

COMMON CHARACTERISTICS OF HIGH-PERFORMING ORGANIZATIONS

by

Dipra Jha

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A handwritten signature in black ink, reading "Katherine Lui", is positioned above a horizontal line.

**Katherine Lui, Ph.D.
Thesis Advisor**

The Graduate School

University of Wisconsin-Stout

July, 2006

**The Graduate School
University of Wisconsin-Stout
Menomonie, WI**

Author: Jha, Dipra
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ABSTRACT

High-performing organizations (HPOs) are unique systems based entities which operate differently from traditional organizations following a conventional hierarchical structure. They use strategic planning to optimize interconnectedness among organizational elements with a view to achieve high payoff results.

This study was undertaken to identify characteristics that are common in high-performing organizations. Data was collected from secondary sources including review of contemporary management literature, journals, and other published resources during July 2006.

Based on review of literature, the study identified six common characteristics that are prevalent in HPOs. These characteristics are the result of strategic planning initiatives undertaken by HPOs and affect these organizations at three levels – Mega, Macro, and Micro.

The study also identified organizational elements and discussed the role of interconnectedness using the systems approach. HPOs use a judicious mix of tools to achieve desired outcomes and five such tools – Needs Assessment, Force Field Analysis, Strengths, Weaknesses, Opportunities, and Threats (SWOT) Analysis, Business Logic and Cultural Screen were discussed in detail to establish their usefulness in change management.

The Graduate School
University of Wisconsin Stout
Menomonie, WI

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Chapter I: Introduction

According to Kuhn (1970), the concept of paradigm is both ancient and modern. Paradigms help to explain the world at large and they largely influence human actions through perception, understanding, and interpretation. In essence, paradigms define boundaries and indicate what needs to be done in order to be successful within those boundaries. Also, paradigms are often used to filter reality but use of inaccurate paradigms may completely alter reality and lead to loss of effectiveness. within a given environment.

Paradigms are based on mental models or images (Senge, 1990). These images can range from simple generalizations to complex theories and have a powerful impact on both humans and organizations. It is important to bring mental models to a level of consciousness without which these models may be limiting, and incorrect assumptions made. In summary, paradigms are interpretation of how things such as an organization and its relationships work in the context of its environment (Kaufman, Oakley-Browne, Watkins, and Leigh, 2003).

In any system of interrelated parts, changing any part of a system influences the system in totality. When sufficient momentum is produced by the change because the ways of the past are not effective anymore, paradigm shift takes place. A paradigm shift initiates change in all significant rules and gives rise to some uncertainty and ambiguity as mental models transition from the old to the new. People and organizations often become uncomfortable and uncertain at this juncture and seek a blueprint for the future course of action. A new course of action demands new rules and that is where strategic thinking and planning become key in organizational success. Organizations which

understand and manage their paradigms shifts with adaptability and resilience gain in the long run. They challenge the old rules, create new ones to match the paradigm shift, and transform themselves into HPOs (High-Performing Organizations). These organizations develop new objectives, measure and define success, and identify means to get there. They target high payoff results which will add value to both internal and external stakeholders including society at large.

Strategic planning is the formal process of defining and documenting the future that is desired and the ways to get there. Useful strategic planning begins from the Mega level which is societal value add. Strategic thinking and strategic planning are related, and together they can make it possible to accomplish high payoff results with positive contributions at the Mega level. It should be noted that strategic thinking can be undertaken on a daily basis and it is not a ritual or an exercise to be undertaken only once a year or as part of a planning meet.

New realities are forcing organizations to adjust to paradigm shifts at an increasing pace, and the future of these organizations are deeply influenced by the structural changes that are happening around the world in societies, governments, and business. Alignment of strategic planning and strategic thinking has therefore become a necessity, and any organization wishing to transform itself into an HPO must recognize these new realities and act in tandem.

Statement of the Problem

The purpose of this study was to identify characteristics that are common in high-performing organizations. Data was collected from secondary sources including review

of contemporary management literature, journals, and other published resources during July, 2006.

Purpose of the Study

To identify characteristics that are common to high-performing organizations with a view to evaluate and analyze:

1. The cause for presence of such characteristics within organizations.
2. The effect of such characteristics on organizational performance.
3. The nature of interconnectedness, if any, between and among such characteristics.

Assumptions of the Study

The study assumed that the secondary sources of data including review of literature will meet standards of reliability and validity.

Limitations of the Study

1. The researcher acknowledges that there are a significant number of characteristics common to high-performance organizations, other than what has been identified in this study.

2. This study is qualitative in nature and based on secondary sources of data.

Therefore, the accuracy of conclusions presented in this study is reliant on the veracity of the secondary data itself.

Definition of Terms

HPO – High-Performing Organization. A term used to define organizations which engage in strategic thinking and planning to achieve high payoff results in societal, organizational, and individual level (Senge, 1990).

SWOT Analysis – Strategic planning tool credited to Stanford academic Albert Humphrey. Used to evaluate Strengths, Weaknesses, Opportunities, and Threats in a project or in a business venture or in any other situation requiring a decision (Kaufman et al., 2003).

Methodology

This study was based upon review of contemporary management literature pertaining to high-performing organizations, organizational change, and leadership. First, characteristics common to high-performing organizations were identified. Second, the cause of such characteristics was investigated within the context of the organization. Third, the effect of such characteristics on organizational performance was analyzed. Finally, interconnectedness among characteristics was evaluated.

Chapter II: Literature Review

According to Kaufman et al. (2003), strategic planning is a dynamic and responsive process. It is also a responsible approach and not one with rigid lock-step planning since it does not always follow a pre-determined sequence. The readiness of an organization will have an influence on which steps have already been done and how well they have been done. A change agent has to be patient and sensitive and it is very common that at first the change sponsors or clients might not agree to the change agenda. Initial applications of strategic planning process may be slow but as with any new practice, the process gets better with experience and timely feedback.

For any change to be strategic, it has to occur at the societal value added level which is also known as Mega level (Kaufman, 2000). Profound change elicits strong emotions and if it does not then the change could be trivial and not meaningful enough to achieve the intended outcome. Therefore enduring change is always a painful process. Resistance to change is a natural occurrence and within organizations it is a part of the learning process. It is an emotional response to the challenge of stepping out of an individual's comfort zone and in reality resistance is a form of commitment to old ways and means.

Strategic planning in HPOs

According to Kaufman et al. (2003), strategic planning in HPOs involves seven steps. It begins with preparing to plan during which changes sponsors and partners are identified, a destination is agreed upon, and organizational readiness is assessed. This is followed by development of ideal vision which is a measurable statement of expected outcomes in the future. Once the vision is in place, organizations embark upon needs

assessment which is considered one of the most critical steps in the planning process. needs assessment include gathering hard and soft data, analyzing the data and then identifying the gaps. This leads to development of macro level mission objectives and establishment of priorities.

Subsequent to the development of macro level objectives, HPOs undertake a SWOT analysis which analyzes the strengths, weaknesses, opportunities and threats for the organization. Organizations also scope and scan the environment to determine the organization logic. This is followed by a review of strategic objectives in the Mega, Macro and Micro level where key result areas are identified, performance indicators are selected, and objectives are aligned to organizational outcomes.

Having addressed the Mega and Macro level factors, the planning process now moves to the micro level where tactical objectives are developed and business logic is established. This step also identifies cultural change requirements and appropriate tactics are selected. To compliment the change strategy, performance management processes are developed, and all plans and tactics are documented.

The final level in the strategic planning process includes implementation, evaluation and continuous improvement. Results and data are gathered including data on processes Feedback data is communicated to stakeholders whose performance is affected by such data and continuous improvement is implemented.

HPOs use the strategic planning process to implement change which leads to improvements in efficiency and achievement of organizational outcomes. The fact that separates HPOs from non-HPOs is that the former make a conscious effort to implement a change process and considers change as an inevitable part of their business plan.

Organizational elements in HPOs

According to Sowell (1987), organizational change involves shifting paradigms and asking hard questions. Before deciding what to change, organizations require a shared vision, a shared understanding and a model of what they intend to accomplish. In the context of HPOs, change is a process of incremental improvement and not dramatic revolutions. Mental models of organizations influence attempts to improve their performance, therefore research is a necessary prerequisite for creating, changing, and innovating repeatedly (Kaufman et al., 2003).

Conventional organizations often follow a hierarchical structure in which reporting relationships are rigidly defined within the organizational chart. In contrast, HPOs build their organizations based on a system thinking which enables them to progress beyond seeing events as disjointed parts. A system is composed of smaller sub-systems that form a larger system. Each works independently and together, and HPOs rely on the dynamic system consisting of the organization and the external environments to achieve intended outcomes (Stepanovich, 2004).

System thinking looks at the whole, and then the parts and the interconnectedness among the parts (Deming, 1986). According to Scholtes (1999), it is opposite of reductionism, the idea that something is simply the aggregate of its parts. A collection of parts that are not connected is not a system. Conventional organizations often use a “Heap” (Kaufman et al., 2003, p. 62) or the Silo model. When compared to a systems model, they fall short in many counts. A heap is a collection of parts whereas a system is interconnected parts operating as a whole with a common purpose. In a heap, essential properties are unchanged whether pieces are added or taken away. When a heap is

divided into half, two smaller heaps emerge. In comparison, a system changes if pieces are taken away; and often the system is damaged and perishes when it is divided into half. In a system, arrangement of the pieces is crucial whereas in a heap the arrangement is not relevant. Also, the parts in a heap are not connected and they can operate separately whereas in a system the parts are always connected and related, and they always work together (Deming, 2000).

There are significant behavioral differences between a system and other conventional models. A system's performance depends on the total structure. Performance changes with any changes made to the structure. In comparison, the behavior of a heap depends on its size or on the number of pieces in the heap. Finally, heaps do not have a purpose, only the individual parts are alive. Therefore, in an organizational context, a living system is far more purposeful compared to a heap because they have a reason to exist. Living systems also grow and improve, and their growth depends on the quality of the relationship between the parts.

According to Kaufman (1992), a successful system defines and demands results that link individuals, teams, and organizations to external clients and society. These elements apply to all organizational subsystems and they form an aggregate to make the system complete. All dynamic systems are purposeful and they attempt to produce desired and useful results. An HPO typically produces three related but different kind of results which if planned and accomplished, meet the requirements of the organization's internal and external clients. Results at mega level generate social impact and create value addition to society. At the macro level, results are delivered to external clients or the end users. Finally, at the micro level, results are delivered to individuals or teams, and

internal customers. All levels of results are part of any organization but often they are not all planned explicitly. However, when planned proactively, these results are embedded in each other and can be aligned. Kauffman et. al. (2003) argued that strategic thinking is concerned with planning and aligning these three levels of results to create a better world. Defining and linking results at the Mega, Macro and Micro level is one of the critical factors for HPOs to succeed and it must be emphasized that results are equally important at all three levels.

The first organizational element is inputs. Inputs are the prerequisite starting conditions for an organization to accomplish useful results. Typical examples of inputs include raw materials, human capital, information capital, financial capital, equipment, facilities, requests for proposal, laws, rules and regulations, products or outputs, and the corporate culture. Inputs are resources and requests available or required to produce a product or service for the organization's end-user. They include a range of internal and external conditions known as conditions. These conditions affect the use of Inputs to accomplish results.

The second organizational element is called process. Process is a variable that influences an organization or team performance and it is an end-to-end series or collection of activities that creates a result for customers – both internal then external (Kaufman et al., 2003). A process must meet the following six criteria:

1. It produces or manipulates data or physical materials.
2. It adds value and impacts to distinctive organizational results at all three levels.
3. It can be performed or influenced by one or more individuals or teams.

4. It is triggered by one or more events or cues.
5. It consumes inputs and transforms them into results.
6. It can be classified as primary or support, small or big, internal or external.

Therefore, a process, including a business process, is a series of steps that translate Inputs into a result in the form of a Product. This result can then be linked with other products to create an output for the organization and outcome for external clients and society. Just like every organization, all individuals have processes.

The third organizational element is known as feedback. A system approach is not lock-step or linear and the levels in an HPO are connected directly or indirectly. A change ripples out to affect the other parts within the organization. In turn, these affected parts then respond back with a ripple to affect the original part. The original change then responds to the new influence and a chain reaction sets in. Therefore, the influence comes back to the original in a modified way, creating a dynamic loop, which is referred to as a feedback loop.

Feedback is significant for any system, and it is necessary but not a sufficient condition for accomplishing high payoff results. Feedback must be used in combination with useful consequences if the intention is for practical changes to take place. Typically, HPOs use a combination of feedback and reinforcement to improve their organizational effectiveness.

The next organizational element is known as consequences. Consequences or outcomes can be positive or negative. They depend on whether results add value to the internal or external stakeholders or not. Consequences are natural by-products of any process. Consequences must be planned for; otherwise they are left to chance. Gilbert

(1978) showed that increasing the rate of specific feedback has a positive consequence. He pointed out that providing appropriate feedback to the right people never produces less than a 20 percent improvement in performance and often leads to a 50 percent change. Even six fold improvements have been observed.

The final organizational element is customers or clients. Customers are people to whom results are delivered. For any organization, there are clients or customers at every level.

In any HPO, the organizational elements constitute a dynamic system and their relationships in terms of adding value to internal and external stakeholders are critical to the success of the organization. System thinking is the foundation for strategic thinking and planning, and defines a roadmap when organizations plan to achieve high-payoff results.

Tools for change

HPOs use a number of tools to initiate, implement and manage change. Keeping in mind the scope of this study, five major tools – Needs Assessment, Force Field Analysis, SWOT Analysis, Business Logic, and Cultural Screen have been included for review.

Needs Assessment

According to Kaufman et al. (2003), need is critical to the creation of a better world. Needs exist in Mega, Macro and Micro level. However, the difference between needs and wants are significant. Gilbert (1978) defined wants as solutions which include resources, methods, procedures, and activities that may have been selected before the problem has been defined precisely and clearly needs assessment is the process for

identifying and prioritizing needs for selection, elimination, or reduction on basis of the costs to meet the need vis-a-vis the costs to ignore them. (Kaufman, Watkins, and Leigh, 2001). It is closely tied to strategic thinking and planning processes in HPOs. Needs assessment includes the following steps:

1. Gathering data on gaps in result at three results level, Mega, Macro, and Micro.
2. Analyzing and interpreting the data and defining the implications of ignoring the gaps in results.
3. Selecting which gaps have the highest priority.
4. Linking the needs to higher level results by asking what impact fixing the problem will have at Macro and Mega level.

It should be clarified that “problem” in this context refers to a need that has been selected for closure or reduction. A “problem” does not exist until there is a results gap (a need) and the gap has been selected for reduction or elimination. Expanding further, a problem can be defined as any situation in which a decision is made to close the gap between what is and what should be. The problem does not exist if the current and required results are identical. Therefore, a needs assessment should be the first step in identification of any problem and its consequent solution.

Force Field Analysis

Lewin (1936) advanced an organizational change model known as the Force Field Analysis. The model acts as a framework for problem solving and for effecting planned change. The model identified pressures or forces within an organization that either strongly support the change or strongly resist it. In this model, the organization is a living

system in which a vector moves from the present state to a desired state and achieves an equilibrium through an interplay of the driving forces (forces favoring change) and restraining forces (forces resisting change). The objective is to achieve results through the process of achieving equilibrium.

Lewin (1936) identified some common resisting forces and they include (i) organizations not having enough time to pursue the change agenda, (ii) lack of performance support within the organization, (iii) lack of needs assessment data, (iv) poor leadership and sponsorship, (iv) fear and anxiety about the change and its outcomes, and (v) unclear strategic or tactical direction. There are many potential resisting forces to change. Each organization will have its own unique mix but HPOs recognize these forces and adopt effective strategies to address them.

SWOT Analysis

The acronym SWOT refers to a method for analyzing four aspects of an organization and is method of conducting performance audit on methods and means and their effectiveness. SWOT stands for:

Strengths - Analyzing those strengths that will allow future strategies and tactics to be implemented successfully.

Weaknesses – Analyzing internal processes, resources, and cultural elements that will be barriers to achieving objectives.

Opportunities – Analyzing external demands and influences in the environment that could be used in the future to develop better methods and means.

Threats – Analyzing external demands and influences in the environment that could be barriers to future results.

SWOT has been extensively used in strategic planning; however it can be applied to any organizational unit, team or individual. It is often undertaken by HPOs to establish how well the organization is performing in response to external and internal demands and influences. SWOT often includes a range of data gathering methods such as stakeholder analysis, issues analysis, competitor analysis, environmental screening, and scenario analysis.

SWOT analysis has the following benefits:

1. The planners gain a shared perspective on how the organization is doing and the risks to be managed to achieve intended outcomes.
2. Identification of resisting forces and how they could be overcome.
3. Current processes are audited and reviewed for effectiveness, and new solutions are identified.
4. New processes are developed and implemented to overcome barriers and problems.
5. Hard and soft data are generated to assist planners in making decisions about strategies and tactics based on evidence.
6. Relationships between internal and external issues can be identified and dealt with.
7. Identification of major influences on behavior and results in the organization is possible through SWOT.

Business Logic

Business Logic is a technique adapted from Albrecht (1994), and Kaufman et al. (2003) added another dimension to business logic by including planning logic. This

technique provides a framework for auditing and assessing the present strategies and tactics used by HPOs, and their relationship to desired outcomes. Business logic is usually linked to the Mega level and it is unique in terms of this linkage because it defines and delivers high payoff results.

Business logic provides a frame of reference by using the language and issues most business managers use in their everyday thinking and acting. It can be used in conjunction with SWOT or as an alternative to SWOT. The purpose of business logic is to conduct a quick scoping of the business and how the various methods and means interact and relate to one another. It helps to generate and classify preliminary data about the business and leads to a more rigorous SWOT analysis at a later stage.

To be effective, business logic analysis must be aligned with other organizational efforts focused on achieving high payoff results. It has six parts which are as follows:

1. Planning Logic – How HPOs plans and creates the future.
2. Customer Logic – How HPOs acquires and retains customers.
3. Economic Logic – How HPOs creates economic value in terms of profit and economic value added (EVA) and long-term sustainability of share value.
4. Product Logic – How services and products of an HPO attract and satisfy their customers, and how the products and services are categorized and differentiated and what are valued by customers.
5. Structural Logic – This is concerned with how an HPO organizes itself to do its work.
6. Societal Value Added Logic – This unique frames assures that everything an HPO does, produces and delivers adds value to external clients and society.

This frame is conspicuously absent in most conventional business models but is a significant presence in HPO strategic planning.

Cultural Screen

According to Haeckel (1999), organizational culture has become a frequent topic for research and discussion in the recent years. Strategic thinking requires changing the culture and the new realities demand that this change happens quickly. In order to effect deep cultural change within an HPO, the organizational planners need to answer several questions regarding the intended outcomes.

Braksick (1999) defined corporate culture as a pattern of behaviors that are either reinforced or punished by the people or systems within the organization over time. However, Burke and Litwin (1989) defined culture simply by saying “The way we do things around here.” In an expanded definition Stacey (1994) argued that organizational culture is the culture of any group of people which is an aggregate of their beliefs, customs, practices and thinking. They developed these attributes while working together and these set of assumptions are accepted by other people within an organization. At the visible level, organizational culture is manifested through ritual behaviors, symbols, myths, stories, sounds and artifacts.

Cultural screen is a tool for implementing the right changes in the culture of an HPO to support the accomplishment of results. It identifies the critical components of the culture that must change to for results to be achieved. Cultural screen also supports the development of appropriate tactics and means to achieve high payoff results and indicates the course of action to adopt to make changes sustainable.

Strategic thinking starts with creating the required results at the Mega, Macro, and Micro levels before and HPO selects methods and means for achieving them. These efforts also require alignment which means coordinating the various methods and means to ensure they support and contribute to the high payoff results and consequences which are desired by the organization. Alignment also ensures that strategy and tactic does not contradict each other. In the Cultural Screen model, alignment develops the relationship between two paths – the Strategy path and the Cultural path – to results.

The Strategy path is the path for implementation and according to Kaufman et al. (2003) this path is rational, logical, systematic and systemic. It includes logical linkages between overt steps and can be considered left-brained, rational and hard. This path is necessary but not sufficient to guarantee optimum performance in an HPO.

In contrast, the Cultural path drives how the strategy path is carried out within an HPO. Culture makes an organization unique and though two organizations can follow the same strategy path, their individual cultures greatly influences how strategy is applied by each organization. This path is more covert, irrational, and out of consciousness.

In order to achieve high payoff results, both paths must interact with each other, even if they are not managed. Proactive HPOs manage relationships between these two paths very well. Also, these paths are embedded in each other and the relationship between them creates a highway to the future of the organization.

Summary

According to Clark and Estes (2000), not all results deliver value added products or services, or have equal impact and contribution at the organizational level. HPOs consciously strive to create high payoff results by using a strategic planning process

which combines change management tools to manipulate organizational elements with an end-goal to create transformative change. Stolovitch (2000) argued that sometimes low payoff results are those that focus on individuals and small groups within an organization and do not necessarily add value to the organization as a whole. Whereas the influence of high payoff results can be seen throughout any organization. High payoff products, which are basically micro level results, are the basis and the building blocks for successes of HPOs (Clark and Estes, 2002). These results are the accomplishments of individuals and small groups, and have significant impact on the achievement of organizational outputs as well as the results delivered to external clients. High impact payoff therefore is a result of the linkage between accomplishments and their influence within an HPO.

Chapter III: Discussion

Research is an ongoing process and every research creates opportunities for further inquiry. Therefore this study was only an attempt to add to the existing body of knowledge in the field of organizational development. It is expected findings from this study will give rise to new questions and therefore lead to future research. The sections in this chapter include Limitations, Conclusions and Recommendations.

Limitations

The researcher acknowledges that there are a significant number of characteristics common to high-performance organizations, other than what has been identified in this study. Also, this study is qualitative in nature and based on secondary sources of data. Therefore, the accuracy of conclusions presented in this study is reliant on the veracity of the secondary data itself.

Conclusions

As the review of literature indicates, high-performing organizations share at least six common characteristics as identified by Kaufman et. al. (2003). These characteristics are:

1. High-performing organizations are change sponsors. They initiate sponsors of change and sustain those sponsors as a part of long-term strategy. These organizations also demonstrate a high level of commitment to change.

2. High-performing organizations exhibit a shared desire for change. Strategic change addresses significant gaps in organizational outcomes HPOs use needs assessment data for identifying, justifying, and prioritizing action regarding how to close these gaps. This leads to action at Mega, Macro and Micro level.

3. High-performing organizations share an “Ideal vision” (Kaufman et al., 2003, p. 242) or a statement of success. Ideal vision is a measurable statement of expected outcomes in the future. The vision acts as a blueprint for all strategy formulation and is linked to results that arise from the Organizational Elements model.

4. High-performing organizations mobilize commitment. They manage key roles in change through buy-in of all stakeholders involved. These include change sponsors, change agents, change advocates, and change targets. The commitment factor provides great incentive in favor of change and reduces pain and organizational inertia.

5. High-performing organizations relentlessly pursue process improvement. Once again, they use Needs Assessment data to identify gaps and consequently address process improvement or redesign.

6. High-performing organizations measure progress continuously and consistently. Tracking progress ensures the change is heading in the right direction. HPOs generate regular feedback on progress and ensure the feedback reaches all stakeholders whose performance may be affected by such feedback. Known as formative evaluation, HPOs track en-route performance and allows for revision at any time.

As the review of literature suggests, the cause for presence of the above common characteristics within HPOs is the result of adopting strategic planning processes with high payoff results in mind. This fulfills the first objective of this study.

The discussion in Chapter II pertaining to high payoff versus low payoff results supports the fact that the above common characteristics affect the organization at Mega, Macro and Micro level. This fulfils the second objective of this study.

The review of literature has clearly established that HPOs operate on a systems model where interconnectedness of the organizational elements creates a unique synergy for the organization to function and perform as a whole. The nature of interconnectedness in an HPO allows it to operate seamlessly and far more efficiently compared to a conventional organization following a “heap” or a “silo” model. This fulfils the third and final objective of this study.

Recommendations

The study recognizes possibility of additional recommendations based on the review of literature and data analysis, which could expand the scope of future research in this area.

Future research might include how HPOs achieve high payoff results using a systems approach and what role each organizational element plays in that process, based on the interconnectedness among them.

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