



## HOW TO LIFT RESULTS BY IMPROVING ORGANISATIONAL HEALTH

### Questions to ask about your organisation's health

1. Given the significant impact that organisational health has on business results, do you know enough about the subject to make an informed contribution? Do you even care? If not, maybe that's worth a re-think?
2. How important does organisational health appear to be to the board and senior management in your organisation? Assess this not by what they intended or say, but by what actually happens!
3. How inclusive is your organisation? Given the rationale behind recruiting staff is to have each person make a net positive contribution, is every single person able to do that? Are they able to work to their potential?
4. Not everyone has ready access to the power of senior management, but they can still ask themselves how they contribute to organisational health in their own context. What would you say if you were asked that question?

#### *Health usually correlates with performance – everyone gets it!*

You don't need to be a professional athlete to know for certain that good health is vital for good performance. It's a common human experience, most often reinforced when you don't feel 100%. Think of the times when you sense a cold is taking hold and notice that you have less staying power in the moment, particularly for the more routine activities.

Of course, if you've ever been struck down by a significant health issue, physical or mental, you'll certainly have experienced a frustrating and unwanted dip in performance. You will surely have done everything you could to restore your health as quickly as possible. As well, it was likely that mechanisms, such as sick leave, were in place to support your recovery. In all organisations, you have the right to take sick leave and the corresponding obligation to do all you can to get better.

So, the link between good personal health and personal performance is pretty much undisputed. And, that's why most people continually monitor both. But, even so, it would also be fair to conclude that people are generally less aware of the specifics of the complex inter-relationship between their personal health and their performance because individual contextual factors vary so considerably.

#### *What of business results and organisational health?*

Just as it is for each of us individually, research (and probably your own experience too) shows that unhealthy organisations usually deliver poorer results than those that are in better shape. Despite this, executives are often super-attuned to their financial metrics but overlook or even ignore organisational health data. That comes at a cost, according to recent McKinsey data.

McKinsey has published some excellent longitudinal data, spanning a couple of decades, on organisational health and performance. Probing their database over time continues to deliver valuable insights organisations might heed. While the published research takes their perspective, UGM is nevertheless able to mine this credible data for our own insights.

First, findings about results. Companies that moved from second quartile to top quartile organisational health scores "recorded the biggest financial-performance boost". As well, 80% of companies that worked on their organisational health (for an average 14-month period) improved health by a median 6-points. These health boosts translated into an average 18% increase in earnings and 10% total return to shareholders. In comparison, the S&P500 delivered a 7% increase in earnings and 9% increase in total return to shareholders. There would also be a lot of upside from better health flowing to individuals which would help sustain the improved performance.

#### *Where did organisational health efforts focus?*

The research data gets particularly interesting by focusing on which of McKinsey's 9 dimensions of organisational health received most attention. They shared data on 64 companies.

17% (11) of the organisations saw big improvements in organisational health when they focused on Direction. This included working on a shared vision, getting strategic clarity and involving staff.

16% (10) of businesses in the study chose to work on innovation and learning. To do this, they looked at developing both top-down and bottom-up innovation and paid special attention to knowledge sharing.

A leadership focus was adopted by 9 (14%) of the organisations. This entailed developing leadership that was authoritative, consultative, supportive and yet also challenging.

Smaller numbers of organisations focused on each of the six remaining health dimensions. 7 (11%) worked on Coordination and Control, 5 (8%) each focused on Capabilities or Motivation or Work Environment while 3 (5%) each focused on Accountability or External Orientation.

#### *UGM insights from this data*

Acknowledging there is a great deal of complexity in organisational health, with significant interplay between the many variables, it is nevertheless interesting to reflect that the top 3 dimensions (Direction, Innovation and Learning and Leadership) would contribute strongly to developing an inclusive culture. Since these dimensions represent 30 of the 64 organisations in the study it seems reasonable also to extrapolate a clear association between an inclusive culture and superior company results.

Inclusive cultures, where people feel that they can make a meaningful contribution that is valued and generate a sense of belonging, have great potential to develop a virtuous spiral that is mutually beneficial. The individual has one of their powerful, primal needs (belonging) met and strengthened. In turn, their increased performance contributes to the organisation's primary need for strong results.

#### *How could improved health boost your company's results?*

Where to start looking to improve organisational health could helpfully be guided by dimensions chosen in the study. For example, UGM's experience confirms, without a doubt, that some of the biggest causes of poor health and poor performance come from unclear direction. This particular dimension is also relatively easily fixed with some careful attention. That said, each organisation will have its own context and will need to work within that. But, ignoring organisational health is unwise.