A CRITICAL ASSESSMENT OF THE HIGH-PERFORMANCE FRAMEWORK IN THE UGANDAN FINANCE SECTOR

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ABSTRACT

The purpose of the study was to establish the levels of high performance in financial institutions in Uganda. The paper uses a sample comprising 10 financial institutions. The extent of high performance was evaluated using the following high performance organization framework factors: management quality, workforce quality, long term orientation, continuous improvement, openness and action orientation. It was established that financial institutions fare better statistically on all characteristics of high performance. Although openness and action orientation had low mean scores compared to the other factors, this could be attributed to the cultural background of the employees. The paper can serve as a basis for financial institutions in Uganda to adopt the high performance organization framework, which could be the organizational model that organizations are looking for to achieve economic, environmental and social sustainability. **Originality/Value:** The paper tries to depict concern areas for high performance in the Ugandan finance sector. Past studied on HPOs may not be applicable to the unique nature of a developing country. The key limitation is that a small sample was used in the current study therefore, the findings may lack generalizability.

Keywords: High performance organization framework, Financial institutions, Uganda.

INTRODUCTION

The importance of a high performing financial sector to a country's economic growth and development is well established in the literature (Beck, 2002; Beck, Levine and Loayza, 2000; de Waal, Hai Duong and Vu Ton, 2009). A high performing organization is a business that achieves financial and non-financial results that are better than those of peer group over a period of time of at least five to ten years (de Waal, 2008; 2010). Efficient financial systems help countries to grow, partly by widening access to external finance and channelling resources to the sectors that need them most (Mugume, 2007). Financial markets and institutions are central to the process of economic development and growth. Studies (Beck and Hesse, 2009; Honohan and Beck, 2007:

Kridan and Goulding, 2006) suggest that a careful comparative analysis of the growth rates of different countries has produced convincing evidence that having a deeper financial system contributes to growth—and is not merely a reflection of prosperity. Countries with unrestricted financial systems also seem to have a lower incidence of poverty than others at the same level of national income. At the firm level, growth also responds to access to credit and to the conditions that favour such access.

The financial sector is a vital aspect in any economy and has a significant impact on the efficiency and productivity of other sectors. It plays a significant role in providing essential financial services to the Ugandan public, such as loans, insurance, savings and so on. The sector is key to mobilizing domestic savings and essential for facilitating efficient investment. Banks are the predominant financial institutions in most developing countries, in Uganda they comprise over 80 percent of the financial system (Beck and Hesse, 2009; Mugume, 2007). Therefore, changes in the performance and structure of banks can have far-reaching implications for the whole economy (Harker and Zenios, 2000; Hafizim and Hayati, 2006; Yang Liu, 2008). There is a concern that an inefficient and weak banking system is a hindrance to economic growth. However, a competitive and high performing banking system is required to ensure that banks are effective forces for financial intermediation channelling savings into investments fostering higher economic growth (Johnson, 2004; Owen et al., 2001).

Based on the analysis that will take place within the framework of the current study, the literature of human resource management can in future propose a model that will actively provide clear-cut interventions and facilitate the process of attaining and sustaining financial high performance organisations in Uganda. Although the analysis itself will have a 'solid' scientific base, it is precisely the contribution of consultants, professionals and students that focus on practically applicable interventions that are in touch with the language and experience of the financial institutions. Before managers of financial institutions are prepared to invest significantly in the HPO framework, they need access to best practices, preferably based upon empirical proof in similar businesses. Researchers and their students can provide financial institutions with information about interventions based on best practices. We believe that this study will assist financial institutions in Uganda in developing capabilities to utilize and create new business opportunities at the same time creating sustained competitive advantage through the use of high performance organizational framework.

Given that most of the success registered studies into high performance conducted previously are clustered in USA, Europe and Asia and limited themselves to one or a few countries and one or a limited number of industries and thus yielded distinctive characteristics (de Waal, 2010). There is need for further research focusing on validating the HPO factors in even more countries and industries. Also additional research focus on the "how" now that the "what" is known.

The HPO framework stipulates "what" is important to become and stay successful but it does not indicate "how" organizations can achieve success. In our study we are concentrating on identifying, collecting and describing "best ideas" of organizations who have achieved success in some or maybe all of the HPO factors. We are critically looking at the issue of causality to try to answer the question whether HPOs have the time and resource to foster the characteristics of high performance, or whether the characteristics create a HPO. Which gaps raise an intellectual curiosity, the answers of which are sought from this study?

The remainder of the paper is structured as follows; in the next section the literature on HPOs, the HPO framework, financial institutions is reviewed and these constructs are related to each other. The theoretical background of the research is described and the research question which was dealt with is provided. This is followed by a description of the research methodology, the discussion of the findings and the conclusions. The paper ends with the limitations of the research and suggestions for further research.

Theoretical Development

Research into factors that cause or facilitate high performance is driven by developments in the resource- based view of the firm (lockett et al., 2009) and the theory of dynamic capabilities (Peteraf and Barney, 2003; Easterby-Smith et al., 2009; Teece, 2009; de Waal, 2010). Researchers investigating on the sources of organisation's sustained superior performance have primarily and typically attached their work in the resource-based view (RBV) of the organisation (Barney, 1991; Peteraf, 1993; Wernerfelt, 1995). The RBV considers two assumptions in analysing sources of superior performance and competitive advantage. First, it assumes that firms within an industry may be heterogeneous with respect to the resource control. second, these resources may not be perfectly mobile across firms, and thus heterogeneity can be long lasting (Chaminda et al., 2007).

Literature on the resource- based view and dynamic capabilities, identified many different factors as potentially important for high performance. The type of factors found seems to depend on the approach of research or the personal views and interests of the researchers. This makes it difficult to define a set of factors which describes the HPO in general. Banking institutions today face a dynamic, fast–paced, competitive environment at a global scale. This enviroment is a catalyst for major restructuirng of the industry (Mugume, 2007). It is therefore necessary that a clear HPO model is developed to allow generalization (de Waal, 2010: Pearson et al., 2008).

High performance Organizations

High performance is relative, and the term is used to refer to companies that outperform competition (Newbold-Coco, 2006). High performance may also be refered to as having the quality of performing exceptionally well. High performance entails overall firm performance which is higher than the performance of the peer group (competitors, comparable organisations), and is measured by productivity, efficiency, customer satisfaction, profitability, market value, competitive advantage, etc. (Melville, et al., 2004). The process of measuring relative performance and determining the key drivers of their performance is difficult (Kirk, 2005). Most studies define success differently and its therefore challenging to decide which companies to study more closely. For instance are the excellent companies with the highest market capitalisation or those with the highest growth rate in sales? For the purposes of this study we define a high performing organization as a business that achieves financial and non-financial results that are better than those of peer group over a period of time of at least five to ten years (de Waal, 2008; 2010).

The concept of the HPO has evolved from research into the link between human resource management and organizational performance. They are often described in terms of what they have achieved or consist of: strong financial results, satisfied customers and employees, high level of individual initiative, productivity and innovation, aligned performance measurement and reward systems and strong leadership (Annunzio, 2004; Brown and Eisenhard, 1998; Bruch and

Ghoshal, 2004; Collins and 1997; Geus, 1997; Hodgetts, 1998; Mische, 2001; Weick and Sutcliffe, 2001; Zook and Allen, 2001). There are many forms of high performance organisations. Even as these studies are referring to the same general phenomena, the use of different 'labels' has certainly added to the uncertainty. The most recent concept dominating today's debate, which is related to these practices, is HPO which is most commonly used both in academic and practitioner circles and it is therefore adopted for the study.

It pays to be an HPO because they achieve better financial results, much higher customer satisfaction, customer loyalty, employee loyalty, and quality of products and services than non-HPOs. High performance organisation (HPO) produce extraordinary results that extend beyond customer service and share holder value on a sustainable basis. HPOs' can be regarded as one of those theories whose validity needs to be tested in an emerging country's context, as this context can be more dynamic and completely different from a developed country's context (de Waal,2007). High performance(HP) is of great concern to organizations due to the fact that low performance results into low international competitiveness on the basis of price, quality, flexibility, delivery times and after sales support (Kasarda and Rondnelli, 1998), and eventually could lead to total collapse of the organization. This could threaten the very existence of the financial institutions in Uganda.

The High Performance Organisational Framework

Recent years has seen an increasing brook of literature containing data on characteristics of high performance organizations (HPO) and high performance frameworks. This study uses the HPO framework as developed by de Waal (2007, 2008) as this framework is based on a Meta analysis of over 280 HPO studies and therefore contains both an extensive and comprehensive overview of the state of the art in this field. The developed framework contains characteristics that potentially are applicable in various settings and contexts. These are characteristics that can be influenced by managers so they are able to take targeted actions to start achieving superior results (de Waal, 2007). Literature contends that the high performance organisation (HPO) tend to share similar characteristics. Previous researches and frameworks on high performance have been suggested, however, none of these researches had been empirically tested yet, but after a five year study by de Waal, (2007), the characteristics were defined which are part of all excellent organisations worldwide and can be influenced by managers so they are able to take targeted actions to start achieving superior results. The research involved examination of over 280 publications on studies performed in the last 30 years in the area of high performance. The common themes that were tested in a worldwide survey executed at over 3100 profit, non-profit and governmental organisations.

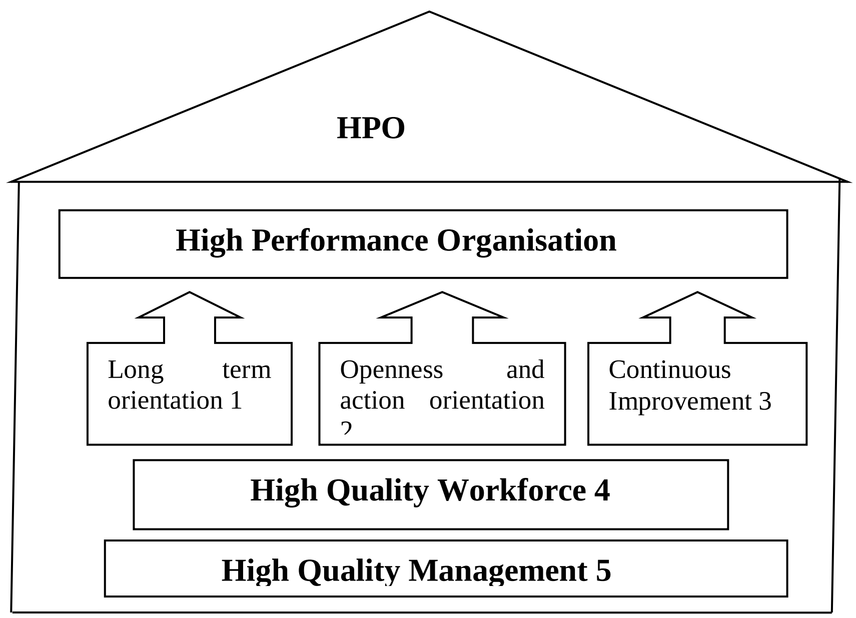
The research yielded 35 characteristics in five factors which have the most impact on high performance, and thus together can be designated as a HPO framework. We used the established HPO factors comparative and internally reflective performance measures, which capture both financial measures (in this case profit) and non-financial measures. These were identified as; (1) management quality, (2) workforce quality, (3) long term orientation, (4) continuous improvement, (5) openness and action orientation. (de Waal, 2006)**.** Two of these factors relate to people both in terms quality management and as workers whilst the remaining relate to their attitudes to work and goal –focus.

First, The high quality management factor is characterised by managers who have an effective, confident and strong management style and are trusted by all organizational members.

Secondly, a high quality workforce that has a diverse and complementary management team and workforce, which are flexible and resilient. Thirdly, HPO's require long term orientation and commitment to be far more important than short-term gain, and extends this long-term commitment to all stakeholders of the organization. Fourthly, there is need for openness and action orientation enhansing an open culture that focuses on using this openness to take dedicated action to achieve results. Lastly, HPO's need a continuous improvement and renewal strategy that sets the organization apart from its peer group, and structures its processes, products and services in such a way that this unique strategy is achieved in an innovative way.

Since it has been established that there is direct relationship between HPO factors and competitive performance (de Waal, 2010; Vickers,et al.,2008). The HPO framework could be the organisational model organisations are looking for to achieve economic, environmental and social sustainability (Freeman and Zollo,2009). Further details on the five HPO factors can be found in Waal (2005, 2007, 2008).

Figure 1: Theoretical Framework



Source: Waal, 2008

Financial Sector: An overview

Financial systems tend to evolve around a banking sector seeking to achieve economies of scale in order to offset the costs of collecting and processing information considered to reduce uncertainty thereby facilitating a more efficient allocation of financial resources (Mugume 2007). Although the Ugandan banking system has attained some degree of outreach and has recently invested heavily in physical infrastructure such as branches and ATMs, it remains small. The total number of deposit accounts held in financial institutions in 2004 was just over 1.7 million or about 35% of the total number of households. The Ugandan banking system is therefore, relatively small even by African standards, and it is underdeveloped and characterized by a large share of foreign ownership and the level of concentration is relatively high. Liquid liabilities, bank deposits and private credit to GDP are below the overall average for Sub-Saharan Africa (Mugume, 2007).

Since 2006, the financial sector in Uganda has experienced rapid changes and growth notably; an increase in the number of commercial banks; from 15 in 2006 to 22 in 2010. Mergers and buy offs which have seen some micro deposit or finance institutions being bought by commercial banks. Innovation of financial products and services and increase in number of braches being operated by commercial banks; the number of branches increased from 301 (2008) to 363 (2009). The upgrading of Micro Deposit Institutions (MDI's) to commercial banks, increased implementation of the Village Savings and Loan Associations (VSLA) and Savings and Credit Cooperation (SACCO) programmes by both Non-governmental Organizations (NGOs) and the central government (under the Prosperity for all program) and the introduction of mobile money services by the telecommunication industry.

The central banks reports indicate the strength and soundness of the sector has continued to improve, as evidenced by the improvement in the quality of the bank's assets. BoU report 2010, suggests that Uganda's financial sector has remained sound and resilient because the liquidity ratio and quality of assets and core capitals of all the banks are very strong. People have gained confidence in the banking sector and they are saving more with the banks compared to what was happening 10 years ago. Computer figures show that in September 2008, the deposit levels were at shs, 4 trillion while in June 2009, deposits stood at shs 5 trillion, which represents an increase of 1 trillion, which translates to an increase of 29 %.

The Annual Report of the Bank of Uganda for the Year 2009/2010 further reveals that the banking sector continued to grow in terms of size, number of institutions and outreach during the year 2009/2010. The number of commercial banks in the country increased to 22 with a total network of 390 branches (including sub-branches and agencies) at the end of June 2009. The health of the banking sector also remained largely untainted with the ratio of nonperforming loans to total credit at 3.0 % at the end of June 2010 compared to 4.0 % at end of June 2009. The percentage of core capital to Risk Weighted Assets (RWA) was maintained at 19.3 % in June 2010. Though there are 23 registered commercial banks and about 4000 branches, with Stanbic having the largest market share; Uganda is a cash economy i.e. people do not want to keep their money in the banks. Therefore the number of financial institutions in Uganda that modify to HPO's and make a substantial contribution to economic growth is limited. Therefore, the following research question was formulated: Do high performance organizations exist in Uganda? The purpose of the study was to establish the levels of high performance in the Uganda financial institutions.

METHODOLOGY

To answer the research question, the study employed a cross-sectional survey design (Cooper and Schindler, 2006; Forza, 2002; Saunders, Lewis, and Thornhill, 2007). Survey methodology is appropriate for measuring attitudes and rating behaviours because it gives more control over the research process, especially by using a questionnaire and the data collected is standardized allowing easy comparison (Macdonough and Hsing 2008; Saunders et al 2003).

Table 1: The Five HPO Factors with their 35 Characteristics

Continuous improvement
1. The organisation has adopted a strategy that sets it clearly apart from other organizations.
2. In the organisation processes are continuously improved.
3. In the organisation processes are continuously simplified.
4. In the organisation processes are continuously aligned.
5. In the organisation everything that matters to performance is explicitly reported.
6. In the organisation both financial and non-financial information is reported to organisational members
7. The organisation continuously innovates its core competencies.
8. The organisation continuously innovates its products, processes and services.
Openness and action orientation
9. Management frequently engages in a dialogue with employees.
10. Organisational members spend much time on communication, knowledge exchange and learning.
11. Organisational members are always involved in important processes.
12. Management allows making mistakes.
13. Management welcomes change.
14. The organisation is performance driven.
Management quality
15. Management is trusted by organisational members.
16. Management has integrity.
17. Management is a role model for organisational members.
18. Management applies fast decision making.
19. Management applies fast action taking.
20. Management coaches organisational members to achieve better results.
21. Management focuses on achieving results.
22. Management is very effective.
23. Management applies strong leadership.
24. Management is confident.
25. Management is decisive with regard to non-performers.
Workforce Quality
26. Management always holds organisational members responsible for their results.
27. Management inspires organisational members to accomplish extraordinary results.
28. Organisational members are trained to be resilient and flexible.
29. The organisation has a diverse and complementary workforce.
Long term orientation
30. The organisation maintains good and long-term relationships with all stakeholders.
31. The organisation is aimed at servicing the customers as best as possible.
32. The organisation grows through partnerships with suppliers and/or customers.
33. Management has been with the company for a long time.
34. The organisation is a secure workplace for organisational members.
35. New management is promoted from within the organisation.

Sample Description

Our research population was the financial sector in Uganda. We defined financial institutions as organisations which collect funds from the public and invest these in financial assets such as deposits, loans and bonds, rather than tangible property. The respondents were employees and managers of financial institutions based in Uganda. The population was all financial institutions which were stratified following the BoU listing; commercial banks, credit institutions, microfinance deposit taking institutions, Forex Bureaux and money remitters in the country and insurance companies. The commercial banks stratum was used for our study because it had the largest number of institutions that is 23 with the same objectives compared to others.

We selected 10 organizations based on (Krejcie and Morgan, 1970), the selected area of study was considered competitive in nature so it was easier to determine whether banks become and stay HPOs or not. The selection process was influenced by the willingness of organisations to participate in the study. A fact finding survey carried out by administering the HPO framework survey questionnaire (Table 1), which was administered to a cross-section of employees in financial Institutions in Uganda.

Operational Measurement of the Variables

We used a validated and reliable scale by de Waal (2006, 2008, 2010) to capture high performance organisations. This scale has 35 items: eleven items refer to high quality management, six items refer to openness and action orientation, six items refer to long term orientation, eight items refer to continuous improvement and four items refer to high quality workforce. The items were scored on a ten-point Likert scale, ranging from 1 (strongly disagree) to 10 (strongly agree). In this survey the respondents indicated how good their organizations were on the various HPO characteristics (on a scale of 1 to 10) and also what their organizational results were compared to their peer group. By using an existing scale, we avoided the criticism that comes from employing a new and inconsistent set of factors that do not allow comparison to previous research (Becker and Gerhart, 1996; Johnson, 2004).

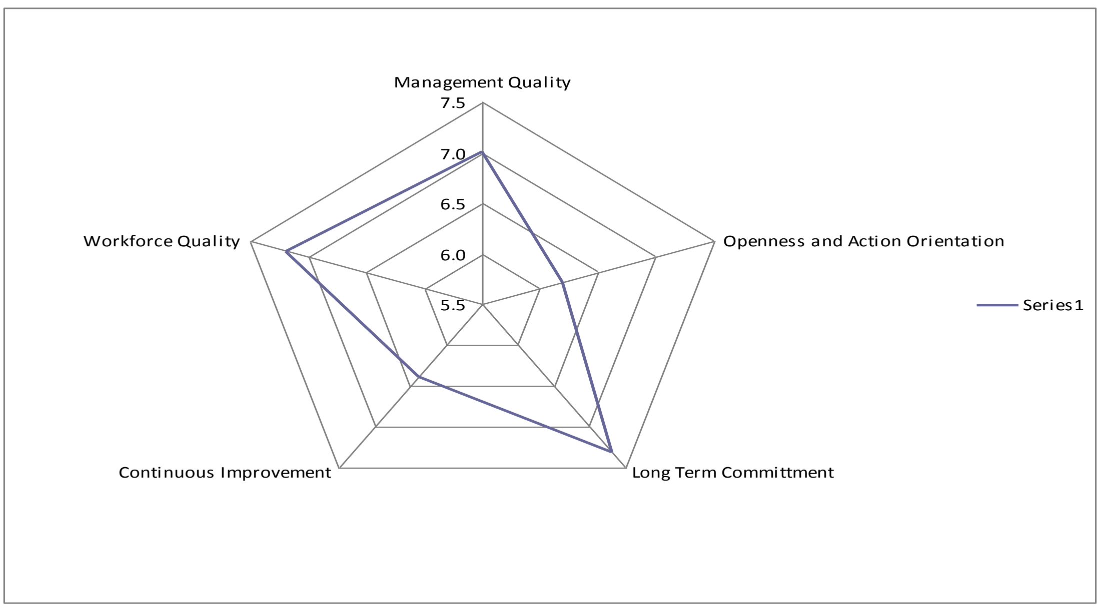
Before conducting the analysis a reliability test was conducted on each of the five factors of the high performance framework and the entire 35 items in the instrument.The value of Cronbach's alpha varied from .785 to .968 indicating a high degree of reliability. A confirmatory factor analysis was conducted for each of the factors of the HPO framework instrument separately. The results indicated that each of the dimensions resulted in only one factor with variation being explained ranging from 51.95 percent to 79.99 percent. This shows that the variables chosen in any dimension belong to that particular factor only. The instrument is categorised into five sections; and the alpha coefficients was calculated for these parts and for the entire questionnaire. The level of significance for items was established at .03. The alpha score obtained for all the sections were above .80 and this was generally accepted for field research (Hair et al.,2006). According to (Sekaran, 2006) the value of alpha level of more than .06 shows the research instrument is reliable for the purpose of the study.

FINDINGS

Using a self administered questionnaire we collected general information about the respondents such as organisational level, function, and functional level, number of employees, corporate life cycle, and type of organisation. The data cleaning and exploration of missing values was done using ; series means used, scatter plots, and box plots. Tests for normality (Kurtosis, histograms, P-plots) were made using the Computer Statistical Package for Social Science (SPSS – version 17) as the main tool to analyse collected data and calculate the HPO factor scores**.** It was established that the variables were normally distributed. The scatter-plots indicated that there was homoscedasticity an indication that the results are coming from the same population and the distribution was close. Data was analysed using confirmatory factor analysis and correlations the empirical results support the positive and significant link between the HPO framework factors.

The analysis of each of these factors was made and the graph below shows the results obtained from 40 respondents. It was established that the financial institutions operating in Uganda on average can be considered as having high levels of performance given the percentages scores. However, they need to rethink on openness and action orientation (62%), continuous improvement (64%) which are below the average of (70%) and they need to develop a new culture of openness, transparency and involve workers in their decision making process. The paper empirically shows that financial institutions fare better statistically on all characteristics of high performance. Although openness and action orientation had low mean scores compared to the other factors, this could be attributed to the cultural background of the employees. The scores for the other factors are just satisfactory and there is scope for further improvement. Figure 2 depicts the results of the study.

Figure 2: HPO Assessments of Financial Institutions in Uganda



Summary

Factor	Score	Percentage
Management Quality	7.0	70%
Openness and Action Orientation	6.2	62%
Long Term Commitment	7.3	73%
Continuous Improvement	6.4	64%
Workforce Quality	7.2	72%

DISCUSSION, IMPLICATIONS, CONCLUSIONS, LIMITATIONS

Discussion

The study tried to answer the major question "Do high performance organizations exist in financial institutions in Uganda?" The results yielded 35 characteristics in five factors which have the most impact on high performance.

The first factor, *quality of management* of an organization in HPO management combines many characteristics. It maintains trust relationships with people on all organizational levels by valuing employees' loyalty, treating smart people smart, showing people respect, creating and maintaining individual relationships with employees, encouraging belief and trust in others, and treating people fairly . Management integrity and acting as role models is very low because management has not always been able to fulfil their promises and obligations to the workers. A new mindset of management is required to make performance alignment possible. This style entails letting go of strict control measurements and guidelines, and trusting the ability of lower management levels and employees to achieve their targets. It also entails trusting the information one receives from lower levels." The findings indicated that 70% Management quality is below the average 85%.

The second factor, *Openness and action orientation culture,* concerns characteristics that not only create an open culture in the organization but also focus on using the openness to take delicated action to achieve results. The score from the data was 62% indicating that financial institutions in Uganda are owned by organizations from diverse countries with different cultural backgrounds, there is very little communication and the high turnover of staff makes communication and knowledge exchange difficult. This is emphasised by Beck, and Hesse, (2009), who established that the banking market has experienced a significant increase in foreign ownership over the past years. There are no clear feedback mechanisms in the financial institutions, though through their weekly newsletter they try to report issues happening in their institutions however real issues like profitability are rarely reported. Management sometimes enjoys dialogue with employees mainly to solve crisis. There financial institutions have clear standards to be met and rules and regulations are usually very clear to protect the reputation of the institutions the rules and procedures are rigid, making mistakes is not tolerated.

The third factor indicates that *long-term commitment* is far more important than short-term gain and this long-term commitment is extended to all stakeholders of the organization that is shareholders but also employees, suppliers, clients and the society at large. Long-term commitment is translated in long-term relationships with customers and stake-holders, and accumulated expertise of the people in the company. The financial institutions have tried to be stakeholder driven maintaining good long-term relationships with stakeholders by networking widely, though mainly to the benefit of the institutions. Management is promoted from within; there is a clear staff development and succession plan. The secure and job security is guaranteed. The management in financial institutions is well- educated with a minimum qualification of a degree and above, who have had careers in industry hence there is low turnover of staff. The long term commitment could also be due to high levels of unemployment in the country, operationally, long-term commitment helps to improve efficiency of the banks' operations leading to high performance. Long Term Commitment the score was 73% which is an average score, implying that Long-term commitment also has a big positive impact on firm performance.

The fourth factor is very much in line with a trend which has been keeping organizations busy for the past two decades: *continuous improvement and innovation*. This starts with a HPO adopting a strategy that will set the company apart by developing many new options and alternatives to compensate for dying strategies. After that, the organization will do everything in its power to fulfil this unique strategy. It continuously simplifies, improves and aligns all its processes to improve its ability to respond to events efficiently and effectively and to eliminate unnecessary procedures, work, and information overload. Continuous improvement of processes is one of key success factors as banks tend to benchmark their processes continuously against those of their competitors. This is because the effective and efficient execution of processes aimed at serving the customer best is critical. After all, banking is a service industry where customers demand consistent and high quality products and services. Banks have to focus on improving the quality of their product and service in order to ensure sustainable performance over a long period of time. Setting themselves apart is difficult though possible for example some financial institutions have introduced new products e.g. ATMS, flexible banking, though the other banks quickly copy these products. The institutions process has been very slow in terms of improvement and aligning the different departments and functions are still some of the major challenge. Continuous Improvement 6.4 quite below the required 7.0.

Complementary to the first factor high management quality, the fifth factor addresses workforce quality. A HPO makes sure it assembles a diverse and complementary management team and workforce and recruits a workforce with maximum flexibility, to help detect the complexities in operations and to incite creativity in solving them. A HPO continuously works on the development of its workforce by training them to be both resilient and flexible, letting them learn from others by going into partnerships with suppliers and customers, inspiring them to work on their skills so they can accomplish extraordinary results, and holding them responsible for their performance so they will be creative in looking for new productive ways to achieve the desired results. The 72% realized in the findings for this factor is an indication that the financial institutions maintain high quality workforce in most of the departments. The financial institutions encourage employees to accomplish extraordinary results so that they can be promoted from within if they are performing as expected. The institutions do not discriminate on gender, race, and creed. This has resulted in diverse complimentary staff. Though the social cultural environment in developing countries seems to be incompatible with attitude, values, and behavioural norms necessary for a high work force quality the cultural diversity has helped their performance management practices.

Practical Implications

The managerial implications are that financial institutions should continue to be innovative and improve their processes and products and should work to align their members to have a clear identity as employees. The implication is that now management knows that HPO factors can determine the HPO status of the organization. This can be done by distributing the questionnaire used in (Table 1) among managers and other staff, to identify the HPO status of the organization. The detailed scores on the HPO factors show the strong and improvement points of the organization and will set the action agenda for the transitions to HPO (de Waal, 2010). Conducting this study (survey) is part of the possible suggestions that may support the performance of Uganda's financial system.

From the literature review the following was established; the financial institutions in Uganda are new formation from mergers, acquisitions, takeovers with about three indigenous banks. These institutions have weathered through the financial crisis of 2008 and remained operational. According to the director for bank supervision at the Bank of Uganda (BoU) there are 23 commercial banks, 4 credit institutions, 4 microfinance deposit taking institutions(MDI's), 131 Forex Bureaux and 30 money remitters in the country. The preliminary study established that the financial institutions in Uganda pass the litmus test of having existed for the last 5- 10 years as per our definition.

Conclusions

Traditionally, the performance of banks is evaluated by qualitative analysis of financial ratios. The research described in this paper shows that the HPO framework can be used to identify and explain performance differences in the Ugandan banking industry in much more detail. This is important as the Ugandan banking industry is integrating into the global economy. From managerial point of view, the framework helps to find sound improvement recommendations for the Uganda banking industry, especially the local banks. In this respect, managers can immediately start 'upgrading' their organization. It should be kept in mind however that, because organizations and environments are continually evolving, improvement ideas and practices need to be adapted continuously. If this is not done, organizations run the risk of meeting the same fate as many organizations characterized as excellent in the past (Kasarda and Rondnelli, 1998; Peters and Waterman, 1982). Their performance founder in the years after they had been denominated as examples of excellence. HPO managers are flexible and creative enough to not let such a downfall happen so that they can make and keep their organization outstanding.

It is important to explain the principles and goals to everyone in the organization. There is need to assure each person that although he or she may not be on the management team, everyone can have input and evaluate the recommendations. It is up to the employees to determine how to fulfil each objective. The departments must make general recommendations on what they think should be done. The leadership, operational departments, and employees determine how it will be done, thus encouraging openness and action orientation. This means that organizations that pay more attention to these HPO factors achieve better results than their peers, in every industry, sector and country in the world

Limitations and Future Work

There are several limitations of the study; there could be a possibility of attribution as is always the case with research based on a questionnaire and self-reported scores. Is it possible that the respondents reporting high performance and those reporting low performance make implicit attributions of characteristics, and in fact, causation. That is, they look for response choices that confirm their view of why the organisation is either high or low performing compared to the peer group. Despite the extensive literature search potentially valuable studies might have been missed out. This study explores the HPO levels in financial institutions and is therefore limited to one sector of the economy. The study is limited to exploring those factors of HPO in a service type of organisation. It is recommended that the scope of the study should be broadened to cover all financial services and, so that the HPO factors can be validated for the complete industry. Further research is recommended to expand this study into other service types.

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