

## **Effectiveness of Leadership: Organizational Health**

Success of an organization does not revolve around just the vision of a single business leader, but it depends more on its ability to seize competitive advantages, and legacies. There are no set rules and strategies to produce best outcomes. The recent research conducted by McKenzie indicates one major element: Organizational Health. Diagnosing and responding to organization's health is imperative than following different leadership behaviors to strengthen the growth of an organization.

The most pertinent question put forth to a business executive can be: How healthy your organization is? It is a question which perplexes every executive. Many executives describe their organizations as high achievers and always present a favorable view of their health, as contrast to their middle line management who are of course much closer to reality.

### **What do we really mean by organizational health?**

"The ability of your organization to align, execute, and renew itself faster than your competitors is just as important as focusing on the traditional drivers of business performance. Organizational health is about adapting to the present and shaping the future faster and better than the competition. Healthy organizations don't merely learn to adjust themselves to their current context or to challenges that lie just ahead; they create a capacity to learn and keep changing over time. This, we believe, is where ultimate competitive advantage lies."<sup>1</sup>

The leader of an organization is well positioned to have a fair idea about its organizational health. Though many tend to show rosy pictures, they are the ones who have deeper insight of their organizations standing. Health of a company is directly proportionate to its performance that can be measured on various counts – be it financial, operational or reputational. For an organization to remain healthy or sustain profitable, the key is Innovation. A static organization cannot remain healthy for long. The performance trend of a static organization starts declining when it fails to keep pace in embracing key changes pre-emptively, losing the advantage of gaining competitive edge.

Weaker organizations are usually the ones whose leaders' micro manage operations, whereas more successful organizations place reliance on subordinates and set challenging targets and provide all-out support in attaining the same.

In the publication *Building healthy organizations to drive performance: The evidence, McKinsey & Company, 2009*, the authors have divided organizations in three categories according to their health: Ailing, Able and Elite, and analyzing the behaviors under each.

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<sup>1</sup> Article from Makensy Quarterly

	<b>Ailing</b>	<b>Able</b>	<b>Elite</b>
Direction	Strategy fails to resolve tough issues	Compelling strategy reinforced by systems and processes	Sense of purpose and engagement about the vision
Leadership	Very detailed instructions and monitoring (high control)	Sensitivity to needs of subordinates (high support)	Stretch goals to inspire working at full potential (high challenge)
Culture and climate	No coherent sense of shared values	Baseline of trust within and across organizational units	Strong, adaptable organization-wide performance culture
Accountability	Excessive complexity and ambiguous roles	Clear roles and responsibilities; performance and consequences linked	“Ownership” mind-set encouraged at all levels
Coordination and control	Conflicting and unclear control systems and processes	Goals, targets, and metrics aligned and managed through effective processes	Value from collaboration captured and measured across organizational boundaries
Capabilities	Failure to manage the talent pipeline or deal with poor performers	Institutional skills developed as required to execute strategy	Distinctive capabilities nurtured to create long term competitive advantage
Motivation	Energy of organization directed inward	Motivation promoted through incentives, opportunities, and values	Extraordinary effort generated through employees’ sense of meaning and identity
External Orientation	Low engagement accepted as norm	Primary objective to create value for customers	Focus on creating value for all stakeholders
Innovation and Learning	No structured approaches to harnessing employees’ ideas	Ideas captured and converted into value incrementally and through special initiatives	Internal and external networks leveraged to maintain leadership position

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The above chart highlights interesting leadership traits depending upon organizational health and also depicts how behaviors can impact the state of organizations. Too much directions and close monitoring leaves no space for employees to breath and think independently hampering innovation and learning.

<sup>2</sup>Source: Alice Breeden, Aaron De Smet, Helena Karlinder-Ostlundh, Colin Price, Bill Schaninger, and Eilidh Weir, *Building healthy organizations to drive performance: The evidence*, McKinsey & Company, 2009

The main focus of any organization should be to create value for stakeholders - a target which only a healthy organization can achieve. The bottom line is: no organization is greater than what its people make it.

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