High-Performance Organizations (HPOs): The Wal-Mart Stores Case Study

Grace S. Thomson, Nevada State College
High-Performance Organizations: The Wal-Mart Stores Inc. Case Study

Grace S. Thomson

November 2009
High-Performance Organizations: The Wal-Mart Stores Inc. Case Study

Organizational effectiveness is the goal of organizations competing in the changing landscape of global business (Colquitt, LePine, Wesson, 2009). While profitability sustains a firm financially, the well-being of the human capital of the organization is equally important to ensure competitiveness (Carpenter & Sanders, 2008). Collins (2001) posited that effective strategic leaders are those with the capabilities to drive the transformations of the firm into new and profitable models. Firms that are able to transition from good to great companies (Collins, 2001) have leaders who demonstrate to be (1) capable individuals, (2) contributing team members, (3) competent managers, (4) effective leaders, and (5) humble executives. According to Blanchard (2006) leaders in high performing organizations prioritized the triple-bottom line of being “the provider of choice, the employer of choice, and the investment of choice” (in Watson, 2007, p. 46). Leaders in high-performance organizations strive to keep their customers, employees, and investors satisfied, emphasizing that people are always first (Schermerhorn, Hunt, & Osborn, 2008, p. 22). This study will address the components of the culture and organizational behavior of Wal-Mart Stores, Inc. in the U.S. to determine if the characteristics of the firm qualify it as a high-performance organization.

Background

Organizations in the 21st century face rapid changes in the external business environment that impact the operation of the internal environment (Blanchard, 2006). The demands made by informed customers, highly-skilled workers, regulators, social activists, and shareholders increase the pressures on firms to deliver excellent results while satisfying the diverse needs of these stakeholders (Watson, 2007; Schermerhorn et al., 2004). An understanding of organizational behavior is necessary to decipher the needs of the individuals and groups within
the organization, and in order to exercise more effective communication, decision-making processes, and leadership.

Robbins and Judge (2008) stated that organizations with strong cultures influence employee behavior, reducing turnover and maintaining a high level of job satisfaction in the workplace. However, strong cultures misled by unethical leaders may result in a bad reputation for the firm (Carpenter & Sanders, 2008), as confirmed by the Enron and WorldCom scandals of the early 2000s. *Single-minded* and *overachiever overdrive* are common denominators behind unethical leadership behaviors (Spreier, Fontaine, & Malloy, 2006, p.2).

One of the major topics in the discipline of Organizational Behavior is the study of high performance organizations (HPO) (Schermerhorn et al., 2004). HPOs strive to get the best in people as a means to achieve sustainable high performance results. Leaders, who put people first when setting the organizational goals, inspire their workforce to pursue profitability while meeting the expectations of all the stakeholders (McClelland & Burnham, 2003). According to Schermerhorn et al. (2004) high-performance organizations are characterized by five components (p. 23): “(1) employee involvement, (2) self-directing work teams, (3) integrated production technologies, (4) organizational learning, and (5) total quality management.” Strategic leaders must attend to these pieces with equal intensity. If one of them is left out, the organization will not be a true high-performance organization (HPO).

Wal-Mart Stores, Inc. is the world’s largest retailer, positioned number one in the Fortune 500 list (Wal-Mart, 2008a) with more than $374.53 billion in sales worldwide, and a net income of $12.9 billion in fiscal year 2008 (Wal-Mart, 2009a). Founded in 1962, Wal-Mart is currently the largest U.S. employer with 1.4 million workers (Wal-Mart, 2008) and 600,000 worldwide. According to Beer (2001) Wal-Mart is an exemplary high-performance organization that has
redefined the way retail business is done in the U.S. The importance of Wal-Mart in the economic activity of the U.S. is undeniable, and consequently its performance is used to exemplify how successful firms operate. However, contradicting opinions about the business practices of Wal-Mart have emerged, weakening the qualities of superior performance. Hart (2007) discussed evidence presented in the Dukes v Wal-Mart case about alleged gender discrimination in the company, and union representatives of the United Food and Commercial Workers’ (UFCW) constantly attack Wal-Mart for what they claim represents a threat to market capitalism (United Food and Commercial Workers, 2009).

While strong arguments exist about the “Wal-Mart effect” (Fishman, 2006, p. 7) that destroys competitors, lowers wages for the industry’s workforce, and changes communities worldwide, other scholars have given Wal-Mart the benefit of the doubt (Ghemawat, 2006) expecting that the firm commits to “both be right, and seem right” (p.43). According to Ghemawat (2006) a large number of arguments against Wal-Mart are biased and exaggerated, and objective studies about the firm emerge as necessary. All in all, what seems indisputable is the influence that Wal-Mart has on the U.S. society, both on the consumers’ side and the labor’s side. Consequently, the objective study of Wal-Mart’s culture and business practices will shed light on the conceptualization of this firm as a true high-performance organization (HPO).

Problem Statement

The general problem addressed in this study is that despite the recognition that the competitive environment of the 21st century requires firms to be aggressive and adaptive to external changes (Carpenter & Sanders, 2008), firms struggle to balance the demands of all stakeholders expecting high performance and social responsibility (Watson, 2006). Some firms categorized as successful and profitable in the past (e.g. Enron, WorldCom) failed the society at
relying on an overdrive towards profits that disregarded ethics and people’s well-being.
Organizational behavior scholars argued for firms to behave as High Performance Organizations (HPOs), putting people first as a condition to sustain their competitiveness (Schermerhorn et al., 2004). Research on firms that are deemed successful in becoming High-Performance Organizations (HPOs) (Beer, 2001) would contribute to the literature about organizational change and organizational behavior. Hence, Wal-Mart was chosen as object of analysis in this case study.

The specific problem is that organizations like Wal-Mart, recognized for a low-cost strategy that benefits millions of customers (Beer, 2001; Ghemawat, 2006; Thomson, 2007), deal with claims of unfair practices towards employees, competitors, and suppliers (Dube, Lester, & Eidlin, 2007; Hart, 2007). These arguments, both pro and con, concerning Wal-Mart’s business practices raise doubts about a plain categorization of this firm as an HPO. Furthermore, despite the extensive scholarly and non-scholarly literature about Wal-Mart, little research exists that examines Wal-Mart using a theoretical framework for HPOs.

This qualitative case study will analyze the organizational behavior and business practices, as well as financial performance outcomes of Wal-Mart to interpret these elements under the framework of the “Five components of high performance organizations” by Schermerhorn, Hunt, and Osborn (2004). This analysis will allow for an understanding of how Wal-Mart has approached its transition to High-Performance Organization (HPO), and if its business practices and organizational behavior conform to a sustainable high performance. The findings of this qualitative research will provide corporate leaders and scholars with valuable input regarding key elements of successful HPOs in the U.S.

Purpose of the Study
The purpose of this qualitative case study is to analyze the characteristics of organizational behavior, business practices, and financial performance of Wal-Mart Stores Inc., using content analysis, to identify the common themes that may lead to categorize the firm as a High Performance Organization (HPO). Schermerhorn, Hunt and Osborn (2004) defined HPOs using five components: employee involvement, self-directing work teams, total quality management, organizational learning, and integrated production technology. This study will examine business practices that could fit in the definition of HPO for Wal-Mart Store Inc.

Data about organizational behavior and business practices will be collected from Wal-Mart’s corporate website, scholarly journals, and specialized financial publications. Data about financial performance will be extracted from Wal-Mart’s annual reports, financial analysis databases (e.g. Mergent Online, Yahoo Finances) and SEC filings. Additionally, communications and statements issued by top executives of Wal-Mart to shareholders and the public will be analyzed. These data will be triangulated to provide a comprehensive snapshot of Wal-Mart’s culture, practices, and performance. Qualitative case studies are appropriate when the researcher seeks an in-depth understanding of a phenomenon (Creswell, 2008). This case study will describe and interpret manifest and tacit elements of the business practice, organizational behavior and financial performance of Wal-Mart within a model of High Performance Organizations (Schermerhorn et al. 2004).

Significance of the Study

The significance of this qualitative case study about Wal-Mart Stores Inc. resides in the analysis of the traits that characterize the operation, organizational behavior, and performance of Wal-Mart Stores, Inc., to explain if it reflects the components of High Performance Organizations. This study will add to the scholarly literature in organizational behavior,
organizational culture, and strategic leadership, because it provides a theoretical approach to the
description of Wal-Mart as an HPO.

In the field of leadership, this research study makes important contributions in the
identification of characteristics of strategic leadership that have led Wal-Mart to be recognized as
a successful global organization, based upon the five components of HPOs proposed by
Schermerhorn et al. (2004). Moreover, the study seeks to demonstrate how Wal-Mart has faced
the challenges that are associated with an organizational change derived from becoming an HPO
(Schein, 1997). The findings of this case study will provide corporate leaders and scholars with
knowledge about business practices that might be applicable in their organizations and fields of
research, respectively.

Nature of the Study

This qualitative case study will describe and interpret data gathered from public
documentation available on Wal-Mart Stores Inc., statements of the top executives of the firm,
and audited financial statements for the past five years. All the sources used in this study are
secondary and are publicly accessible through Wal-Mart’s corporate website, annual reports to
Wal-Mart’s shareholders, statements of the CEO in the media, SEC filings, scholarly journal
articles, website of the United Food and Commercial Workers’ (UFCW), and financial analysis
databases such as Mergent Online.

The qualitative case study design was selected for this research as it allows the researcher
to explore the characteristics of organizational behavior, business practices, and financial
performance of Wal-Mart Stores Inc., with intensity and thoroughness (Schermerhorn et al.,
2004). The data will be analyzed using content analysis of the materials collected from public
sources to identify the common themes and accomplish the goals of the research, which are to
identify characteristics that may appear to categorize Wal-Mart Stores Inc. as a High
Performance Organization (HPO). Most studies on Wal-Mart relate to its strengths as a major
retailer in the U.S. and others, less favorable, depict this organization as a threat to American
capitalism. Studies that provide an in-depth analysis of Wal-Mart’s characteristics using a
conceptual framework for HPOs are non-existing.

Research Questions

The significance of the economic impact of Wal-Mart in the U.S. society and the
countries where it operates (Dube et al., 2007) appears to be blurred by contradicting opinions
about Wal-Mart’s corporate practices, culture, and contributions to the society (Beer, 2001;
Fishman, 2006; Ghemawat, 2006; Kaliprasad, 2007). To shed light in this debate, the following
research question was formulated to guide the research case study: Are the business practices,
organizational behavior, and financial performance of Wal-Mart Stores Inc. indicative of a High
Performance Organization (HPO)? This study will provide a significant contribution to the
literature in organizational behavior, culture, and strategic leadership, through the identification
of Wal-Mart Stores Inc’s characteristics and their fit into one or more of the five components of
the HPO model (Schermerhorn et al., 2004).

Conceptual or Theoretical Framework

Globalization has opened the borders to competition, and domestic firms face the
challenges and opportunities of new competitors, new suppliers, and foreign workforces.
Multinational corporations such as Wal-Mart are present in 13 countries (Wal-Mart, 2008a)
employing more than 600,000 people. Advances in technologies increase the speed of
information and the capacity of response of businesses but also increase the risks of technology
and cyber attacks (Goodman & Ramer, 2007). E-commerce and e-business have transformed
brick-and-mortar enterprises into more dynamic businesses, and has created a new breed of entities (i.e. dot.coms) requiring new skills and competencies (Schermerhorn et al., 2004).

Organizations are pressured to deliver high performance results to respond to customer expectations, a changing workforce, and the changes in the organization itself (e.g. downsizing, reengineering) (Schermerhorn, et al., 2004). Beer (2001) defined a set of four roles for managers and leadership teams in the organization to complete the HPO transformation process (p. 244-246): (1) create a compelling and balanced organizational development direction, (2) manage expectations about financial performance, (3) involve unit managers in leading change and encourage learning from that experience, and (4) promote self-reflection at the top management level.

Brown, Reich, and Stern (1993) conducted a research on employees of five U.S. companies to examine the experience of the workforce in the transition to a Security-employee involvement-training model (SET). The findings showed varied indexes of security, with employees in two of the firms scoring low given the recent lay-off experiences in those sites. The indexes of employee involvement also varied with the type of firm. In firms with high technical orientation, workers scored higher in problem solving; in firms with customer service orientation, teamwork scored even higher. Firms with influence in managerial decisions scored higher in the sub-index of involvement, as well. Firms that had formal and informal training scored higher in the Training Index.

Schermerhorn et al (2004) argued that high performance organizations (HPOs) thrive in environments where customer expectations and workforce are changing. HPOs emphasize the development of intellectual capital (p. 22). High performance organizations are characterized by involving their employees, empowering them to work in self-directed teams, promoting
organizational learning, supporting total quality management, and integrating production technologies. Blanchard (2006) posited that HPOs are known for their capacity of response, flexibility and “nimbleness” (p. 4). Servant leadership is the _engine_ that makes the transition possible, defining a vision, and constructing a visionary culture that will outlive the leader (Blanchard, 2006).

Research on High Performance Organizations is relatively less abundant than research on organizational culture or leadership topics. A quick search in an electronic database such as EBSCOhost about these three terms yielded interesting results. When High-Performance Organization(s) was used as the “title” keyword, a total of 81 documents were listed between 1984 and 2008; only 59 of them were peer-reviewed. The number of studies on leadership exceeded 47,400 between 1923 and 2009, with only 22,900 peer-reviewed. The query for research on organizational culture resulted in 1332 studies between 1973 and 2009, with 1,153 of them peer-reviewed. This brief analysis provides an initial idea of the valuable contribution of this case study to the literature on HPOs.

**Definitions**

*High-performance organization (HPO).* Organizations with the ability to respond to the demands of the market by strengthening internal capabilities and putting people first (Schermerhorn et al., 2004). High performance organizations are characterized for a nurturing, supportive, and positive work environment (Kaliprasad, 2007).

*Strategic leadership.* Referred as the role of managers who oversee the entire organization and make decisions that impact the overall performance, “competitiveness, innovation, strategic changes, and survival” (Carpenter & Sanders, 2008).
Organizational Culture. Schein (1989) defined this term as the shared set of values that the members of an organization hold as basic assumptions, distinguishing the firm from others.

Organizational effectiveness. This concept comprises the achievement of financial goals and the level of quality of work life of the members of the organization (Schermerhorn et al., 2004).


Assumptions

This qualitative case study will be conducted under the assumption that the publicly available secondary data about Wal-Mart Stores Inc, that will be used to describe, analyze, and evaluate the characteristics of this organization, are true representations of the business practices, organizational behavior, and financial performance of the organization. The financial statements and annual reports used in the analysis of financial performance are assumed to be accurate and prepared based on the regulations of the SEC and other pertinent official institutions.

Scope, limitations, and delimitations

This research is limited to the analysis of public information about Wal-Mart Stores Inc in the United States, available through public secondary sources. Wal-Mart was selected as object of this study because of its recognized economic relevance in the U.S. market as one of the major retailers and top employers in the nation. Data for this study is limited to the business practices, organizational behavior, and financial figures disclosed in the annual reports and communications published by Wal-Mart in its corporate website. Journal articles, specialized
magazine articles, and other expert analysis of Wal-Mart will also be collected for this study, and their validity is limited to the reliability of the authors and sources.

The study is delimited by the information that Wal-Mart has made available in the last five years about its corporate practices, organizational behavior, and financial performance. Additional information deemed relevant to illustrate the characteristics of High Performance Organizations (HPOs) of this firm will be included. Most data will relate to the activities of the firm in the past five years, but when necessary the analysis will also include references to previous years, specifically when describing the profile of Wal-Mart’s founder.

Summary

This qualitative case study will describe, analyze, and interpret the components of High Performance Organizations (HPOs) that may be present in the corporate practices, organizational behavior, and financial performance of Wal-Mart Stores, Inc. The findings of this study will seek to identify the characteristics of Wal-Mart Stores Inc that best resemble the five components of HPOs as defined by Schermerhorn et al (2004). According to Kaliprasad (2007) high performance organizations are known for providing a supportive environment to their workforce, so that they can develop their capabilities at full potential and contribute to the performance of the firm. Ghemawat (2006) contended that Wal-Mart made significant contributions to the economic activity of the U.S., and to the welfare of the general population.

Although Wal-Mart has been exemplified as a High Performance Organization (Beer, 2001), little research has been done to provide a theoretical framework of analysis of these claims. Chapter 1 provided a rationale for the selection of Wal-Mart as the case study of this research. Chapter 2 will provide a literature review that will address organizational behavior theories in relationship with High-performance organizations (HPO), alternate models to
conceptualize HPO, components of HPOs, and the aspects of organizational effectiveness and culture associated with HPOs.

Chapter 2 Literature Review

Chapter 1 addressed the shift that organizations in the 21st century have been forced to make to respond to the rapidly-changing external environment. Successful organizations are transforming their internal processes, and paying attention to the needs of their workforce and transitioning to High Performance Organizations (HPOs). Chapter 2 will present a review of the literature related to Organizational Behavior, using a chronological approach that depicts the evolution of this discipline. This section will also include research on various models that explain the components of High Performance Organizations, and the aspects of organizational culture and organizational performance associated with HPOs.

Documentation

For the purposes of this qualitative research study, data will be strictly collected from secondary sources publicly available on the Worldwide Web. Information about the business practices, organizational behavior, and financial performance of Wal-Mart Stores Inc., for the past five years will be the basis of this study. The literature review about the conceptualization of High Performance Organizations was retrieved from the University of Phoenix Library online, using EBSCOHost, ProQuest and other available databases. Information from textbooks will also be included as well as Harvard Business Review articles that are formally non-peer reviewed.

Literature Review on Organizational Behavior

Organizational Behavior (OB) is a discipline of management that studies how individuals and groups behave in the organization (Schermerhorn, Hunt, & Osborn, 2004). Colquitt, LePine, and Wesson (2009) defined it as a “field of study devoted to understanding, explaining, and
ultimately improving the attitudes and behaviors of individuals and groups in organizations” (p. 5). Robbins and Judge (2008) added the *structure* component into the study of OB and explicitly indicated that the knowledge about individual and group behavior must be used to improve organizational effectiveness.

The evolution of organizational behavior as a discipline goes back to the early 1920s, with the classical views about division of labor and tight mechanisms of control (Bowditch & Buono, 2003). In the 1930s the neoclassical school of management refocused the interest of theorists toward human relations and the *social person* (Bowditch & Buono, 2003). The theories of Maslow “Hierarchy of needs theory,” McGregor’s Theory X and Y of motivation (1960, in Robbins & Judge, 2009), and the two-factor theory of Herzberg (1959, in Robbins & Judge, 2009) and Barnard’s (1937, in Scott, 2003) theories of motivation were the most important contributions of this era. Despite the emphasis on the individual, the consideration of environmental forces was still missing.

In the 1960s, the modern school of management emerged and focused on systems theory, contingency theory, and organizational behavior theory missing in previous eras (Bowditch & Buono, 2003). Shifts in the economic activity from production-based to service-based firms highlighted the importance of information systems and technology. Lawrence and Lorsch (1967) were precursors of the contingency theory of organizations that described the relationships between the internal and external environment of the firm. The study of organizational behavior as a discipline and organizational design as a concept emerged as important ideas in this school. Information systems were introduced as part of organizational design, to reduce the internal uncertainty of tasks or processes, and to assist decision-makers with adequate data for strategic leadership (Galbraith, 1974). In addition to the consideration of open systems, and organizational
design, modern theorists emphasized situational or contingent leadership (Bowditch & Buono, 2003).

Paradigm Shift in Organizational Behavior

A paradigm shift of organizational behavior started in the 1980s with economic and organizational processes that gradually changed the speed of business (Colquitt, LePine, & Wesson, 2009). Schermerhorn et al (2004) posited that organizations in the 21st century face challenges of a new era, characterized by rapid change, at times frustrating and disorienting. High employee mobility, outsourcing, and contingent workers impact the way the workplace operates (Bowditch & Buono, 2003). The understanding of organizational behavior becomes more essential than ever before to meet the needs of the workforce (Schermerhorn et al., 2004).

Robbins and Judge (2008) discussed the challenges that organizations must undertake to respond to globalization from the employee perspective, by increasing the firm’s ability to manage a flexible and diverse workforce, improving people skills, and encouraging innovation and change. From the customer perspective, organizations are urged to improve quality, productivity and customer service, goals that need the participation of employees as executors and as planners of those changes (Bowditch & Buono, 2003).

Literature Review about High-Performance Organizations

The changes in the global environment, the emergence of new technologies, and the shifts in the profile and preferences of the workforce is pressuring organizations to become more competitive in order to survive. High Performance Organizations (HPOs) are a new type of organization designed purposefully with the goal of realizing the potential of their people to create organizational capabilities that result in sustainable high performance outcomes (Schermerhorn et al., 2004). Buytendijk (2006) conceptualized HPOs as firms that are attentive
to the market, retain their best people and are highly responsive to the external environment.

Kaliprasad defined HPOs as organizations that “remain responsive to the marketplace expectations, while also sustaining the behavior required to meet these expectations” (p. 31). Kaliprasad (2007) expanded the concept of HPOs to high performance cultures, designed to achieve business excellence.

The Security-Employee Involvement-Training (SET) Model

Early research on high performance organizations denoted the formulation of the SET system (Brown, Reich, & Stern, 1993) that stands for Security, Employee Involvement, and Training. According to Brown et al, (1993) these three elements interact and reinforce each other: Job security reinforces the involvement of employees, as they feel confident that their contributions to the organization will maintain them in their jobs. Similarly, employment security strengthens the willingness of the firm to invest in training, while employee involvement is enhanced by the interest of the firm in developing the employees’ competencies. The major critiques to SET relate to its inadaptability to new technologies, the demise of union power, the increased stress imposed on employees, and the reduction of salaries in high-paid workers (Brown et al., 1993, p. 248). Brown et al (1993) found that the economic environment affects the security element of the model, when firms must resort to laying-off employees, or close plants given a macroeconomic crisis. In a positive economic environment, the SET system works well because employees reciprocate job security with loyalty, productivity, and involvement.

Buytenkijk’s Model of Five HPO Characteristics

Buytendijk (2006) conducted a case study to identify the common traits in HPOs using a corporate performance management approach (CPM). The findings of the study showed that firms shared five characteristics: (1) Clear mission and ambitious targets, (2) Shared values
internally and externally (3) Impeccable execution, (4) agility and (5) Common business model across the organization. The business model of the HPO must be communicated throughout the organization. Data about performance indicators must be shared with middle managers and employees to enable a common understanding of the strategy.

Buylendijk (2006) suggested four ways to improve the agility of a firm (p. 29): (1) centralization of processes, data, and systems by the IT division, (2) smart-sourcing or standardizing product components to respond with new product developments in no time; (3) channel mastering in operating just-in time inventory (e.g. Wal-mart); and, (4) Project-based management that creates teams without the rigidity of the organizational structure. The effectiveness of centralization will depend on the firm. For some, centralization kills creativity, for others, it facilitates response.

Blanchard HPO SCORES model

Blanchard defined HPOs as “enterprises that produce outstanding results with the highest level of human satisfaction” (p. 4). Six elements were identified by Blanchard in the HPO SCORES model (p. 4): “(1) shared information and open communication, (2) compelling vision, (3) ongoing learning, (4) relentless focus on consumer results, (5) energizing systems and structures, and (6) shared power and high involvement. This model is about leadership infusing energy, excitement, and heightened sense of purpose in the organization, as well as promoting organizational learning, empowerment, value, and respect (Blanchard, 2006).

Kaliprasad’s Sustainable High Performance Culture Model

According to Kaliprasad (2007), the creation of a HPO is based on five success factors (p. 31): (1) perception of the marketplace by senior leaders, (2) shared mission, vision, values, and strategies, (3) leadership practices, (4) employees attitudes and behaviors, and (5) enabling
infrastructure. This model operates in a sequence from components 1 through 4, while component 5 (infrastructure) supports the other four; altogether comprising the organizational culture. The firm receives signals from the marketplace and responds to those signals by using its internal capabilities. The end-result is customer loyalty, and business performance (Kaliprasad, 2006, p. 31). Kaliprasad (2007) recommended to evaluate the performance gaps between each pair of components of the model: Gap 1, between the perception of leaders and the reality of the marketplace; gap 2, between the perception of senior leaders and the vision and mission of the organization; gap 3, between the mission and vision statements and the leadership practices; gap 4, between leadership practices and employee behavior; and gap 5, incompatibility between infrastructure and the four behaviors that sustain high performance (p. 32).

Schermerhorn, Hunt, and Osborn’s Model of High Performance Organizations

Schermerhorn et al (2004) defined High Performance Organizations as firms with a design of responsiveness to the external environment, founded in the realization of people’s competencies. According to Robbins and Judge (2008) firms must be ready to deal with the unpredictability of the environment and be willing to become networked organizations, while nurturing a work environment that is oriented towards a positive organizational behavior (p. 25). Positive organizational behavior is a new concept that focuses on developing positive thoughts and perceptions about the organization on the employee (Roberts, Dutton, Spreitzer, Heaphy & Quinn, 2005). In this context, HPOs appear better equipped to generate positive behaviors from their workforce.

The overarching concept in the construction of HPOs is the emphasis in intellectual capital (Schermerhorn et al., 2004). Ulrich (1998) defined intellectual capital as “the commitment and competence of workers that is embedded in how each employee thinks about
and does work and in how an organization creates policies and systems go get work done” (p. 15). Schermerhorn et al (2004) defined intellectual capital as “the sum total of knowledge, expertise, and dedication of an organization’s workforce” (p. 22).

**Components of High Performance Organizations**

Schermerhorn et al (2004) proposed a simplified model to operationalize the HPO concept into five components: (1) employee involvement, (2) self-directing work teams, (3) integrated production technologies, (4) organizational learning, and (5) total quality management. Figure 1 illustrates the components of the model.

![Components of High Performance Organizations](image)

**Employee involvement.** The involvement of employees in decision-making processes was discussed by Brown et al (1993) in the seminal SET model. Schermerhorn et al (2004) expands the concept and proposes to view it as a continuum of involvement, reflected in low, moderate, and high involvement. Low involved employees simply do their job as instructed; moderately-involved employees participate in quality circles, task forces, and suggestion boxes; highly-
involved employees are empowered with decision-making responsibilities on a daily basis. High-involvement work systems are positively associated with higher employee satisfaction and cost reduction (Scotti, Behson, Farias, Petzel, Neumam, Keashly, & Harmon, 2003).

**Self-directing work teams.** These workgroups are responsible of making decisions related to planning, execution and evaluation (Schermherhorn et al., 2004). HPOs strive to integrate the work of teams seamlessly, to help them complete their tasks, and respond to the customer demands. Self-directing work teams affect team competence positively compared to regular teams (Kauffeld, 2006). Goodman, Devadas, and Hugson (in Schermherhorn, et al., 2004) found strong effects in employee satisfaction and commitment, and moderate effects on performance.

**Integrated Production Technologies.** The adequate job design and the use of information systems to facilitate the integration of the manufacturing and service processes are key elements in HPOs. The use of technology to monitor just-in-time inventories, and the use of computers for design, service, control, and integration of the business functions is critical to provide agile response (Schermherhorn et al., 2004). The operation of JIT systems will require firms to change the flow of information to be timely, simple, and adaptive to changes (Eker & Pala, 2008).

**Organizational learning.** Organizations that integrate information into their systems and processes and use it to respond to future situations promote organizational learning. Like Buytendijk (2006), Kaplan and Norton (2008) emphasized the existence of a double loop of management, where the corporate strategy is reflected in indicators defined by top management (first-loop of management). Any changes in the organization strategy resulting from changes in the environment represent the second loop of management and are documented in a Balance Scorecard (Kaplan & Norton, 2008). Organizational learning takes place when the firm identifies the changes and responds to them after analyzing and questioning them. Operational and
strategic meetings are conducted to brief managers about the execution of the strategy make correctives where necessary (Kaplan & Norton, 2008).

*Total quality management.* Firms committed to respond to customer expectations in this era of strong competition must be cognizant of the need to offer high-quality products and services. According to Eker and Pala (2008) TQM produces value for an organization, increasing the understanding of customers and suppliers needs, improving internal communication, and employee involvement in problem solving. Firms reduce errors and unnecessary waste (Powell, in Eker and Pala, 2008, p. 43). Employees involved in TQM participate actively in quality planning and monitoring (Schermerhorn et al., 2004), impacting learning and performance (Eker & Pala, 2008).

*Challenges faced by HPOs*

Schermerhorn et al (2004) posited that HPOs face challenges of internal integration, redefinition of managerial roles, leadership commitment, and the influence of the external environment. Brown et al (1993) stated that the external macro-economic environment influenced heavily the outcomes of high performance firms. Senior managers and leaders of the organization have the responsibility to lead the transformation of the firm into HPO with transparency (Beer, 2001). The transformations that take place in the rest of the organization must also include self-reflection and change in the top management team (TMT). Role modeling will assist top managers in exerting influence on lower levels of the organization to buy in the change.

*Conclusions*

A study of the evolution of management theories and practice, accounts for the shifting emphasis that societies have given to individuals and groups in the organization. Different
models of HPOs presented in this chapter emphasized job security, employee involvement, and training (SET) for improved performance (Brown et al., 1993). Blanchard (2006) proposed an energizing model of HPO SCORES that is based on the ability of the leader to set a vision and then embrace servant leadership. Kaliprasad (2007) argued for a model of high performance, based on bridging gaps between the perceptions of the market, the leader and the employees.

Schermerhorn et al (2004) offered a simple model of five components of HPOs: employee involvement, self-directed work teams, integrated production technology, organizational learning, and total quality management (Schermerhorn et al., 2004). This model encompasses the discussion of employee involvement by Brown et al (1993), management of megadata purported by Buytenkijk (2006), the role of teamwork (Beer, 2001; Kaliprasad, 2007), and the role of TQM in improved performance (Eker & Pala, 2008). The literature review evidenced that most discussion has remained at the theoretical level. The purpose of this study is to bridge the theory through an application to the analysis of the fit of Wal-Mart Stores Inc. as a HPO.

Summary

Organizations that operate in the competitive environment of global business in the 21st century face a myriad of challenges of socio-economic, technological, ethical, and organizational nature. The transformations that organizations undergo to become HPOs are supported by a philosophy of high performance culture (Kaliprasad, 2007) that prioritizes intellectual capital (Ulrich, 1989). High Performance Organizations (HPOs) are led by top managers who balance the sophistication of systems and processes, with caring for their people (Buytendijk, 2006).

HPOs face challenges in internal integration and realignment of managerial roles, while attending to the influence of the external environment. The readiness of the firm and the
conviction of the need for change is what differentiates HPOs from their competitors. Chapter 2 presented an analysis of the evolution of the organizational behavior concept, the paradigm shift in organizational behavior, and a discussion of various models that explain the components of HPOs. Chapter 3 will comprise the research methods, research design, data collection methods, and characteristics of population and sample for this research.
References


