

People & Organizational Performance Practice

Rethinking organizational health for the new world of work

Yes, organizational health still drives long-term performance—but the way leaders measure and diagnose health should change, new research shows.

by Bryan Hancock and Brooke Weddle



'The OHI is like an MRI,' says McKinsey partner [Bryan Hancock](#) on this episode of *McKinsey Talks Talent*. He joins partner [Brooke Weddle](#) and global editorial director Lucia Rahilly to discuss McKinsey's recently updated [Organizational Health Index](#): how it works, what has changed, and why it's still among the best predictors of whether your company will thrive over the long term.

This transcript has been edited for clarity and length.

The difference organizational health makes

Lucia Rahilly: Organizational health is not a new conceit—but the business environment has changed considerably. In this new context, does organizational health still matter?

Brooke Weddle: Organizational health maintains its ability to predict long-term performance, even though the Organizational Health Index [OHI] and the organizational health body of research is over 20 years old.

We continue to live in a very dynamic environment. There is a lot of focus these days on [building resilience](#), on [productivity](#), and on [new preferences](#) about how employees want to work and interact with their employers.

But the research is very clear: not only is organizational health correlated with long-term performance; it is causal to it. Organizational health drives long-term performance.

Lucia Rahilly: Give us some examples of how better organizational health makes a measurable difference in performance outcomes.

Bryan Hancock: There's a set of what we call [power practices](#). From an organizational-health standpoint, in order to drive performance, organizations need to implement these practices correctly.

Strategic clarity is one power practice. Are our goals clear and measurable? Are they articulated at all levels? Role clarity is another. Do people understand what they're supposed to be doing day-to-day? Personal ownership is a third. Do people feel ownership over their work? And competitive insights is another. Do we understand how we fit in versus our competitors? If people are excelling on those power practices, performance follows.

Brooke Weddle: I work with a lot of business leaders who say, "Look, I'm doing what I think are the right things. I'm measuring engagement. I'm looking at employee satisfaction. And yet I don't see the behaviors in terms of how we are running the place that I want to see, that would help drive performance."

Those could be leaders having courageous conversations, taking risks, innovating more at pace. But organizational health is all about aligning on strategy, translating it into the work environment, and renewing the organization over time. It's an organization-level metric, rather than an individual-level metric. When you assess organizational health, you don't just ask about things like, "Do you have a great relationship with your manager?" It's not to say that's not important; of course it's important. But that's not what organizational health is about.

You start to look at a measure that allows you to say, "I have engaged and satisfied employees, and I'm pointing those employees in the right direction to support execution, to renew the organization over time."

Where to start—including in the mirror

Lucia Rahilly: We hear again and again that leaders are navigating what might be the toughest-ever operating environment, given serial disruptions like [gen AI](#), [rising geopolitical risk](#), [persistent economic uncertainty](#), and so forth. In this context, what matters most to organizational health? Where should leaders focus their energies?

Brooke Weddle: I'd start with the four power practices Bryan named: strategic clarity, role clarity, personal ownership, and competitive insights. These are must-haves. There's real statistical evidence behind this. If those four practices are in the bottom quartile of our databases, as measured against the benchmark, your chances of high organizational health are essentially zero.

Now the second-order question is, "OK, I have those four things. How do I start to think about designing a bespoke recipe that will allow me to create the conditions I need to run this business?" And there is no one answer to that question because we live in a world with lots of different business models and leadership preferences about how to run organizations. So that's where you get into more tailoring of the specific practices, behaviors, and mindsets that you would want to see—those that would enable your own performance outcomes.

Bryan Hancock: At the same time, we've added a new survey section on employee experience, looking at things like well-being, including [burnout](#) and [psychological safety](#); connection to meaning, which postpandemic is more important than ever; and career growth and [talent attraction and retention](#). We've also added more specific questions on [inclusion](#), making sure we're creating

an environment where everyone feels like they are included and belong.

Lucia Rahilly: What about leaders themselves? You talk in the research about the importance of decisive leadership. Is that just about velocity of decision making—or is it more?

Brooke Weddle: The exact definition we're using for decisive leadership is making and following through on decisions in a timely manner. Decisive leadership replaces another leadership practice in the OHI, because it turns out to be a better predictor of overall leadership as an outcome. The other one was called authoritative leadership or applying pressure to drive results. We're seeing that it's actually not a good way to lead these days, so it didn't make the cut this time around.

Lucia Rahilly: How does data help here?

Bryan Hancock: The way our colleagues often describe this is [fast but good decision making](#). And data helps fast and good decision making in two ways. First, the better data you have at your fingertips, the more informed you're going to be and the easier it is to make clear decisions.

Second, data is useful for making sure we're following through. There's research from Stanford that looks at uses of generative AI in organizations. One of the things they've done is look at how teams converge after a decision has been made. They look at the different Slack streams for a given team and see if the team is, after the decision, really moving on that decision or whether there is still divergence happening. So, the data can also be helpful to make sure leaders understand where there are still rumblings of dissent in the organization. Then they can revisit to make sure they are addressing those root-cause challenges within their team.

Listening to the front line

Lucia Rahilly: Can data also empower employees to innovate, in addition to what you just described—making better, faster, more frictionless decisions?

Brooke Weddle: Yes. When you're talking about data at the fingertips of employees at all levels, including frontline employees, understanding data can be very powerful in terms of driving innovation.

Employee innovation has always been a well-performing practice in the OHI survey. It used to be called bottom-up innovation because it's about harnessing the best ideas from all levels, including the front line, to drive innovation and continuous improvement.

A lot of times, a frontline employee on the ground can say, "Here's five ideas for how this could go better." Organizations that listen, in a structured way, can be very effective at driving that continuous improvement. There should be a process for gathering this feedback, and it should be directed in the right ways, in keeping with top-down innovation.

Bryan Hancock: But data-driven decision making needs to go along with other parts of the organizational-health framework to be successful. Someone famous once said, "If you torture data long enough, it'll tell you whatever you want it to say." What you need to pair with that data-driven decision making is an open and trusting work environment, where people feel it's safe to raise questions.

Lucia Rahilly: There's a great example of data-driven innovation in the research related to Major League Baseball. I confess it resonated in part because I've benefited from it personally as my kids

have gotten more interested in going to baseball games. Talk us through that example.

Brooke Weddle: Major League Baseball used data analytics to drive some pretty significant changes in how it runs teams and how managers think about recruiting the best talent. Lucia, you might be referring to one of the data-driven innovations that changed the way pitching works so the games aren't as long. I've benefited from that as well. It's a little bit of the *Moneyball* approach here: using those analytics to inform innovations that make the end user experience more enjoyable and of course drive more productive outcomes as well.

Bryan Hancock: But you need a view of both the end user experience and the data, because some of the data could have made baseball more boring.

For example, there are different ways to position infielders for different power hitters. Some of the best-hitting players could choose to hit into what is more likely the "not an out" direction, or take a relatively boring bunt, or hit the other way to get a single. Baseball took a step back and said, "Well, from a user experience standpoint, this doesn't create a more exciting game that attracts more followers. So now we're going to reengineer the rules to make sure we have the proper number of folks on one side of the infield and the proper number on the other side."

Data needs to be looked at holistically, not just in the narrow context of, "How do I get this batter out?" but instead, "Why is this an exciting game?" How do you use data holistically to get to the broad end goal—not just the narrow one?

Mobility matters

Lucia Rahilly: There's a great data point in the research showing that employees who experience more mobility at work are considerably less likely to burn out. I think the figure was 27 percent. What stands in the way of [enabling more mobility](#) in organizations?

Bryan Hancock: A few things. One is how we think beyond the typical career progressions that someone might experience. If you're in a siloed organization where the only next job you're going to get is your boss's job, moving up will be harder for you. But if your organization recognizes that your underlying skills, your capabilities, your potential could be well suited in other parts of the organization, you get the benefit of being able to move to a different environment where you're learning, able to grow, and able to move. Brooke, what's your take?

Brooke Weddle: I agree. Getting access to development and mobility over time are key drivers to help employees stay at an organization. Burnout was one of these new features but is now a core set of practices, within employee experience, that we ask about when assessing organizational health. And it has turned out to be very important: if you are burned out, you have a very low probability of perceiving anything about your organization as remotely healthy.

Lucia Rahilly: Brooke, do you have an example—either from your client work or from the research—of an organization that is mitigating burnout productively?

Brooke Weddle: I've worked with a couple of organizations that have taken that on as a key priority in the broader frame of, "How do we address wellness? How do we get employees to

thrive in a way that helps our business achieve its outcomes?"

People have a lot of different thoughts about burnout. But what does addressing burnout actually mean? It has to do with figuring out how roles are defined. There are certain parts of roles that might be rethought, and tools like [gen AI can now be used to push off some of the transactional work](#) that demotivates employees. Another key factor for a manager at one organization was spending time connecting one's work to the larger purpose of the organization.

And the last thing is that it's a journey. One organization in particular understood that [capability building](#) would be a large part of that journey over time. As it helped managers figure out their role in addressing burnout, there was an awareness they had to generate on that front.

New world, new measures of organizational health

Lucia Rahilly: Any other changes in this OHI revamp that you want to highlight and that reflect the current complexity of the world of work?

Bryan Hancock: We introduced two new sections. One was on employee experience, as we talked about before. And the other was on [workplace flexibility](#): where are people working today, what are their preferences, what's the primary means of communication, what's the schedule or location flexibility, what's the workspace design?

There's a recent article that highlighted the practices of Land O'Lakes. It had an acute shortage of people working in its manufacturing facilities. It used to have two set 12-hour shifts—a day shift and a night shift—because that was the way to

maximally drive production. Unfortunately, there weren't enough workers to actually fit those shifts. So it switched to having employees pick which hours they wanted to work. That put a little more burden on the system, a little more burden on the managers, but providing that flexibility enabled employees to get more total working hours done.

Brooke Weddle: The other thing I'll highlight about the revised OHI is the addition of a couple of other management practices. One is social responsibility as it relates to a larger category of external orientation. This is a core part of how organizations add value. Employees are putting a lot of importance on it in terms of the attractiveness of an organization.

Another is feedback. The [practice of feedback](#) was added to the broader category of accountability, recognizing that as you think about performance management and the manager and "managee" relationship, that feedback loop cannot be taken for granted and must be a core practice to get accountability right.

The last one I'll mention is direction. [Having a common purpose](#) was added with strategic clarity and shared vision, recognizing, again, the importance that many companies are placing on having a clear articulation of their purpose in the world and how that connects back to employee value proposition and employees seeing their employers as a place where they can derive individual purpose as well.

Lucia Rahilly: These features, these "intrinsic" of organizational health, have changed. Does the bar for what health means also move over time? In other words, are companies generally healthier now than they were a decade ago?

Bryan Hancock: There are still a broad range of organizational-health outcomes across organizations. And while some of the least healthy organizations may have ceased to be organizations, there are others coming in to replace them at the bottom. So the bar may be moving. The average may be moving. But we still have a pretty broad distribution of performance. And we still see, across that distribution of performance, those that are healthier are better performing.

The path to outperformance

Lucia Rahilly: Do you see leaders really investing in organizational health as a priority?

Brooke Weddle: Absolutely. I'm working with a number of organizations that are making this a priority. One started with a very low OHI score. And it has been a good story because its leaders used it as a rallying cry to say, "We can do something different here, right? And we can do something different that really matters." They've embarked on a transformation that is just as much about driving better execution and performance as it is about building their culture and investing in their ranks up and down the organization.

Bryan Hancock: I'm also seeing an uptick in organizations saying, "What is my baseline of the managerial practices that drive organizational health? How can I help my managers get better at those practices that actually drive our performance day-to-day?"

When organizations align on their organizational-health recipes, they say, "OK, we know we need to do this through our managers. How do we help our managers provide more role clarity for people on their teams? How do we help managers link

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what we're asking the teams to do to the broader purpose?"

Answering these questions [helps managers become better leaders](#) and will improve overall organizational health.

Lucia Rahilly: A quick follow-on on the efficacy of OHI as a tool. It's so much easier to survey employees now than it was when we first introduced the OHI. Is survey fatigue inevitable? And if not, how should leaders avoid it?

Brooke Weddle: I think survey fatigue is always going to be hard. We've seen more bite-size versions of pulsing, to make it not only feel more digestible but also more real-time. There are, of course, passive ways to collect data as well—for instance, creating social network maps based on email traffic flows, calendar invites—that can give you a pretty good sense, too, of some of the features of organizational health. You really have to take more of a strategic view of listening these days and not rely as much on these traditional heavy efforts to survey employees.

Bryan Hancock: The analogy I use is that OHI is like an MRI. What we're doing is looking at all the systems. And yes, that does take time. But it creates the ability to identify where, having taken the holistic view, there may be specific opportunities.

Once we have the MRI and we say, "Let's look at the heart or the circulatory system in this area," or whatever sub-element comes up, then you don't need to do an MRI again next month to track how you're doing. You can just track the heart.

Lucia Rahilly: Suppose I'm a leader, and I'm looking to energize my organizational-health efforts. Talk me through what next steps look like.

Brooke Weddle: There's a beauty to bringing math and science to a discussion on organizational health. You begin by measuring your starting point and creating a common language around what you're trying to create—not just from a current-state perspective but where you want to head.

Then it's all about taking action. That will include things like leader role modeling. It will certainly involve some change stories and an integrated communications plan. Sometimes the reason a leader doesn't embrace a new behavior is that they have no idea how to. Capability building is a big component.

And finally, there's the alignment of incentives. Think through the talent system and how people are rewarded, not just financially but with nonfinancial recognition. If that's not in keeping with the behaviors you want to emphasize, guess what? People won't embrace them. There's a real holistic and rigorous methodology behind not just the diagnostic part of this but also taking action.

Bryan Hancock: You also need a CEO and a senior leadership team who want to [take a hard and honest look at how they run the place](#). If senior leaders aren't ready to take that hard look, it doesn't make sense for them to ask employees for answers to questions like, "How are we going to make progress in these areas? And what are we going to do?" It takes real leadership commitment and belief in the data that shows, "If we run the place better, we get better outcomes." If you have that alignment at the top, combined with all the things Brooke just said, that's a real recipe for success.

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