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## Next HPO

# Towards Organisational Integrity

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Independent Think Tank for Leading Practice

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# 1 Executive Summary

- \_\_\_ The High Performance Organisation (HPO) is a leading topic in current management debates. It promises improvements for today's organisations to meet the challenges of the 21<sup>st</sup> century. Yet, delivery on the promises is rare.
- \_\_\_ The goal is clear, practicably desirable and theoretically well grounded:
  - \_\_\_ HPOs are characterised by *high and quick adaptability in case of change* concerning structures and processes.
  - \_\_\_ HPOs show a well-balanced management, they are truly aligned to a consistent strategy, and are supported by continuous improvement of core processes, and do show authentic appreciation of employees as the organisation's most important resource.
  - \_\_\_ Furthermore, the financial results of HPOs are superior to those of their competitors over a longer period of time.
- \_\_\_ Nineteen crucial factors are described that make the HPO. It is important that all of these factors are taken into account and balanced amongst each other.
- \_\_\_ Create a "Next Practice" orientation. This means to identify the organisation's unique potential for improvement. Start where the organisation currently is. Do not look for the best practice out there. Systemic practice and the Halo Effect show that all efforts are highly context related. What works for one organisation might not necessarily work for another.
- \_\_\_ Thus, the basis of realising any HPO is strategy focus and operational excellence:
  - \_\_\_ *Strategy Focus* and *Operational Excellence* are the interrelated fields doing the right things right.
  - \_\_\_ *Operational Excellence* is to be realised as *Process Excellence* and *Project Excellence*.
- \_\_\_ An action-orientated pragmatic approach to realise the Next Practice HPO is to start with multiple smaller projects to gain Rapid Results and Rapid Transformation of which Operational Excellence is a prerequisite.
- \_\_\_ The High Performance Organisation is not an end in itself. We need to move towards Organisational Integrity. Organisations need to give reason to win the people for any kind of co-creation, for creativity, contribution and commitment.

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## 2 The Myth: “High Performance Organisation”

### 2.1 Case for action: Realising an HPO

The “High Performance Organisation” (HPO) is said to be a decisive discourse on organisational performance of corporations. Against the background of increased complexity and the subsequent challenges for corporations in the 21<sup>st</sup> century, the HPO discourse seems to provide the answers that corporations are desperately looking for.

However, the definition of an HPO, its implications for day-to-day business, its development criteria, and organisational measurement seem to remain a myth in managerial practice.

In business practice, one can often observe different interpretations of the HPO concept. Some HPO criteria are implemented but most of the time without leading to the desired results. Management rarely knows whether it is on “the right track” or not, being caught in the cleavage between top-level approaches and hands-on implementation. This consequently leads to an overall organisational insecurity in terms of “how to act” and “where to head to”. It seems as if nobody really knows how to realise an HPO.

Therefore, this study aims to approach the overall HPO discourse by searching for characteristics, constituting elements, and relevant factors. But it also goes one step further by identifying concrete practical options to develop an organisation towards the direction of becoming an HPO, balancing the two sides of a Strategy Focus and Operational Excellence.

The idea is to provide a pragmatic proposal for realising an HPO in order to gain clarity and reduce insecurity. This proposal is addressed to top management, decision-makers, and managers of day-to-day operations driving change.

## 2.2 In depth: what makes an HPO?

This first chapter deals with the general discourse on HPOs, focussing on two questions: “How can an HPO be described?” and “What is its foundation?”

In order to approach the broader topic, this section is based on a meta-study of Dr. André A. de Waal of the Centre for Organisational Performance in Hilversum, the Netherlands. He conducted a discourse analysis in 2005 (updated 2007), using – from a scientific perspective – reliable literature published within the last few years on the topic. The study is titled: “The Characteristics of a High Performance Organisation.”

The results of this meta-study imply that a common definition for a High Performance Organisation does not exist; instead, two major approaches or streams can be identified. On the one hand, the topic is used by consultancy firms in order to place their products, generate sales, and foster acquisition. On the other hand, the scientific world and especially authors in management literature are attracted to the topic, mainly because of the supposed organisational efficiency of HPOs. Overall this leads to heterogeneity rather than homogeneity in the field.

Nonetheless, de Waal managed to extract a definition, which serves all and is stated below (please see box). This HPO definition can be seen as state of the art.

***Definition of a HPO** (according to de Waal): A HPO is an organisation that succeeds at delivering better turn-outs than comparable organisations. This is realised by high and quick adaptability in case of change, a well balanced management, continuous improvement of core processes, and appreciation of employees as the most important resource of the organisation.*

De Waal based his meta-study on a literature analysis comprising 91 different sources. All of which are studies on the topic “High Performance Organisation.”<sup>1</sup>

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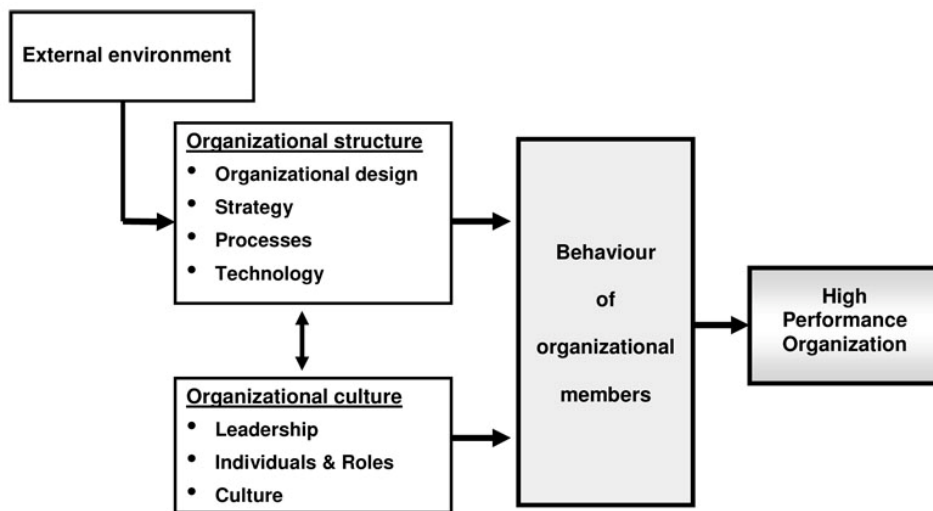
<sup>1</sup> By using the above criteria, the 91 studies included were divided into three categories. Studies selected for category A met all three criteria. Studies classified as category B met criteria 1 and 2, but did not fully meet criterion 3, i.e. description and rationale of the research approach became not sufficiently clear. Studies in category C met criteria 1 and 2, but did not meet at all aspects of criterion 3. Weighting of the included studies was as follows: Studies in category A were scored with six points, those in category B with three points, and those in category C with one point.

In selecting the studies for the metastudy, the following criteria were applied:

1. Studies must not be published before 1990.
2. Studies were supposed to comprise either a survey among a valid number of participants or a sufficient number of case studies including several organisations, in order to ensure the validity of the results for the entirety of all organisations in the population. Ideally, studies included organisations out of more than just one branch of trade and were designed cross-nationally.
3. Studies were supposed to include a clear description and rationale of their research approach and methodology used, report the sample population, and lead to intersubjectively-comprehensible results.

Based on the analytical framework of organisational change of Kotter and Heskett (1992) as well as Morton (2003), eight relevant areas were identified that influence the behaviour of organisational actors. The aggregated behaviour of those organisational actors in turn constitutes an HPO.

These areas are: organisational design, strategy, processes, technology, leadership, individuals and roles, culture, and external environmental factors (see graph 1).



Graph 1: The eight areas that constitute an HPO (graph by de Waal, 2007)

From his studies, de Waal then extracted 19 factors that seem to constitute an HPO:

**19 Factors that constitute an HPO (for a further elaboration see Appendix 4.1)**

1. Continuous improvement of customer value creation
2. Increased autonomy of decisions and latitude for employees
3. Creation of a learning organisation
4. Establishing a fair compensation and incentive system
5. Care for and strengthening of trustful relationships on all levels
6. Continuous simplification and improvement of all organisational processes
7. A way of life of integrity allowing for exemplary leadership
8. Building of long-term relationships with all stakeholders
9. Measuring the meaningful
10. Disclosure of all financial and non-financial data that have the potential to support improvements
11. Cultural connectivity and the existence of a “can-do” attitude on the part of future employees are kept in mind in the recruiting process
12. Continuous instauration of products, processes and services
13. Consistent monitoring of the organisation’s environment and adequate response
14. Promotion of organisation-wide and cross-functional collaboration
15. Cutback on barriers between different divisions and implementation of flat hierarchies
16. Obligatory and action-focussed decision making
17. Sole benchmarks are the best in the organisation’s branch of trade
18. Establishing strong and meaningful core values
19. Definition of a persuasive, inspiring, and challenging vision

## 2.3 Counter position: The Halo Effect as self-delusion

The Halo Effect sketches nine methodological delusions. Rosenzweig reveals how entrepreneurial thinking and scientific analyses can be based on false assumptions or unquestioned beliefs, being the reason for not recognising the actual interrelationships and causes of organisational efficiency.

We double-checked the examined meta-study was with the results of the bestselling management publication “The Halo Effect” by Phil Rosenzweig.

In his book, Phil Rosenzweig questions generally shared assumptions on the characteristics of efficient organisations. He questions the methods and criteria to examine and measure managerial and organisational efficiency.

The author expresses his belief that organisational success can neither be planned nor can it be controlled – in contrast to popular and predominant management literature. Statements on general success factors and criteria in particular should be questioned very critically by the audience – managers, consultants and scientists.

However, with regard to the firstly-mentioned group, Rosenzweig’s central message is that “our intrapreneurial thinking is characterised by several delusions.” One possible reason for the tacit existence of flaws of perception concerning organisational and managerial success might be managers’ own interest in under-complex recipes of corporate success.

The author develops his position along several identified delusions with which he tries to explain why performance factors and success factors can hardly be aggregated nor generalised.

Therefore, the Halo Effect sketches a counter position to many studies and management bestsellers that have in the past tried to explain organisational success by rather simple schemes – but surprisingly not to the meta-study of de Waal.

In the following, the nine identified delusions are listed (for a more detailed overview and comment, please see the Appendix):

### **The nine self-delusions of the Halo Effect (according to Rosenzweig)**

- Delusion 1: The Halo Effect – one single criterion influences the perception of the system as a whole
- Delusion 2: Confusing correlation and causality
- Delusion 3: The illusion of the one single possible explanation
- Delusion 4: Comparing winners exclusively
- Delusion 5: The illusion of scientific thoroughness
- Delusion 6: The illusion of long-lasting success
- Delusion 7: The illusion of absolute performance
- Delusion 8: Confusing cause and effect
- Delusion 9: The deceptive metaphor of natural laws of management

## 2.4 Conclusion: Balancing a landscape of HPO factors

An HPO can be described as an ideal, hardly existing in reality, yet always worth striving for. There are a lot of things organisations can do better and not only in comparison to their competitors. Striving towards the ideal of an HPO can therefore result in a sustainable advantage. It enables an organisation to be prepared for the increased complexity and challenges for organisations in the 21<sup>st</sup> century.

Nineteen factors presented in de Waal's meta-study are valued by at least 25% of the examined studies to be crucial for an HPO. If one considers all factors that are named in the surveyed studies, the total number is 89. What comes into sight is that an HPO is characterised by many different factors.

In short, to be outstanding in only a few of these factors does not constitute an HPO. Furthermore, these factors are constituted in diverging areas.

Rosenzweig's The Halo Effect reveals the tendency of authors of popular management bestsellers to state that organisational success can be rigidly planned. What these authors fail to take into account is today's increased complexity when taking decisions. In this respect, The Halo Effect supports the findings of de Waal's meta-study, which shows a very complex field with many variables.

This leads to the following conclusion: No single factor alone determines the performance of an organisation – all of the mentioned factors are important.

The managerial reflex at this point is usually to react with control fantasies. The short-sighted conclusion is: many variables, a lot of action. This leads to a tendency of action for the sake of action. An overeager cascade of planning, initiating, and deciding does not lead organisations towards the ideal of an HPO. On the contrary, it explains the increasing insecurity and irritation, which can be observed in many organisations.

On the other hand, the general assumption to balance all efforts in the different fields is not false at all. But two things are critical for successfully accomplishing this effort:

- \_\_\_ Firstly, an organisational change effort has to start at the very top. We already mentioned that such an initiative needs to be grounded in an appealing vision and sound strategy. Both have to be adapted to the new situation. Further action has to be derived from them, otherwise an organisation simply gets lost in operations, initiatives and (change) action.
- \_\_\_ Secondly, another crucial point is to be considered by top management. If no structures and processes are defined and installed beforehand to monitor ongoing activities, it is hard to say where the organisation is at a certain point in time. If one takes the HPO approach seriously and starts development efforts in all 8 of the mentioned areas, an overview is rather hard to accomplish without supporting management by supervision. The 'revisited' initial question remains: How is an HPO realised?

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## 3 The Next HPO

### 3.1 Next Practice as a realistic approach towards an HPO

The question remains: “How would it be advisable to proceed from here?” “How is it be possible to implement an HPO in practice?” “How can an organisation become an HPO?”

We strongly recommend the importance for an organisation to start where it currently is, aiming not for a far away *Best Practice*, but reaching for a down-to-earth *Next Practice*. A best practice orientation may even be counterproductive, because it favours the danger of falling into the Halo Effect at an early stage.

Firstly, one should take the results of de Waal and Rosenzweig concerning the inner-organisational areas and the determining factors seriously. Secondly, the fact that an organisation’s performance is highly dependent on its contextual factors has to be taken into consideration.

A next practice orientation therefore includes the careful self-monitoring of the own conditions and the existing framework. This is the essential basic configuration, facing the brutal facts and starting from there. Consider the actual state of the organisation and its available resources to regain the ability to act based on realistic objectives.

This is easily said, but what does it mean in practice and how can it be brought to practice? The answer is a twofold approach, based on *Strategy Focus* and *Operational Excellence*, answering the questions of *what* and *how*. This will be the topic of the next chapter.

### 3.2 What it is – Strategy Focus and Operational Excellence

The concept of an HPO is not to be understood as a permanent state, but rather as a process; a process which requires the continuous facilitation of the organisation’s top management. This means to regularly update and adapt the corporate vision and strategy serving as the root for all organisational action.

This already implicates what is crucial when aiming for an HPO. It is the necessity of having a strong *Strategy Focus* on the one hand, and excellence in all its operations on

the other. While the *Strategy Focus* questions whether all organisational action is aligned and supportive to the overall strategy, *Operational Excellence* stands for reflected organisational processes and projects.

A *supervisor or second order observer* might be advantageous in supporting top management in gaining a Strategy Focus, shaping operational processes and setting up smart projects thereby paving the way towards an HPO.



Graph 2: The inner logic of the Next HPO

### Strategy Focus

It is as simple as it is complicated. There is no organisation where performance is above average while making erroneous strategic decisions. A clear Strategy Focus is indispensable on the way towards an HPO.

However, identifying the right strategy can often be accomplished in retrospect. And here we come to the crux of things. Choosing one strategy over the other always bears risks. That is the very nature of strategic decisions. Strategic decisions without risk are a fairytale.

There is only one way for top management to handle this risk, which is collecting and evaluating as much information as available and making decisions with the highest potential of success. And here we come back to the results of de Waal's meta-study and the Halo Effect. It is of crucial importance to take into account the multiplicity of factors that influence the success of an organisation, which are many as we have seen.

### Operational Excellence

Operational Excellence is doing (the right) things right, i.e. the standard procedures (processes) as well as exceptional efforts of organisations (projects). In practice, both actions are often mixed up and cannot be separated analytically. Processes often influence projects and Project Management and vice versa.

The overall aim of Operational Excellence is to get into a state of continuous improvement, regarding processes and projects as continuous. Continuously observing and reflecting on the organisation's operations in order to adapt them to current needs, keeping them flexible, and having them transparent to all resources involved or affected.

That is the quality and variation of processes and projects. They gain the needed redundancy, in terms of stability, through a solid alignment to the organisational strategy. They should only be in place when serving or supporting it.

## Process Excellence

An ongoing review, improvement and optimisation of core processes allow organisations to improve their performance. Moreover, organisations thereby foster organisational flexibility, which helps to adapt to current changes in their environments. Being contingent itself, processes should oscillate between variation and stabilisation. This is the foundation of continuous improvement.

## Project Excellence

The implementation of projects parallel to ongoing activities in the field of processes represents a pragmatic way to improve business performance. However, this has to be done with regard to both strategic needs and the current state of the organisation (*Organisational Readiness*). To sum up, Project Excellence consists of three factors:

- \_\_\_ Strict alignment with the organisational strategy
- \_\_\_ Realistic consideration of available resources (time, budget and staff)
- \_\_\_ Process Excellence within projects and for relevant supportive processes



Graph 3: The inner logic of Operational Excellence

## 3.3 How to get there – Rapid Results and Rapid Transformation

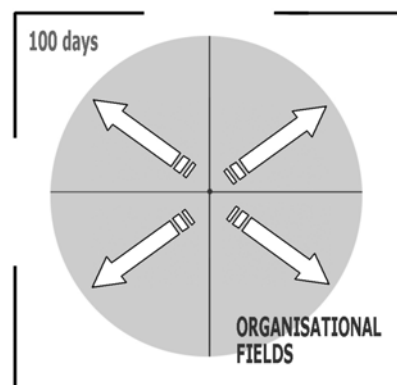
An action-orientated pragmatic approach to realise an HPO is to start with multiple smaller projects. These projects have a clear beginning and end, the time span should not exceed 100 days. Short term projects enable the organisation to experience improved performance fast, rather than waiting for it to appear some time in the distant future. In the words of Peters / Waterman (1992) “projects are the wave of the future.” This is because they are of small scale, they are of low risk, and require minimal investment. Two prominent approaches to initiate change via projects are briefly illustrated in the following.

They should not serve as a recipe, but illustrate possibilities to handle the challenge of striving for becoming an HPO by “hitting the ground and running” without getting lost in overeager action that one might become trapped in.

## Rapid Results

“*Rapid Results*” projects help to empower organisational actors to act and to rapidly improve the performance of an organisation in small steps rather than to guide their attention towards changes in the distant future (Schaffer and Ashkenas: 2005). “Learning by doing” is the motto.

These “*Rapid Results*” projects, lasting no longer than 100 days, integrate strategic planning into the daily business and support the harvesting of “low hanging fruits.” Furthermore, they enable the individual employee to actually experience the organisation’s strategy in daily business. Strategic planning thus develops to become continuous, self-adjusting, evolutionary, and democratic.



Graph 4: The logic of Rapid Results Projects

The attention should especially be drawn towards the project design:

- Projects are short-term orientated and are executed consecutively, or even in parallel (“line-of-completion”).
- The inclusion of many teams and/or organisational players reduces organisational resistance to change. Moreover, it helps that the strategy is not only a lip service, but is “lived” throughout the entire organisation.
- The projects are aligned to short-term and realistic goals (in the sense of *Next Practice* instead of *Best Practice*).
- Immediate feedback and quick success displays the importance of a strategy to the employees and therefore allow for collective momentum.
- Methods for measurement of success make progress and change transparent for all members of the organisation.

Nevertheless, these projects cannot be considered as a substitute to the core business, but they are realised in parallel to it. They create an (open) space for improving the status quo as well as for experimenting with innovation.

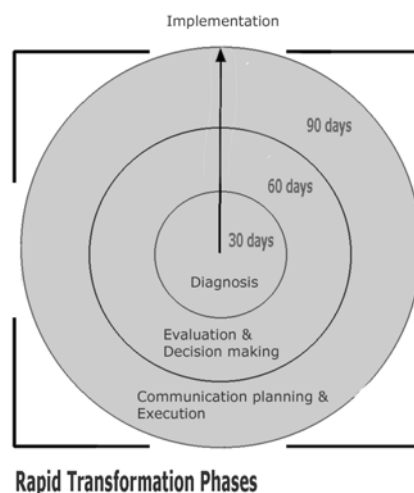
## Rapid Transformation

Rapid Transformation is based on a “90-day transformation model” by Behnam N. Tabrizi (2007). The core idea is that one can distinguish between incremental and transformational change. Tabrizi argues that incremental change with its small steps

in a re-engineering tradition is no longer enough. In order to achieve better performance in striving to become an HPO, transformational change is needed. His 90-day transformation model handles this organisational change as a project in itself. The model consists of a 90-day transformation plan, containing three phases with each running 30 days, a pre-transformation period before, and an implementation period afterwards.

In the pre-transformation period a “*transformation leader*” has to be identified in order to evaluate what needs to change, put the pieces of the 90-day plan in place and establish a sense of urgency among the organisational members. Therefore it is important to value the employees; they should be excited about change, not scared. The second step is to set up a proper change infrastructure initiating cross-functional *rapid-response teams* to dissolve barriers to communication, an *executive management team* (EMT) to manage the entire change, and a *programme management office* (PMO) to organise the process. The transformation leader, who is part of the EMT, introduces the 90-day plan:

- The first phase, running 30 days is characterised by diagnosing the needs and collecting data on the current state of the organisation. This includes meeting all major players and sharing the data in order to establish a shared vision. These are the conditions for a realistic *Next Practice* orientation. This stage is closed by a “Day 30 Integration Meeting.”
- While the first phase worked on the problem side, the second phase should identify solutions. The second 30 days are dedicated to developing a set of big ideas, checking feasibilities, establishing evaluation criteria, and cascading major goals. As the organisation moves towards these goals it is necessary to develop an Operational Excellence orientation. This phase is closed by a “Day 60 Integration Meeting.”
- The third 30-day phase is about planning the communication to the outer world, the public relationship (PR) management. It is important in this phase to re-establish trust in the organisation. This phase is closed with a “Day 90 Integration Meeting.”



Graph 5: The implementation logic of the Rapid Transformation approach

The 90-day plan is followed by an implementation period, in which the company launches its PR campaign. The rapid response teams are dismantled and their responsibilities are passed on to the new organisation. The transformation leader will hand over responsibility to an *implementation leader*.

### 3.4 Conclusion: Balancing your Organisation

Are there benchmarks? Are there HPOs out there? What can we learn from them?

If you take the idea of a next practice orientation seriously, you should not search for other organisations, knowing that success is always context related and cannot be transferred. Having said that, from our experience working together with several organisations from multiple sectors and being in the field for many years we have the impression that there are organisations that are on a good track. Interestingly, it seems to us that this happens rather unconsciously. Of course, being on a good track is good, but knowing about it is rather better.

We would like to provide one example because it comes from a field one would usually not suspect High Performance Organisations to find. It is the Strategy Unit of the Cabinets Office to the British Prime Minister. They work solely on a project basis; are highly flexible; and form working groups with external experts, knowledge workers, and stakeholders from other ministries. It was interesting for us to hear of such a form of organisation in the field of political administration, and it is a wonderful example to visualise what is possible even in the most traditional settings.

Other examples from the corporate world utilising these approaches might be: Apple, General Electric or Zurich UK. Here again, the value of projects considered as containers of innovative new ideas to be spread out to the entire organisation has been acknowledged.

Continuous improvement of an organisation is not a state but an attitude. This is what we describe to be Organisational Excellence. And the much sought-after innovation and creativity remain meaningless unless they are linked to a Strategy Focus. But whatever you may call it – “HPO” or some other term – it is about what you actually do. Therefore, in terms of describing how an HPO operates, one could also describe it as developing “towards the balanced organisation,” since keeping all actions aligned and balanced is what it is all about.

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## 4 Outlook: Towards Organisational Integrity

The next HPO balances strategy focus and Operational Excellence towards Organisational Integrity.

We need to move towards Organisational Integrity. Organisations need to give reason to win the people for any kind of co-creation, for creativity, contribution and commitment.

In all the research facing the global financial and economic crisis we realised that there was a perspective missing, a perspective that does not only give direction but reason. We have listened to the discourse on sustainability. We have seen the debates on balancing shareholder value against operation profit. We have heard the questioning of leadership and of individual morality.

“There cannot be anything right in the wrong,” as Theodor W. Adorno put it. We came to realise what this meant in the light of the crisis. Without answering the question of the *Organisational Why*, we may contribute excellently to something we do not want to see in the world. A viable vision needs to be sound. It needs to answer the question of the organisational why. It needs to give reason.

Yes, balancing operational excellence and strategy focus will nurture the vision. Yet, the vision itself needs to be a co-creation of stakeholders. Management can facilitate the process; it can set the frame and provide an inspiring atmosphere. Leadership can foster organisational integrity. And the High Performance Organisation will sustain it.

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## 5 Appendix

### 5.1 19 factors identified by the HPO meta-study that form an HPO

As mentioned in chapter 3, the identified relevant areas of de Waal's HPO meta-study that characterise an HPO were in turn broken down into several influencing factors. If one of those factors was listed in every one of the 91 studies, its relevance amounted to 100 percent. Orientating ourselves along these lines, we decided to list only those factors that were included in at least 25 percent of all studies.

In the following, these factors will be commented in detail, as well as specify to which of the eight relevant areas they can be assigned, respectively.

#### 1. Continuous improvement of customer value creation (61.1%)

An organisation must learn, what its customers desire, what their needs are, and which values are at the baseline of their behaviour. The objective is to establish and sustain an excellent relationship to the customer. Customer satisfaction is the central goal and the decisive value-added of each and every organisation, and hence should be part of every organisation's culture. This includes products and services that entail complete customer satisfaction. For this purpose, a positive image and the acceptance of the organisation's price performance ratio on behalf of the customer are basic prerequisites.

Area: external environmental factors (no. 1)

#### 2. Increased autonomy of decisions and latitude for employees (56.7%)

Within clearly defined borders and obligations, each employee has the largest amount of autonomy possible. Clearly defined decision-making processes can be helpful in that respect. Responsibilities and decisions are delegated to teams and individuals of the highest informational competency. Each individual is supported and elated to give his best and to play his part. The goal is to make the employees feel like the very proprietors of the organisation and thus act accordingly. Shared values, a shared mindset, and identical objectives exist. The working atmosphere is embossed with

freedom of opinion and trust. Each employee can contribute and fully utilise his potential.

Area: culture (no. 1)

### **3. Creation of a learning organisation (51.4%)**

Management is continually improved and advanced. There exists an elaborated range of offerings for individual improvement and the acquisition of individual skills, as well as an ample budget. Employees are encouraged to develop their skills. Top executive training and development are of high priority. Learning activities outside of the organisation are supported. A mix of internal as well as external offers exists. Career advancement can only be achieved by those willing to improve.

Area: individuals and roles (no. 1)

### **4. Establishing a fair compensation and incentive system (49.2%)**

Via the compensation and incentive system, composition, values and strategy of an organisation are supported and facilitated. The compensation system is based on respect and trust as well as on money. Intrinsic incentives like joy, growth, team work and challenge are cultivated. The compensation of performance is done in a transparent way. There are stronger incentives for team work than for individual achievements. Furthermore, long term-orientated results are encouraged.

Area: processes (no. 1)

### **5. Care for and strengthening of trustful relationships on all levels (46.1%)**

Executives exemplify values like loyalty, listening, asking for help, learning from others, and building of relationships through their own way of life. A continuous dialogue between employees and executive leaders exists. Leaders champion their employees and install self-confidence in them. The value of the employees' work is acknowledged and appreciated.

Area: leadership (no. 1)

### **6. Continuous simplification and improvement of all organisational processes (45.8%)**

Operating processes are continuously evaluated, simplified and standardised. Less important operations are minimised or abolished. In general, processes and all other aspects of work are kept as simple and appropriate as possible. Emphasis is on implementation, not on conceptualisation – hence, information abundance is avoided.

Area: processes (no. 2)

## **7. A way of life of integrity allows for exemplary leadership (40.5%)**

Executives are faithful, consistent, and cordial. They show dedication, enthusiasm, and respect. Ethical standards are the dictum of their actions, which are characterised by audacity and the ability to keep an overview.

Function is more important than form, and content more important than style. Executives demand strong opinions, ensure the retention of values, and are committed to specific goals („walk the talk”). They are not afraid of taking over unpopular assignments, and they are available to their employees. They are conscious of their executive role, also in regard to the implementation of new strategies.

Area: leadership (no. 2)

## **8. Building of long term relationships with all stakeholders (38.3%)**

Executives are endowed with large networks, and are socially committed. Thus their relationships often contribute to win-win-situations. They are open to the wishes and needs of their stakeholders and act accordingly. At the same time, they feel obligated to the country or region they are living and working in. They live Corporate Social Responsibility.

Area: external environmental factors (no. 2)

## **9. Measuring the meaningful (35.8%)**

The organisation’s business model manages to translate global organisational objectives into specific, controllable factors, which can be measured using defined criteria. Improvement and target achievement are consistently observed and measured. Results are intransigently communicated. A performance-orientated corporate culture is lived in all parts of the organisation, embodied for instance by the application of a Balanced Scorecard.

At the same time, service and future-orientated approaches on measurement substitute out-dated measurement criteria. Focus is on output, not on input. Assessment is objective, comprehensible, calculable, and inter-coordinated with employees. In this regard, employees are trusted with individual responsibility for measurement, thus assuring transparency of their own performance.

Area: processes (no. 3)

## **10. Disclosure of all financial and non-financial data that have the potential to support improvements (32.1%)**

Employees are able to draw logical conclusions out of complex information in order to achieve their goals. Numbers, data and facts open up important perspectives for observation and assessment that can give important clues for concrete improvements. Information is exchanged across all areas and branches. A unified system for data analysis und storage is installed, and methods of data entry are standardised.

Area: processes (no. 4)

### **11. Cultural connectivity and the existence of a „can do“-attitude on the part of future employees are kept in mind in the recruiting process (31.8%)**

Desired competencies and abilities on the part of employees are minutely captured and the recruiting processes thereupon aligned. Talent is cultivated and scope for development for extraordinary performance and improvement is granted. Requirements and standards within the scope of the recruitment process are high, as well as for education and training processes. It is regarded as essential to assure that new hires can blend in with the corporate culture.

Area: individuals and roles (no. 2)

### **12. Continuous instauration of products, processes and services (31.5%)**

New products and services are developed as a sensitive reaction to market development. New ideas are created, implemented and turned into competitive advantages.

The organisational environment encourages creativity, allows for learning, and is open to change. All methods applied are continuously questioned and improved. This includes comprehensive experimenting with one's own ideas and renewal of the organisation's core business as well.

Area: processes (no. 5)

### **13. Consistent monitoring of the organisation's environment and adequate response (31.2%)**

Monitoring of the organisation's market allows for the identification of new developments, the exploration of alternate scenarios, a quick processing of (external) information, and enables rapid responses to change.

Additional monitoring of competitors and a proactive handling of stakeholders further facilitate this process. Connections to other organisations that allow exchange of information and knowledge are useful as well.

Area: external environmental factors (no. 3)

### **14. Promotion of organisation-wide and cross-functional collaboration (29.0%)**

Teamwork and cooperation are standard within the organisation and highest priority for the management.

Global, self-organising, cross-functional teams are built. The importance of teamwork for organisational performance is stressed. Teams are meant to assume responsibility, and to develop a team spirit via their successes.

Positive relationships and cooperativeness between organisational branches are enabled by building long-term partnerships.

Area: organisational design (no. 1)

**15. Cutback on barriers between different divisions and implementation of flat hierarchies (28.3%)**

By cutting back on bureaucracy, hierarchy, and vertical barriers, straightforward organisational structures are established. Flat hierarchies reduce the complexity of the organisation, thus reducing vertical and horizontal structural limitations.

Area: organisational design (no. 2)

**16. Obligatory and action-focussed decision making (26.5 %)**

Executives take control during crises, make decisions, and implement them effectively. At the same time, they do not stop to question these very decisions as well. Executives act quickly, boldly, and independently, and support others' initiatives.

Executives act clear-sighted and well-balanced, not only before the background of actual needs and circumstances.

Area: leadership (no. 3)

**17. Sole benchmarks are the best in the organisation's branch of trade (26.2%)**

The organisation's success is measured in relation to the competitors'. Objective is to obtain the position of a market leader. Competitive advantages must be identified, and competitors' behaviour studied. Norms and standards are established in order to force the competitors' hand and evoke a reaction.

Area: external environmental factors (no. 4)

**18. Establishing strong and meaningful core values (25.2%)**

The organisation has established an organisation-wide system of values based on clear rules. The system demands commitment to the values and calls for a clear ethic basis that is compliant with organisational guidelines.

Area: culture (no. 2)

**19. Definition of a persuasive, inspiring, and challenging vision (24.6%)**

The organisation possesses a strong vision that challenges and inspires its employees. The vision is meaningful, persuasive and captivating, creates meaning and provides future direction for the organisation. It is continuously communicated into the different business units, uniting them by shared goals, a shared ambition and an overarching purpose. The organisation is not only driven by numbers, but by its sense of mission as well.

Area: strategy (no. 1)

## 5.2 The nine delusions of The Halo Effect

In the following, the nine delusions of the Halo Effect will be presented in detail:

### **Delusion 1: The Halo Effect – one single criterion influences the perception of the system as a whole**

The Halo Effect describes the instance of some single (positive) properties creating a general image of an organisation and influencing the overall perception. Automatically, also other properties are judged to be more positive. As a result, the overall perception is based on the overall image than on the actual properties.

### **Delusion 2: Confusing correlation and causality**

Two criteria (e.g. Leadership capabilities and commitment of the employees) can correlate tremendously with each other. But that observed correlation does not allow deriving a cause-effect-relation. Do the employees show high commitment because they are supported by their superior? Or is it much easier for an executive to support employees that are highly committed anyway? Both explanations sound plausible, the correlation does not say anything about the actual causality.

### **Delusion 3: The illusion of the one single possible explanation**

Analyses' results often reduce the item „organisational capacity” to *one* decisive success factor (e.g. Leadership). However, such an explanation should generally be questioned. In fact, other organisational factors that are systematically linked to the prominent ones, can influence, deliver or smoothen their effects. In this respect, also other, hidden effects could predict possible organisational success to the same extent.

### **Delusion 4: Comparing winners exclusively**

Many analyses draw their samples out of a population of organisations that are currently successful. Organisations that are not in focus are those that had been successful in the past, but did not last to be. The identification of factors that separate both groups, in terms of past and present success, therefore falls behind.

This influences the weight of the current results. It remains unclear, if the identified success factors only represent current success or if they are able to describe factors, responsible for future or lasting success.

### **Delusion 5: The illusion of scientific thoroughness**

The size of a chosen sample and the decision of applied methods of analysis contribute fundamentally to the validity and reliability of the analysis' results. A too

Little population, poor quality of the data or data not have been taking into account, but being relevant, do diminish the quality of the overall results.

#### **Delusion 6: The illusion of long-lasting success**

The identification of „successful organisations” is strongly linked to the estimation that their success will last over time. However, reality proves that also these organisations for many reasons are exposed to oscillation and not necessarily are constant in their performance. This is the reason why long-term or long-lasting success models appear to be unrealistic.

#### **Delusion 7: The illusion of absolute performance**

Indicators for the evaluation of organisational success often are interpreted absolutely. This means that data, collected in „successful organisations”, is not compared with data of competitors of the same branch or market. Solely analysed, the organisation in focus might appear to be successful, but in the context of its competitors the picture might be different, not as convincing as believed.

#### **Delusion 8: Confusing cause and effect**

Many corporations that are focussed on their core business and following a focussed strategy are often successful. However, one should not derive the assumption that a focussed strategy automatically raises the probability of success. The opposite is the case: several analyses revealed that flexible strategy serve better to adopt an organisation to a continuously changing environment and to boost its performance capabilities.

#### **Delusion 9: The deceptive metaphor of natural laws of management**

The improved precision and validity of nature science studies are often transferred to the economic context and to research in this field. This also constitutes a delusion. For instance, „good governance” in contrast to a measurement in physics, cannot be made tangible by means of formulas or „precise” predictions.

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