Exploring Organizational Health to Achieve Organizational Agility

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ABSTRACT
Organizational health is crucial for influencing effectiveness, ethics, culture, and decision-making. Initially focused on employee treatment, organizational health now emphasizes a balance of stability and flexibility in structure, governance, and processes. The Organizational Health Index (OHI) evaluates organizational health across nine dimensions, highlighting leadership, continuous improvement, talent development, and market creation. Analysis shows that the Office of Kampus Merdeka (Pelaksana Pusat Kampus Merdeka/PPKM) is in the top quartile for agility and adaptability, confirming that a healthy organization is innovative and responsive. Institutional theory supports that organizational health fosters a productive and adaptive work environment. Integrating organizational health principles in institutions like PPKM through programs like Merdeka Belajar Kampus Merdeka (MBKM) is vital for academic and industrial growth, demonstrating the link between organizational health and employee well-being.

Keywords: Organizational Health Index, Organizational Agility, Employee Well-Being

ABSTRAK
INTRODUCTION

In the 21st century, a primary challenge for management is the need for companies to proactively confront and adapt to change (Tofighi et al., 2011). These changes can significantly affect employee motivation, excitement, attitudes, performance, and the overall well-being of the firm. The concept of organizational health (OH) emerged in the 1960s, driven by concerns over employee treatment within organizations (Bennis, 1962). Over time, the importance of employee health and well-being has grown. In today's dynamic environment, organizational health is increasingly vital for fostering employee welfare. A healthy organization effectively manages and adapts to change (Singh & Jha, 2018). Organizational health emphasizes the balance between stability and adaptability across three key areas: organizational structure, governance, and processes (Aghina et al., 2015).

Gagnon et al. (2017) identified four critical components for promoting organizational health: strong leadership, continuous improvement, talent and knowledge development, and market positioning. Balancing immediate results with long-term sustainability is challenging, but the well-being of an organization has significant economic implications as well (Orvik & Axelsson, 2012; Gagnon et al., 2017). The importance of a supportive work environment cannot be overstated, as it underpins the long-term success of an organization. While investing in employee well-being may reduce short-term profitability, such expenditures are crucial for long-term sustainability and success (Shoaf et al., 2004; Lowe, 2020). Many companies prioritize economic goals over employee well-being, highlighting a disparity between economic and health priorities within enterprises. Therefore, a comprehensive and unified strategy is essential for effectively managing overall business well-being.

Leaders play a pivotal role in transforming the paradigm by incorporating health into the core of organizational performance metrics. One tangible approach is to tie financial incentives to the achievement of health goals (Gagnon et al., 2017). The Organizational Health Index (OHI) serves as an evaluative framework that integrates diverse perspectives on management practices across nine key dimensions: direction, leadership, work environment culture and climate, accountability, coordination and control, capability, motivation, external orientation, and innovation and learning (Kaetzler et al., 2019; Ramaswamy et al., 2019). To become agile and high-performing, organizations must embody principles that address these dimensions (Aghina et al., 2015; Suarez & Montes, 2020). Emphasizing these aspects can enhance both organizational health and performance. Notably, organizational health is inextricably linked to individual employee well-being (Shoaf et al., 2004). Optimal organizational health and strong employee well-being are mutually reinforcing. Thus, fostering this relationship is crucial for achieving agility and sustainable long-term success. Different methods for measuring employee well-being impact organizational health, particularly in service-oriented organizations where productivity and efficiency are paramount, influencing the quality of public services (Orvik & Axelsson, 2012; Quelch et al., 2016).

In Indonesia, this issue is pertinent to the evolving higher education landscape. For instance, short-term contracts, high-performance targets, limited benefits, and heavy workloads can create an imbalance between job demands and resources. Without policy intervention and a supportive work environment, organizations risk becoming unhealthy workplaces. Indonesia’s educational policy, encapsulated in the Independent Learning Independent Campus (Merdeka Belajar Kampus Merdeka/MBKM) curriculum as per Minister of Education and Culture Regulation Number 3 of 2020, provides students the right to study outside their study program and campus for three semesters. This shift aims to foster a more autonomous and innovative learning culture. Effective management of these programs is essential to ensure a significant and positive impact. The Office of Kampus Merdeka (Pelaksana Pusat Kampus Merdeka/PPKM), functioning as the Project
Management Office (PMO) for the MBKM program, aims to optimize team performance and demonstrate the program’s potential to accelerate industrial growth through students’ creative and strategic initiatives. Institutional theory Meyer and Rowan (1977), suggests that institutions are shaped by individuals’ actions within concrete social contexts, which either maintain, change or dismantle these institutions (Singh & Jha, 2018). Institutional forces influence individual interests, behaviors, and actions, reinforcing the symbiotic relationship between individual and organizational health. Despite its importance, organizational health remains an under-researched concept (Singh & Jha, 2018). This oversight underscores the necessity of assessing the Organizational Health Index (OHI) to evaluate transformational effectiveness and inform policies to enhance organizational health. Improved organizational health is expected to enhance agility in adapting to change.

LITERATURE REVIEW

The literature on Organizational Health (OH) is sparse, yet existing studies provide valuable insights into its various dimensions. OH can be evaluated through indices that measure financial, structural, strategic, cultural, and behavioral health (Singh & Jha, 2018). Strategically, OH is defined as a set of enduring second-order system properties that surpass short-term effectiveness (Bennis, 1962; Miles, 1969). A healthy organization not only survives in its environment but also thrives long-term, continuously enhancing its resilience and problem-solving capabilities. Empirical studies on OH primarily focus on educational institutions and business organizations, examining their impact on organizational effectiveness, personality, ethical climate, culture, justice, interpersonal performance, and leadership decision-making (Singh & Jha, 2018). The Organizational Health Index (OHI) is a quantitative diagnostic tool that helps leaders assess and achieve the necessary health for sustained long-term performance (Kruk et al., 2018). It serves as a benchmark for measuring organizational and employee welfare.

Gagnon et al. (2017) tracked over 1,500 organizations in 100 countries over ten years, finding a correlation between health-promoting activities and improved financial performance. McKinsey’s OHI framework categorizes organizational health into three clusters: internal alignment, quality of execution, and capacity for renewal, further divided into nine dimensions and 37 practice indicators (Keller & Price, 2011). This framework allows leaders to tailor strategies to promote organizational health based on their specific context. In management literature, organizational agility has emerged as a critical concept, encompassing lean, innovative, customer-oriented, flexible, and adaptable organizations that swiftly respond to change (Attar & Abdul-Kareem, 2020). Despite its popularity, agility does not have a universally accepted definition and is understood in various forms (Holbeche, 2018; Chatwani, 2019). Many organizations adopt agile processes without fully grasping the influencing factors or the concept’s measurement (Lee & Xia, 2010).

To become agile, organizations must effectively utilize workforce talents, encourage innovation, and implement efficient knowledge management and decision-making processes (Phuong et al., 2012; Denning, 2016). An organization’s ability to adapt to threats or opportunities underpins its ongoing agility. High agility is achieved when functions within the organization understand and deliver required results (Chakravarty et al., 2013). In the public sector, strategic agility involves proactively addressing emerging policy challenges to prevent crises and implementing changes systematically (Doz et al., 2018). Research indicates that specific capabilities and resources are essential for organizational agility (Ludviga & Kalvina, 2023; Prieto & Talukder, 2023). Therefore, measuring organizational health should also target enhancing organizational agility, aligning with broader transformation and effectiveness goals.
METHOD

This study did not re-evaluate validity and reliability statistically. However, to ensure the validity and reliability of our measurement instrument, we followed strict steps. Initially, we translated the original English instrument into Indonesian and then compared it again with the English version for accuracy. Input from staff members confirmed that the draft was understandable. Additionally, we assess the relevance of questions to ensure alignment with context. Finally, participants with at least one year of work experience were selected to ensure a strong understanding of the mission, organizational structure, governance, and processes (Aghina et al., 2015). Although it does not evaluate validity and reliability directly, this research uses the KMO test and Bartlett's test using SPSS 26. The aim is to ensure the relationship between variables and the suitability of the dataset to extract the underlying factors or dimensions. This examination increases the completeness and credibility of the analysis, underscoring the importance of diagnostic tests in ensuring the robustness of the findings. The data for this study was collected through Google Forms. Out of 317 responses, 243 were eligible for analysis. The respondents were staff and also managerial positions. All items used in this study were measured on a 4-point Likert scale (1 = Strongly disagree; 4 = Strongly agree) (Larson, 2019; Ried et al., 2022). The nine dimensions of the McKinsey OHI variables adopt previous research from Duan et al. (2017) with 102 items. An example item is the organization has a vision that is easy to understand and meaningful to its members. Apart from that, the organizational agility scale was adopted from previous research by Harjanti and Gustomo (2017), who grouped it into four scales, namely, Non-Agile, Agility Basics, Agility Transition, and Organizational Agility. Next, the scale results obtained are converted into percentage values to increase the clarity and effectiveness of data presentation.

RESULT

This research tested the adequacy of the sample, providing that the Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO MSA) value was >0.5. The statistical analysis results concluded that the sample was sufficient for factor because it had a KMO MSA value > 0.5 (0.967).

<table>
<thead>
<tr>
<th>Table 1. KMO and Bartlett's Test</th>
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<tbody>
<tr>
<td>Kaiser-Meyer-Olkin Measure of Sampling Adequacy</td>
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<tr>
<td>Bartlett's Test of Sphericity</td>
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<tr>
<td>Approx. Chi-Square</td>
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<td>Df</td>
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<td>Sig.</td>
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There are nine dimensions of the Organizational Health Index (OHI) as identified by McKinsey, which were previously adapted by Duan et al. (2017). These dimensions (as shown in Figure 1, 2, 3, 4, 5, 6, 7, 8, and 9) include Direction, Work Environment, Accountability, Coordination & Control, Capability, Motivation, Innovation & Learning, External Orientation, and Leadership.
According to the data collected, the Direction dimension, comprising the sub-dimensions Shared Vision, Strategic Clarity, and Employee Involvement, has scores of 67.90%, 73.66%, and 73.66%, respectively. For the Work Environment dimension, which includes the sub-dimensions Open and Trusting, Performance Transparency, Operationally Disciplined, and Creative & Entrepreneurial, the scores are 81.48%, 70.78%, 74.49%, and 73.66%, respectively. In the Accountability dimension, consisting of Role Clarity, Performance Contracts, Consequence Management, and Personal Ownership, the scores are 74.07%, 83.95%, 67.90%, and 82.30%, respectively. The Coordination & Control dimension, which includes Operational Management, People Performance Review, Risk Management, Financial Management, and Professional Standards, has scores of 73.25%, 71.19%, 74.07%, 76.54%, and 76.95%, respectively.
For the Capability dimension, including Talent Development, Talent Acquisition, and Process-Based Capabilities, the scores are 77.78%, 81.48%, and 74.90%, respectively. In the Motivation dimension, which comprises Meaningful Values, Inspirational Leaders, and Rewards and Recognition, the scores are 77.37%, 79.84%, and 74.90%, respectively. The Innovation & Learning dimension, including Capturing External Ideas, Top-Down Innovation, Bottom-Up Innovation, and Knowledge Sharing, has scores of 79.42%, 81.89%, 78.60%, and 80.66%, respectively. For the External Orientation dimension, which includes Customer Focus, Government & Community Relations, Business Partnerships, and Competitive Insights, the scores are 81.89%, 85.19%, 86.83%, and 81.89%, respectively.

Finally, the Leadership dimension, comprising Consultative Leadership, Supportive Leadership, Authoritative Leadership, and Challenging Leadership, has scores of 85.60%, 84.77%, 85.60%, and 86.01%, respectively. Organizational health, assessed using the Organizational Health Index (OHI), offers valuable insights into various factors like effectiveness, ethical climate, culture, and interpersonal performance (Singh & Jha, 2018). Organizational agility refers to the capability to swiftly adapt and respond to changes in the business environment. These two concepts are closely linked, as a healthy organization enhances agility, which subsequently increases productivity and efficiency.

Organizations with thriving employees and a positive work environment are more capable of implementing agile development processes (Chakravarty et al., 2013). Quantitative diagnostics from Harjanti and Gustomo (2017) and Kruk et al. (2018) conclude that, good organizational health enhances the organization's ability to stay agile and responsive. Table 2 shows the relationship between OHI quartiles and organizational agility.

<table>
<thead>
<tr>
<th>Range</th>
<th>Percentage</th>
<th>Quartile</th>
<th>Agility</th>
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<tr>
<td>3-4</td>
<td>75-100</td>
<td>Top quartile</td>
<td>Organizational Agility</td>
</tr>
<tr>
<td>2-2.99</td>
<td>50-74.75</td>
<td>Second quartile</td>
<td>Agility Transition</td>
</tr>
<tr>
<td>1-1.99</td>
<td>25-49.75</td>
<td>Third quartile</td>
<td>Agility Basics</td>
</tr>
<tr>
<td>0-0.99</td>
<td>0-24.75</td>
<td>Bottom quartile</td>
<td>Non-Agile</td>
</tr>
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Based on the analysis of OHI index data (Table 3) and the visualization of data (Figure 10), the Direction aspect is in the Second Quartile with a gap of 30.45% from the total OHI score. The Work Environment aspect also falls in the Second Quartile with the same gap of 30.45%. The Accountability aspect is in the Top Quartile with a gap of 23.87%. The Coordination & Control aspect is in the Second Quartile, showing a gap of 26.75%. The Capability aspect is likewise in the Second Quartile with a gap of 27.57%. Motivation is in the Second Quartile with a gap of 26.34%. The Innovation & Learning aspect is in the Top Quartile with a gap of 22.63%. The External Orientation aspect ranks in the Top Quartile with a gap of 16.87%. Lastly, the “Leadership” aspect is in the Top Quartile with the smallest gap of 15.23%.

The PPKM organization has an overall OHI score of 75.54%, placing it in the Top Quartile with a gap of 24.46% (see Table 3). This score indicates that the organization is agile and responsive, aligning with the top quartile performance in organizational agility.
Analyzing the OHI index data and organizational gaps reveals that the highest-scoring aspects are Accountability, Innovation & Learning, External Orientation, and Leadership. According to McKinsey’s OHI concept, these aspects fall under the Renewal cluster (see Figure 11) (Keller & Price, 2011). Organizational health significantly impacts various operational and managerial aspects, including effectiveness, personality traits, ethical climate, culture, justice, interpersonal performance, and the informational and decision-making roles of leaders (Singh & Jha, 2018). To measure organizational health, the Organizational Health Index (OHI) combines insights from diverse management practices across nine core dimensions (Kaetzler et al., 2019). Organizations aiming to achieve agility and high performance must implement principles that encompass these dimensions (Aghina et al., 2015). Analysis of OHI data reveals that the organizations studied achieved excellent scores, ranking in the top two quartiles—Top Quartile and Second Quartile—indicating strong organizational agility. According to McKinsey’s OHI framework, these aspects fall under the “Renewal” cluster, which signifies an organization’s ability to effectively understand, interact with, respond to, and adapt to changes in its environment (Keller & Price, 2011). Research by Chatwani (2019), supports the notion that healthy organizations are innovative, flexible, adaptable, and quick to respond to change, demonstrating that organizational health is directly proportional to agility.

In Denning (2016) research, he further emphasized that healthy organizations can fully utilize workforce talents, engage stakeholders, and encourage innovation. In the public sector, agility refers to the ability to proactively identify and address emerging policy challenges, avoid unnecessary crises, and implement strategic and structural changes efficiently. Special units within the Project Management Office (PMO) focus on optimizing team performance in programs designed to accelerate industrial growth through students’ creative and strategic visions. Kruk et al. (2018) support the measurement of organizational well-being through the OHI. Institutional theory, suggests that institutional forces shape individual interests and behaviors, leading to persistence or change (Meyer & Rowan, 1977). Singh and Jha (2018) in their research, found a strong relationship between employee well-being and organizational health, reinforcing the idea that OH fosters a productive and adaptive work environment. The OHI reflects how well organizations adapt to these pressures, indicating that healthy organizations can meet institutional expectations and remain resilient amidst change. In alignment with institutional theory, these organizations demonstrate their ability to adapt to changes in the institutional environment to stay relevant.
CONCLUSION

Organizational health is a critical factor in the development of organizational culture, ethics, decision-making, and effectiveness. The Organizational Health Index (OHI) shows that the organization studied have a high level of agility and adaptability, with scores in the top quartile. This research also reveals that healthy organizations tend to be more innovative, flexible, and responsive to change. Innovation in a healthy organization is not only realized in the development of new products or services, but also in the work processes and strategies implemented. Rapid responsiveness to change reflects the organization’s ability to make appropriate and effective decisions in a short time, so that it is able to maintain or even improve its performance. The programs managed within the organization have been proven successful in achieving the targets set. This success shows that the strategies and programs designed by the organization are not only relevant but also effective in improving the overall performance and health of the organization. Organizational health is a key factor in achieving operational effectiveness and long-term sustainability. Healthy organizations are not only able to survive in the face of challenges, but also develop innovatively and adaptively, creating a work environment that supports employee productivity and well-being.

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