.3	6.3	5.5		6.2
C20	7.2	7.3	7.3	6.2	5.6		6.7
C19	7.8	6.7	8.2	7.4	7.8		7.6
C22	6.1	5.9	6.4	4.6	4.7		5.5
C21	6.6	7.1	7.0	6.1	5.7		6.5
MDI24	5.6	5.9	6.6	6.3	5.5		6.0
MDI25	7.3	7.4	7.8	5.9	5.6		6.8
Total	**6.8**	**7.1**	**7.2**	**6.4**	**6.1**		**6.7**

Source: Primary data

The HPO diagnosis results in Table 1 show an average satisfaction level of all HPO factors above the score of 5.5. This implies that factors are familiar to the respondents in the FIs and applying the HPO framework indeed helps an organisation to achieve better financial and non-financial results. The financial institution C6 had the highest HPO factor WQ with the mean value of 7.3, while the lowest factor was CIR and with the mean value of 5.3. The financial institution C7 had its highest HP0 score “WQ” with an average score of 8.3, while the lowest HPO score was OAO. It had a mean value of 7.3. The financial institution C8 had the highest HPO factor LTO with the mean value of 8.2, while the lowest factor was MQ with the mean of 7.3. The MDI23 had the highest HPO factor WQ with the mean value of 6.7, while the lowest factor was OAO with the mean of 5.5.

The financial institution C20 had the highest HPO factor MQ & WQ with the mean score of 7.3, while the lowest factor was OAO with the mean of 5.6. The financial institution C19 had the highest HPO factor LTO with the mean of 8.2, while the lowest factor was WQ with the mean score of 6.7. The financial institution C22 had the highest HPO factor LTO with the mean score of 6.4, while the lowest factor was CIR with the mean of 4.6. The financial institution C21 had the highest

HPO factor WQ with the mean value of 7.1, while the lowest factor was MQ with the mean score of 5.7. The MDI24 had the highest HPO factor LTO with the mean of 6.6, while the lowest factor was OAO with the mean score of 5.5. The MDI25 had the highest HPO factor LTO with the mean score of 7.2, while the lowest factor was OAO with the mean score of 5.6. Results in Table 1 indicate that mean scores of individual FIs on all the scores are below the 8.5 score**.** Please note a visualisation of the HPO assessment results of FIs given in Figure 2.

Figure 2 HPO Status of financial Institutions in Uganda
Insert Appendix B

Figure 2 illustrates results of the analysis of each of the measured factors and obtained results. The results showed an average score of 7.0. The score indicates that the FIs are performing well, but they are not yet HPOs (see below). It was established that the FIs operating in Uganda can be considered as having average performance levels given the scores. In addition, findings showed that FIs scored *reasonably well* on all characteristics of high performance since the rating is above the score of 5.0. The higher the HPO scores, the better performance of the organisation, and vice versa. LTO had the highest score, that is, reasonably well. The scores for the other factors are just satisfactory and there is scope for further improvement.

In summary, factors that scored the highest for 10 FIs were long-term orientation and workforce quality. According to Waal (2008, 2010) as well as Waal and Frijns (2011), an organisation meets requirements for being an HPO if it scores higher than 8.5 on all HPO factors. The financial institution C7 had as the only FI the required score of 8.5 and above for the HPO factor WQ. A likely explanation could be that it is a foreign owned bank, which has only one operational centre, and it is considered an HPO in its country of domicile. Nevertheless, C7, C8, and C19 had an average score of 7.6 and above, a pattern, which shows that they are good performing FIs although not yet HPOs in Uganda.

The factor with the most room for improvement, in all institutions, is openness and action orientation, which had an average mean score of

6.1. All in all, the results in Figure 2 can be considered as a good indicator for institutions that have not yet achieved the HPO status. To establish the internal relationships among factors, correlations were computed and the empirical results support the positive as well as significant link between the HPO factors. The results are presented in Table 2.

Table 2 Correlation, mean, and standard deviation of the HPO factors.

Factor	MQ	WQ	LTO	CIR	OAO	Mean	Std Dev
Management Quality	1					6.84	2.05
Workforce Quality	.845**	1				7.08	2.06
Long-term Orientation	.747**	.644**	1			7.23	1.92
Continuous Improvement	.736**	.619**	.582**	1		6.35	1.90
Openness & Action Orientation	.708**	.673**	.674**	.727**	1	6.13	1.88

**. Correlation is significant at the 0.01 level (1-tailed).
Source: Primary data

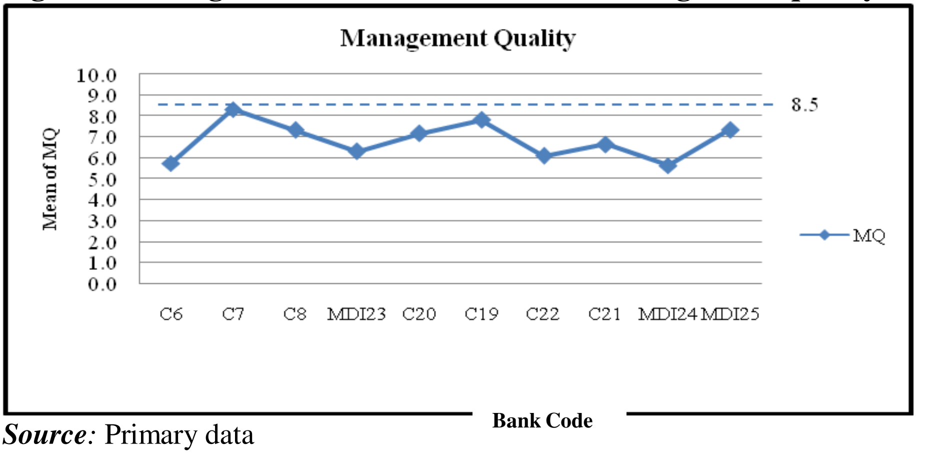
Table 2 shows that there was an inter-relationship between the HPO factors. This is an indicator of *internal consistency*. Our HPO study showed that there is a *direct* and *positive* relationship between the identified HPO factors such that it may be seen as an indication that they are measuring the *same thing* (HPO). For visualisation of results, we refer to Figure 2. When an organisation scores higher on the stated five HPO factors than its peer group, the organisation also surpasses its peers financially and non-financially. Then it may be categorised as an HPO.

Discussion of Results

We discuss findings for the HPO framework based on the HPO factors: (1) management quality, (2) workforce quality, (3) long-term orientation, (4) continuous improvement as well as renewal and (5) openness and action orientation.

The first factor is *management quality*. An HPO's management combines many characteristics according to Waal (2012). However, findings indicated that management quality in the Ugandan FIs is average, at a score of 6.8 (see Table 1). The scores on the HPO factor MQ for individual FI was examined and results are presented in Figure 5.7.

Figure 3 Average FIs scores on HPO factor management quality

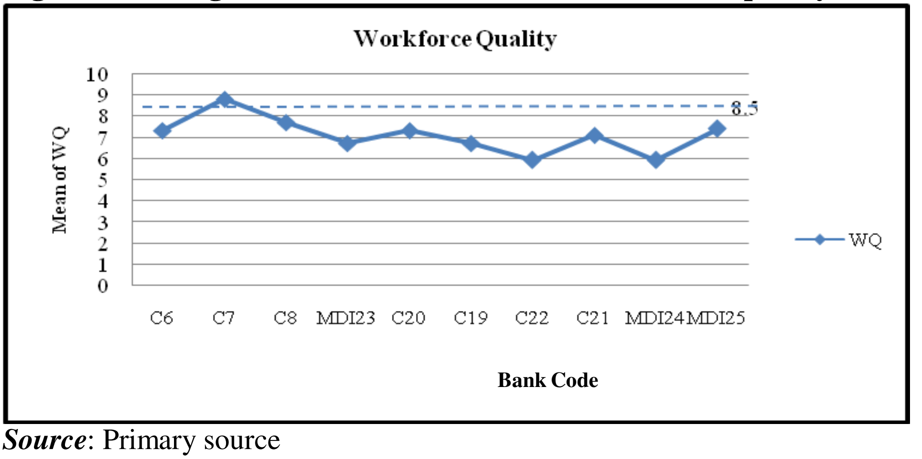


Source: Primary data

Figure 3 shows that the MQ is above the score of 7.0 in the five FIs (C7, C8, C19, C20, and MDI25). This implies that the FIs maintain trust relationships with people on all organisational levels by valuing employees' loyalty (etc see above). FIs (C7, C8, and C19) scored better on the factor MQ, indicating that management of the three FIs holds people responsible for results and is decisive about non-performers by always focussing on achievement of results, maintaining clear accountability for performance, and making tough decisions. However, for the other FIs, the implication is that there is a need to pay attention to management integrity and acting as role models, which was established to be rather low, because the management has not always been able to fulfil their promises and obligations to workers. Employees need better coaching from managers who should show more interest in humans and less interest in financial figures. This would increase employees' trust in management. Nevertheless, management was genuinely interested in employees and clients, and people highly focused on improvement as well as integrity. Moreover, there is a strong connection between trust and other characteristics of the HPO factors. When managers work on improving any of those factors, they are at the same time working on increasing trust of employees.

The second factor is *workforce quality.* According to Waal (2012), "an HPO makes sure it assembles a diverse and complementary workforce and recruits people with maximum flexibility to help detect problems in business processes and to incite creativity in solving them." The average score of all the FIs for the factor workforce quality is 7.13 (see Table 1) ,which is an indication that the FIs maintain an acceptable to rather high quality workforce in most of the departments. The scores of sampled individual FIs are presented in Figure 4.

Figure 4 Average FI scores on HPO factor workforce quality



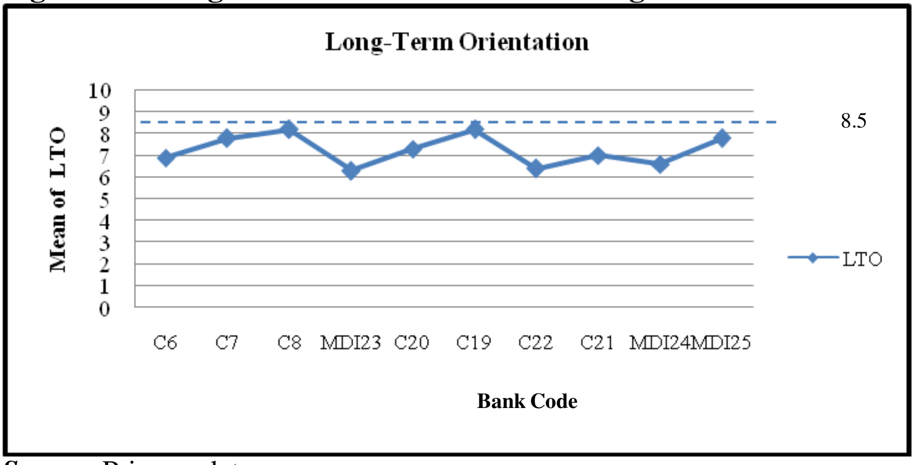
Source: Primary source

Figure 4 shows that the WQ is above the score of 7.0 in 6 FIs (C7, C8, C6, C20, C21 and MDI25). The lowest score came from MDI24. The selected FIs encourage employees to accomplish extraordinary results so that they can be promoted if they are performing as expected. The institutions do not discriminate on gender, race and creed. FIs believe that the human resource is one of the major assets of the bank and due care is taken at the time of recruitment promotion with a continuous skilling through in-house and external training programmes. The FIs follow a policy of employing Ugandans among staff, which is a requirement by BoU for foreign banks operating in Uganda. That resulted in a diverse and complimentary staff. Though the social-cultural environment in Uganda currently seems to be incompatible with attitudes, values, and behavioural norms necessary for a high workforce quality, cultural diversity of employees from foreign banks has helped in improvement of performance. Uganda is still a developing country and social–cultural development concurs with the country's development. Assessment of the HPO factor confirms that without good employees the HPO can never be achieved.

To increase quality of workforce within the FIs, there is need to concetrate on increasing the quality of employees by training them to become more flexible and resilient and by urging them to spend more time on communication and exhangeing knowledge including the best practices, both inside and outside the organisation. In addition, the recruitment process should be aimed at attracting and hiring employees who are willing to accept responsibility as well as those who want to be challenged by management to achieve extraordinary results. Such employees must be coached in such a way that they can eventually transfer to management level (Kim, 2010).

The third factor is *long-term orientation.* In an HPO, according to Waal (2012), long-term gain is far more important than short-term profit. The HPO creates a safe and secure workplace by giving people sense of safety (physical and mental) and job security and by using dismissal as a last resort (See Waal, 2012). The highest average score of the five factors being 7.2 was given to long-term orientation (see Table 1). The mean scores for the sampled FIs on the factor long-term orientation are presented in Figure 5.

Figure 5 Average FI scores on HPO factor long-term orientation



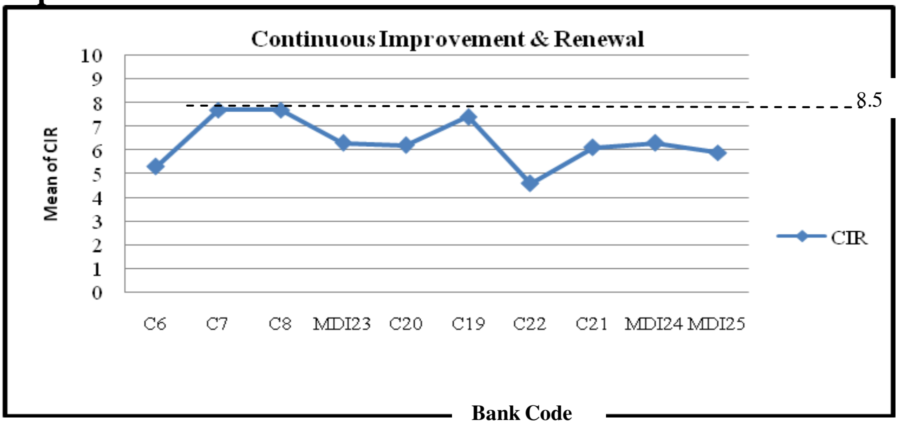
Source: Primary data

Figure 5 indicates that all FIs scored 6 and above on the HPO factor LTO. Six FIs (C7, C8, C20, C19, C21 and MDI25) respondents had a slightly significant higher score of 7.0 and above, which indicates that the FIs maintain good and long-term relationships with the employees. It is also an indicator of a secure workplace for organisational members. The employees have been in the finance industry for a long time. Management is promoted for a considerable part from within the FIs, and there is a clear staff development together with succession plan in some FIs. That has resulted into a well educated workforce with a large number having a minimum qualification of a University degree and above. The long-term orientation could also be due to the high levels of unemployment in the country, and that has resulted into employees being committed to their jobs instead of seeking for new opportunities.

Operationally, long-term commitment helps to improve efficiency of the banks' operations thereby leading to high performance specifically for the relationship with stakeholders, partners, and customers. The FIs have tried to be stakeholder-driven, maintaining good and long-term relationships with stakeholders by networking widely, though mainly to the benefit of the institutions. The long-term commitment score was 7.2, which is an average score, not an HPO score. It implies that long-term commitment has a positive impact on performance in FIs in general, but also that the score of 7.2 should be improved.

The fourth factor is *continuous improvement and renewal*. The process of continuous improvement starts with the HPO adopting a unique strategy that will set the company apart by developing many new alternatives to compensate for dying strategies (cf. Waal, 2012). The average score of all the FIs for the factor CIR is 6.4 (see Table 1). The scores of the sampled individual FIs were also extracted and they are presented in Figure 6.

Figure 6 Average FI scores on HPO factor continuous improvement



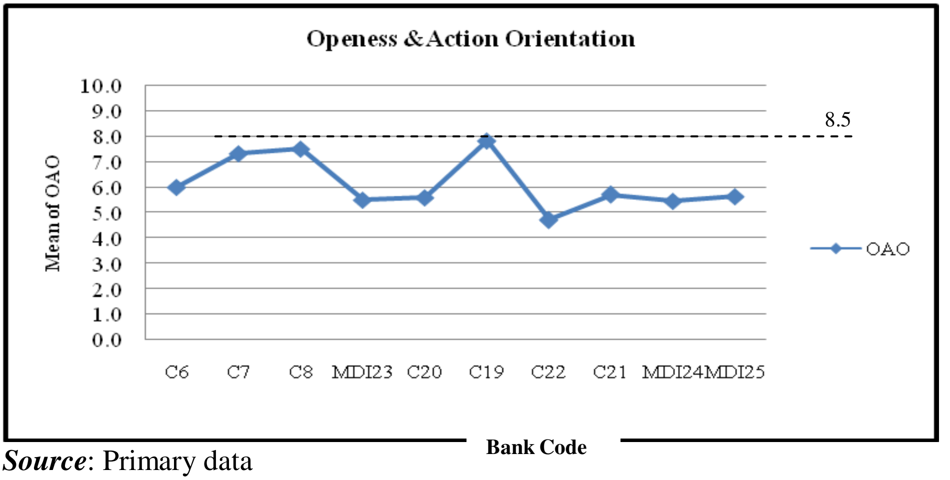
Source: Primary data

Figure 6 shows that the following FIs (C7, C8, and C19) had a score above 7.0 and the rest are below. It implies that institutions' processes have been quite slow in terms of improving and aligning the different departments and functions. The latter two are still some of the major challenges possibly accounting for the low score of 6.4, which is quite below the required HPO score of 8.5 (cf. Waal, 2010, 2012). Improve process management within the organisation (HPO characteristic 3&4) must make sure that processes are really improved, simplified, and aligned so as to be able to strengthen the organisation's client dedication. The FI managers need to spend a lot of time explaining suitability of the strategy to branches because it is branch employees who have to know and understand the strategy. Such pattern is necessary in order for them to assist the FIs make a difference to customers.

Banks have to focus on improving quality of their products/and service in order to ensure sustainable performance over a long period of time. Such trend starts with the HPO adopting a strategy that differentiates the institution from others in the sector by developing many new opportunities and alternatives to service its clients. Thereafter, the institution will do all it can to execute such unique strategy. We note that products of FIs are bulk commodities and they look more or less the same in all banks. Therefore, setting themselves apart is difficult though possible; for example, some FIs have introduced new products, such as ATMs and flexible banking and as a consequence the other banks quickly copy these products. However, studies have established that a stand-alone implementation of new information and communication technology (ICT) systems does not help the organisation to perform better over time (see Waal, 2010).

The fifth factor, *Openness and action orientation.* In addition to having an open culture, an HPO uses the organisation's openness to achieve results. People in the HPO spend a lot of time on dialogue, knowledge exchange and learning in order to obtain new ideas so as to improve their work as well as make the complete organisation performance-driven (cf. Waal, 2012). The average score for all FIs from the data was 6.1 (see Table 1). The individual score for the HPO factor OAO and results are presented in Figure 7.

Figure 7 Average FI scores on HPO factor openness and action orientation.



Source: Primary data

Figure 7 shows that the following FIs (C7, C8, and C19) had a slightly higher significant score than the other FIs on the factor openness and action orientation. The other F1s scored below 7.0. The sole exception was C22 assessing the factor OAO at the mean value of 4.7, which is quite low. Results indicated that there is little communication and dialogue among staff, a pattern, which makes knowledge exchange and learning difficult in FIs. There existed a feeling among employees that they were not really listened to by higher levels. A possible explanation could be that the FIs in Uganda are owned by organisations from diverse countries with different cultural backgrounds. This is emphasised by Beck and Hesse (2009) who established that the banking market has experienced a significant increase in foreign ownership over the past years.

However, there is a clear feedback mechanism in some of the FIs. For example, they have a weekly newsletter where they report issues happening in their institutions. However, real issues such as profitability are rarely reported. Management sometimes enjoys dialogue with employees mainly to solve a crisis. The FIs have clear standards to be met. Moreover, rules and regulations are usually quite clear to protect reputation of institutions. Admittedly, the rules and procedures are rigid such that making mistakes is not tolerated. All in all, FIs are basically performance-driven and customer oriented.

Implications of the HPO framework

Following application of the HPO framework in FIs in Uganda, we found essentially two factors that managers have to deal with: first, continuous improvement as well as renewal and second, openness and action orientation. Two of the improvement themes (each HPO factor can be seen as one theme) are identified in the foregoing.

First, continuous improvement and renewal (score 6.4) has as its managerial implications that first, FIs continuously simplify, improve, and align all their processes to develop their ability to respond to events efficiently as well as effectively and to eliminate unnecessary procedures, work, and information overload. Second, the institution also measures and reports everything that matters, and thus, rigorously measures progress, consequently monitors goal fulfilment, and confronts brutal facts. It reports these facts to management and to everyone else in the organisation so that all organisation members can access financial including non-financial information they need to drive improvement. Third, FIs master and innovate their core competencies by deciding as well as sticking to what institutions do best, keeping core competencies inside the FIs and outsourcing non-core competencies. Fourth, a further implication is that the FIs should continuously innovate products, processes, and services thereby creating new sources of competitive advantage by rapidly developing new products and services to respond to market changes.

A further implication is that management knows for sure that HPO factors will determine the HPO status of the organisation. That can be done by distributing the HPO framework Questionnaire (see Appendix B) among managers and other staff members to identify the HPO status of the organisation. The detailed scores on the HPO factors showed strong points and the organisational points to be improved. They will set the action agenda for transitions to HPO (cf. Waal, 2010). Conducting this study (i.e., studying the results for the generalisations) is part of the possible suggestions that may support improvement of performance of Uganda’s financial system.

Second, the HPO factor openness and action orientation (score 6.1) has to be improved on. This is due to the HPO factor OAO whereby it concerns characteristics that create an open culture in the organisation and use openness to take dedicated action to achieve results. Waal and Frijns (2011) suggest plenty of potential improvements that FIs in Uganda can adopt, that first, management values employees' opinions by frequently engaging in dialogue with them and involving them in all important business organisational processes; and second, management allows experiments and mistakes by permitting risk-taking, taking risks themselves, and regarding mistakes as an opportunity to learn. Third, in this respect, management welcomes and stimulates change by continuously striving for renewal, developing dynamic managerial capabilities to enhance flexibility, and being personally involved in change activities. Fourth, a further improvement is that people in the HPO spend a lot of time on communication, knowledge exchange, and learning so as to obtain new ideas to do their work better and make the entire organisation performance driven.

By far, the most impactful factor in the sector is workforce quality. The implication is that in order to increase organisational productivity, the FIs are hiring and retaining employees with exceptional capabilities including self-motivation. Working together, both managers and HR officers can attract, hire, develop as well as retain individual employees who are agile, high-performing, and continuous learners and innovators. Even the best employees cannot perform without great managers, proper direction, support, tools, and resources. From this analysis, we may conclude that more exposure to an opportunity to utilise the HPO framework may lead to improvements in performance. Improvement plans should at all times include action to increase quality of FIs management and operations. In addition, tangible action plans should be developed for improving the other HPO characteristics of the HPO framework.

Findings from this study will provide corporate leaders and scholars with valuable input regarding key elements of a successful HPO in Uganda. We propose that in addition to the existing critical HPO frameworks (among others, AMA, 2007;), Waal's (2008) HPO framework should be recognised by scholars as a model that managers can utilise to sustain good results over a long period. This is in line with previous findings by Freeman and Zollo (2009) who suggest that promoting the HPO model is an important perceived success factor in itself. We believe that among others, this study will assist the FIs in Uganda and other developing countries in developing capabilities to utilise and create new business opportunities as well as create sustained competitive advantage through use of the HPO framework. Performance levels were average, as indicated by findings ranging between the score of 6.3-7.3 of the HPO framework.

Our conclusion is based on the assumption that the score for the HPO should be 8.5 for all five factors in any organisation. Therefore, we argue that an adapted HPO framework (e.g., the UFI model for HPO is needed to improve the HPO status in Uganda, and other developing economies.

In conclusion we note that the transition to an HPO takes an average of 3 to5 years (see Abrahamson, 2004; Sirkin *et. al.*, 2005). Therefore, FIs need to pay attention to the dynamic capabilities theory (cf. Teece and Pisano, 1994; Teece, 2009), which emphasises on unique and inimitable resources that are embedded into the employees, but that an organisation should put these resources into action in a flexible as well as adaptive way. Irrespective of the approach management adopts, it depends upon alignment of internal systems with the larger environment within which the organisation is located. We observe that high performance does not have the same meaning for every organisation such that certain organisations will value certain indicators or factors more than others. It would be inaccurate to compare organisations across the same high performance indicators. The general analysis shows that there is a promising future in the quest for HPO.
The limitations of the study were that managers did not participate in the survey, a pattern, which might have created a positive bias especially for the factor work force quality. Despite the extensive literature search, potentially valuable studies might have been missed out. This study explored HPO levels in FIs and therefore, it was limited to one sector of the economy.

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Further reading

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APPENDICES

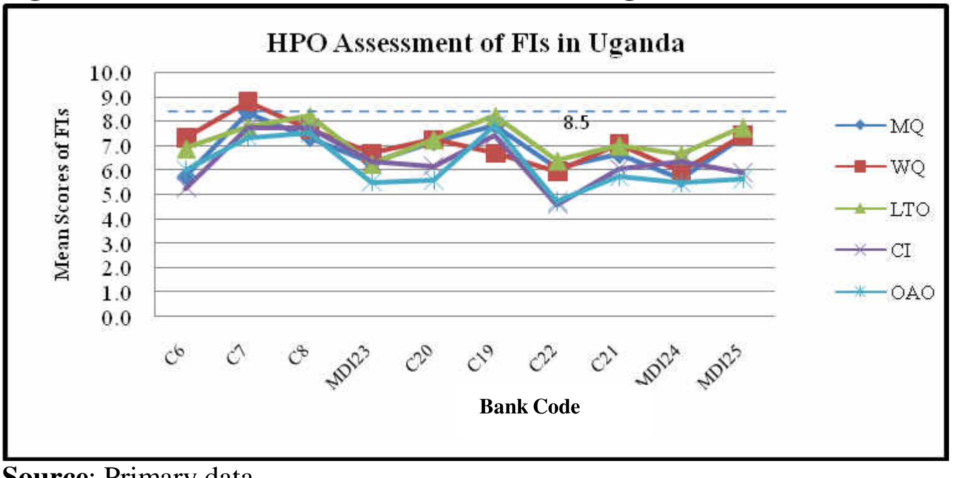
Appendix A

Figure 1:Graphic presentation of the HPO Framework

Source: de Waal, 2012

Appendix B

Figure 2 HPO Status of financial Institutions in Uganda.



Source: Primary data

Appendix C

The High performance Organisations factors

This questionnaire lists a number of statements with regard to your organisational unit. Please rate per statement, on a scale of 1 to 10, the extent to which a statement applies to your organisation. Give a number between 1 and 5 if the statement does not at all or does not apply, give a number 6 and 10 if the statement applies or very strongly applies.

	Continuous Improvement & Renewal	
CIR1	Our organisation has adopted a strategy that clearly sets it apart from other organisations	
CI R2	In our organisation processes are continuously improved.	
CIR 3	In our organisation processes are continuously simplified.	
CIR 4	In our organisation processes are continuously aligned.	
CI R5	In our organisation what matters to the organisation's performance is explicitly reported.	
CIR 6	In our organisation both financial and non-financial information is reported to organisational members.	
CI R7	Our organisation continuously innovates its core competencies.	
CI R8	Our organisation continuously innovates its products, processes and services.	
	Openness and Action Orientation	
OAO1	The management of our organisation frequently engages in a dialogue with employees.	
OAO 2	Organisational members spend much time on communication, knowledge exchange and learning.	
OAO 3	Organisational members are involved in important processes.	
OAO 4	The management of our organisation allows making mistakes.	
OAO 5	The Management of our organisation welcomes change	
OAO 6	Our organisation is performance driven.	
	Management Quality	
MQ1	The Management of our organisation is trusted by organisational members.	
MQ 2	The Management of our organisation has integrity.	
MQ 3	The Management of our organisation is a role model for organisational members.	
MQ 4	The Management of our organisation applies fast decision making.	
MQ 5	The Management of our organisation applies fast action taking.	
MQ 6	The Management of our organisation coaches organisational members to achieve better results.	
MQ 7	The Management of our organisation focusses on achieving results.	
MQ 8	The Management of our organisation is very effective.	
MQ 9	The Management of our organisation applies strong leadership.	
MQ 10	The management of our organisation is confident.	
MQ 11	The management of our organisation is decisive with regard to non-performers.	
	Workforce Quality	

WQ1	The management of our organisation always holds organisational members responsible for their results.	
WQ 2	The management of our organisation inspires organisational members to accomplish extraordinary results.	
WQ 3	Organisational members are trained to be resilient and flexible.	
WQ 4	Our organisation has a diverse and complementary workforce.	
	Long Term Orientation	
LTO1	Our organisation grows through partnerships with suppliers and/or customers.	
LTO 2	Our organisation maintains good and long-term relationships with all stakeholders.	
LTO 3	Our organisation aims at servicing the customers as best as possible.	
LTO 4	The management of our organisation has been with the company for a long time.	
LTO 5	New management is promoted from within the organisation.	
LTO 6	Our organisation is a secure workplace for organisational members.	

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