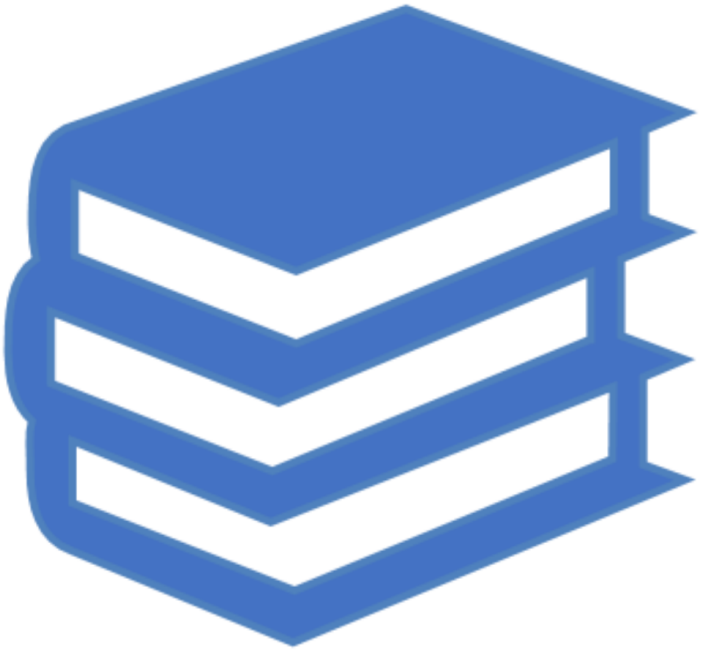
NGO Organizational Health Assessment Report

NGO ABC

2020-12-01

香港社會服務聯會
The Hong Kong Council of Social Service

HKCSS Institute
A Training and Resource Institute for NGOs

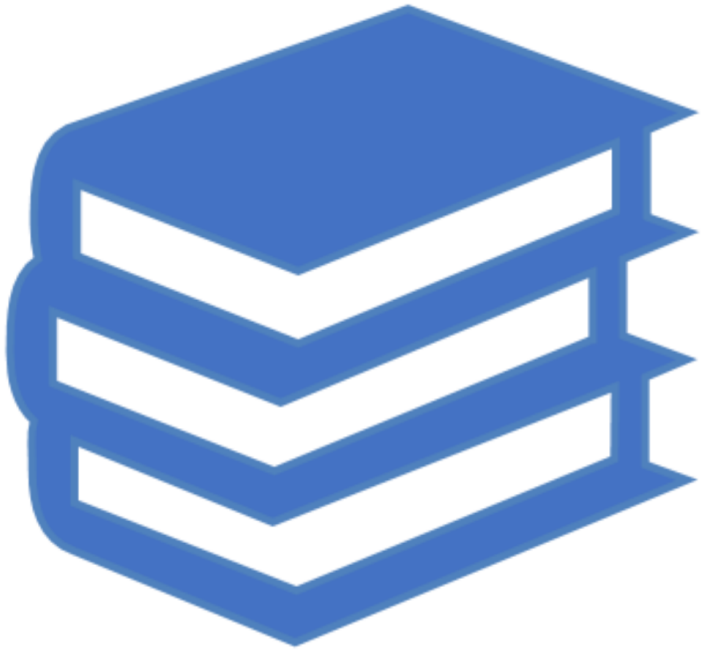


Part A:

McKinsey’s Organizational Health (OHI) and NGO Organizational Health Assessment Framework (NOHAF)

Part B:

Finding from NGO ABC



Part A:

McKinsey's Organizational Health (OHI) and NGO Organizational Health Assessment Framework (NOHAF)

Part B:

Finding from NGO ABC

McKinsey's Organizational Health Index (OHI)

Organizational Health Index (OHI) is McKinsey's proprietary tool focusing on 9 core elements that drive organizational health…

Academic review

- 834 books and articles reviewed
- 219 fact-based insights

Organizational health survey

- **600+ organizations and 280,000+ responses** across industries and geographies

Business experience

- Input from 100+ client individuals
- 30+ interviews with functional leaders across all disciplines

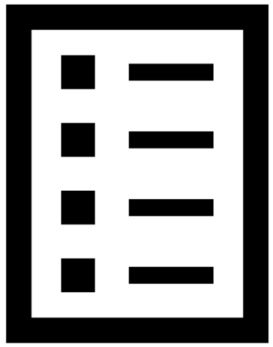
Reference:

Keller, S., & Price, C. (2011). *Beyond Performance: How Great Organizations Build Ultimate Competitive Advantage.* Hoboken, N.J: Wiley.

McKinsey & Company. *Organizational Health Index*. Retrieved from https://www.mckinsey.com/solutions/orgsolutions/overview/organizational-health-index

McKinsey's Organizational Health Index (OHI)

Performance vs. Health – where are we?



Performance

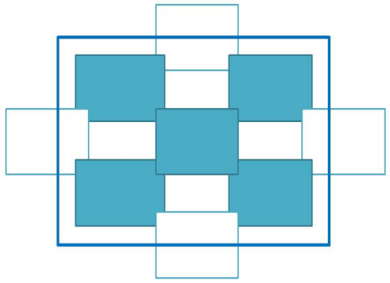
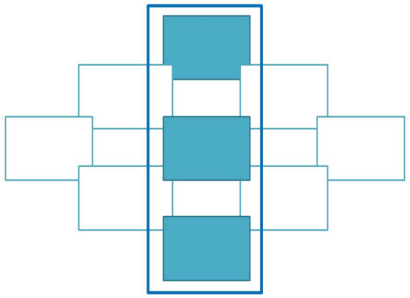
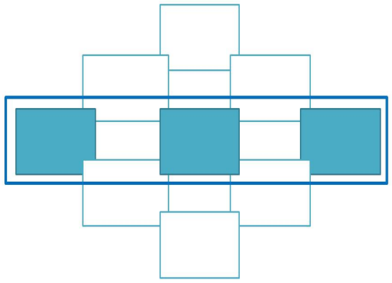
What an organization delivers to stakeholders in **mission delivery** and **operational** terms.
(e.g., budget targets, efficient and effective services)

Health

The ability of an organization to **align**, **execute**, and **renew** itself to **sustain** exceptional performance over time.

McKinsey's Organizational Health Index (OHI)

McKinsey's Organizational Health Index (OHI) is a framework that measures the health of an organization based on the organization's abilities of **execution**, **alignment** and **renewal**.

Execution	Alignment	Renewal
How does the organisation execute against its strategy and deliver its services?	**Where is the organisation headed, what is its purpose, strategy, and how supportive is its internal environment?**	**How does the organisation understand, interact, respond, and adopt to its situation and external environment?**
		

Different practices are separately measured on how they contribute to these outcomes and drive organizational health

Outcomes

The Organizational Health Index characterizes health in terms of specific outcomes

However, it separately measures the practices that contribute to these outcomes, and hence examines the real drivers of health

Practices

Direction
- Shared vision
- Employee involvement
- Strategic clarity

Leadership
- Supportive
- Consultative
- Challenging
- Authoritative

Culture and climate
- Open & trusting
- Creative and entrepreneurial
- Internally competitive
- Operationally disciplined

Accountability
- Personal ownership
- Role clarity
- Performance contracts
- Consequence management

Coordination and control
- Financial management
- Professional standards
- Risk management
- People performance review
- Operational management

Capabilities
- Talent acquisition
- Talent development
- Process based
- Outsourced leadership

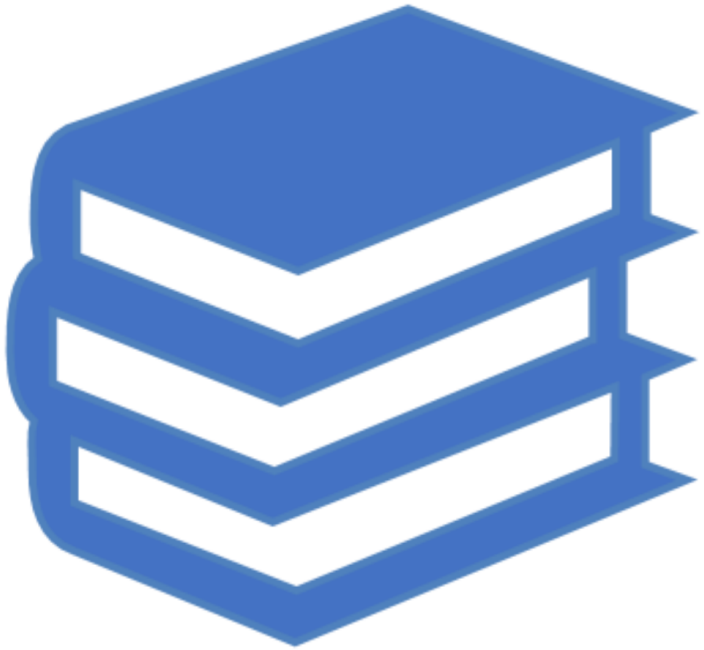
Motivation
- Open & meaningful values
- Inspirational leaders
- Career opportunities
- Financial incentives
- Rewards and recognition

Innovation and learning
- Top-down innovation
- Bottom-up innovation
- Knowledge sharing
- Capturing external ideas

External orientation
- Government & community relations
- Competitive insights
- Customer focus
- Business partnerships

The results have suggested strong correlation with organization's sustainability

	Some Key Findings	Evidence
1	Outcomes will determine organization's long-term success	Bottom-quartile organizations (in outcomes) are more than 2 times less likely to achieve above average organizational performance (e.g., growth, financial performance)
2	Organization outcomes are driven by management practices	A single not-effective practice reduces the likelihood of distinctiveness of an outcome by 50+%
3	Distinctiveness in a few management practices is key	Likelihood of top quartile organisational performance plateau at 80% after achieving 4 to 5 distinctive practices



Inspired by the Mckinsey's Organizational Health Index (OHI)…

A Tailor-made Version for NGOs – The NGO Organizational Health Assessment Framework (NGO-OHA)

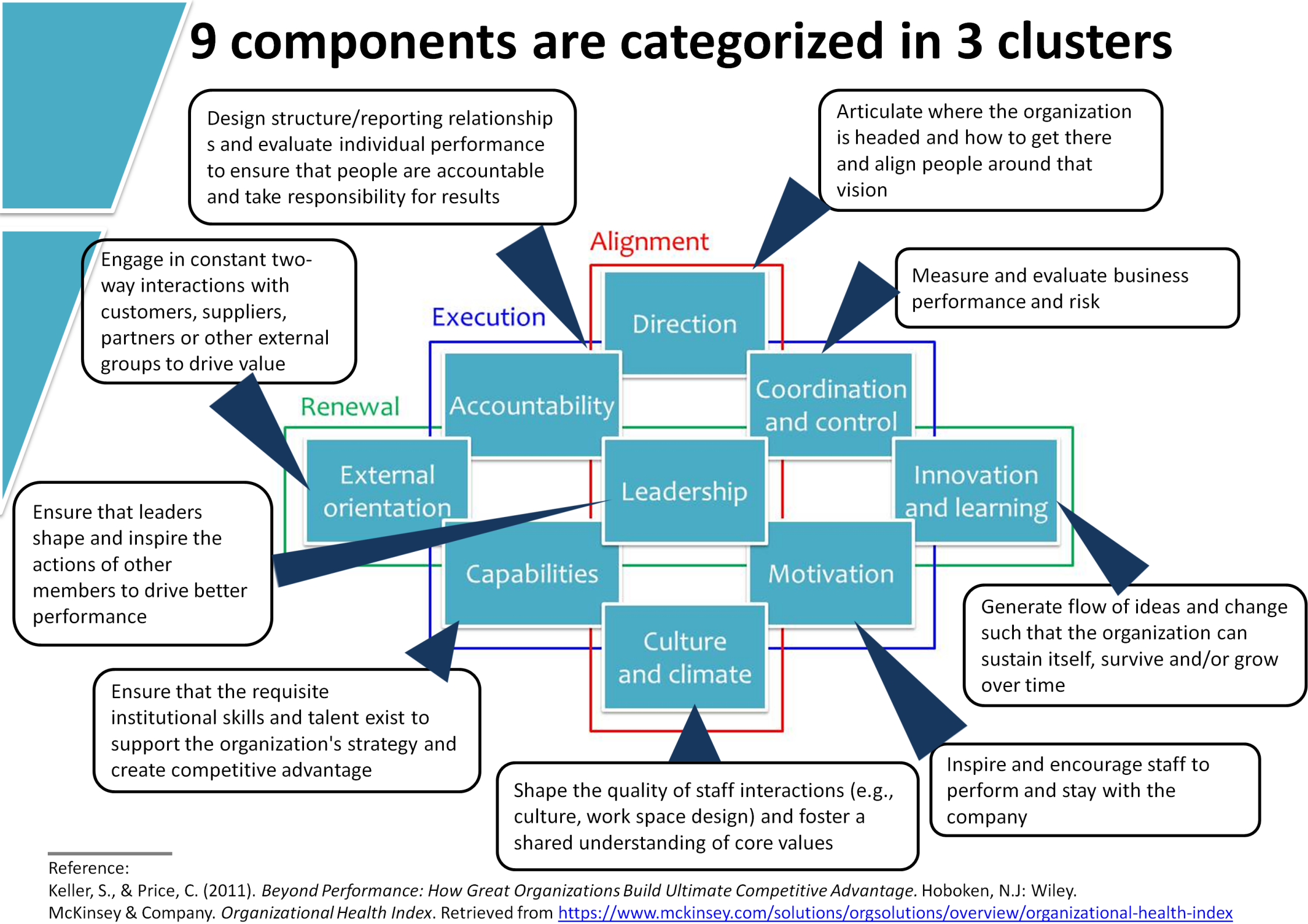
Organizational Health Index Framework –
37 Practices with 111 management styles and actions

NGO Organizational Health Assessment Framework (NGO-OHA) –
<u>33</u> Foundation Practices with <u>50</u> management styles and actions

2012 vs 2018

Content	2012	2018
Partner	McKinsey and HKCSS	HKU-ExCEL3 and HKCSS (Inspired by McKinsey's Model)
Practices questions	111 (37 dimensions)	50 (33 dimensions)
Outcomes questions	53 (9 outcomes)	48 (9 outcomes)
Average survey completion time	50 minutes	30 minutes
Total number of Questions	164	98
Questionnaire Administration	McKinsey	HKCSS
Re-use of Questionnaire for NGOs	No	Yes Free
Number of Participating NGOs (Respondents) in Pilot Run	8 (1,055)	5 (1,267)
Validity and Reliability	N/A	The validity and reliability were tested by Confirmatory Factor Analysis and Cronbach's Alpha, the result was satisfactory.

9 components are categorized in 3 clusters



Reference:

Keller, S., & Price, C. (2011). *Beyond Performance: How Great Organizations Build Ultimate Competitive Advantage.* Hoboken, N.J: Wiley.

McKinsey & Company. *Organizational Health Index*. Retrieved from https://www.mckinsey.com/solutions/orgsolutions/overview/organizational-health-index

Descriptions of the 33 practices (1/3)

Outcome	Practice	Description
Direction	1. Shared vision	1. Setting the direction by creating and communicating a compelling, vivid image of what the future will look like
	2. Employee involvement	2. Engaging employees in dialogue on the direction of the organization and discussing their part in making it happen
	3. Strategic clarity	3. Articulating a clear direction and strategy for winning, and translating it into specific goals and targets
Leadership	4. Supportive leadership	4. Leaders build a positive environment characterized by team harmony, support, and caring for employees' welfare
	5. Consultative leadership	5. Leaders involve and empower employees through communication, consultation, and delegation
	6. Challenging leadership	6. Leaders encourage employees to take on tough challenges and do more than they thought were possible
	7. Authoritative leadership	7. Leaders emphasize hierarchy and managerial pressure to get things done
Culture and climate	8. Open and trusting	8. Encouraging honesty, transparency, and candid, open dialogue
	9. Creative and entrepreneurial	9. Supporting innovation, creativity, and initiative-taking
	10. Internally competitive	10. Emphasizing results and achievement, with a healthy sense of internal competition to drive performance
	11. Operationally disciplined	11. Fostering clear behavioral and performance standards, with close monitoring of adherence to those standards

Reference:
HKCSS & HKU-HKJC ExCEL3. *NGO CEO Competency Model.* Retrieved from http://hkcsshkuexcel3.com/ceocompetencymodel/en/index.php
McKinsey & Company. *Organizational Health Index*. Retrieved from https://www.mckinsey.com/solutions/orgsolutions/overview/organizational-health-index

Descriptions of the 33 practices (2/3)

Outcome	Practice	Description
Accountability	12. Personal ownership	12. Accountability driven by a strong sense of individual ownership and personal responsibility
	13. Role clarity	13. Accountability driven by clear structure, roles, and responsibilities
Coordination and control	14. Financial management	14. Focus on financial KPIs and the effective allocation and control of financial resources to monitor and manage performance
	15. Professional standards	15. Use clear standards, policies, and rules to set behavioral expectations and enforce compliance
	16. Risk management	16. Identify and mitigate anticipated risks and respond rapidly to unexpected problems as they arise
	17. People performance review	17. Use formal performance assessments, feedback, and tracking to coordinate and control flows of talent
	18. Operational management	18. Focus on operational KPIs, metrics, and targets to monitor and manage business performance
Capabilities	19. Talent acquisition	19. Hiring the right talent
	20. Talent development	20. Developing employees' knowledge and skills
	21. Process-based capabilities	21. Embedding capabilities and know-how through codified methods and procedures (e.g., training manuals, SOPs)
	22. Outsourced expertise	22. Using external resources to fill capability gaps (e.g., consultants, vendors, business partners)

Reference:
HKCSS & HKU-HKJC ExCEL3. *NGO CEO Competency Model.* Retrieved from http://hkcsshkuexcel3.com/ceocompetencymodel/en/index.php
McKinsey & Company. *Organizational Health Index*. Retrieved from https://www.mckinsey.com/solutions/orgsolutions/overview/organizational-health-index

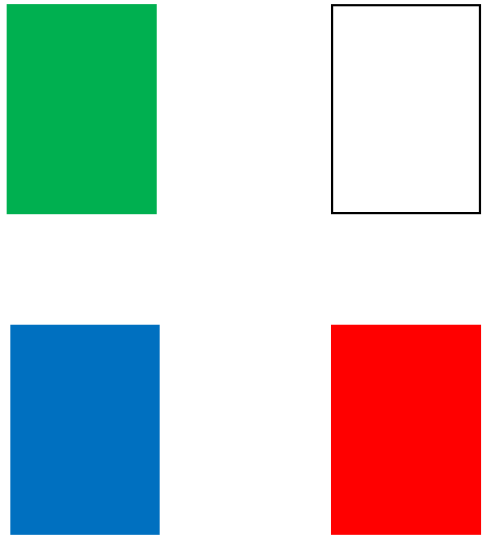
Descriptions of the 33 practices (3/3)

Outcome	Practice	Description
Motivation	23. Meaningful values	23. Appealing to compelling and personally meaningful values to motivate employees
	24. Inspirational leaders	24. Inspiring employees through encouragement, guidance, and recognition
	25. Rewards and recognition	25. Providing nonfinancial rewards and recognition to encourage high performance
Innovation and learning	26. Top-down innovation	26. Driving innovation and learning through high-priority initiatives sponsored by senior leaders
	27. Bottom-up innovation	27. Encouraging and rewarding employee participation in the development of new ideas and improvement initiatives
	28. Knowledge sharing	28. Enabling collaboration and knowledge sharing in the organization
	29. Capturing external ideas	29. Importing ideas and best practices from outside the organization
External orientation	30. Government and community relations	30. Developing strong relationships with the public, local communities, government, and regulatory agencies
	31. Competitive insights	31. Acquiring and using information about competitors to inform business decisions
	32. Customer focus	32. Understanding customers and responding to their needs
	33. Business partnerships	33. Building and maintaining a network of external business partners

Reference:
HKCSS & HKU-HKJC ExCEL3. *NGO CEO Competency Model.* Retrieved from http://hkcsshkuexcel3.com/ceocompetencymodel/en/index.php
McKinsey & Company. *Organizational Health Index*. Retrieved from https://www.mckinsey.com/solutions/orgsolutions/overview/organizational-health-index

How "Outcomes" and "Practices" are determined and help describe organizational performance

Definitions and methodology	How the words are represented
Outcomes ❖ The extent to which an organization is effective within a particular element ❖ Determined by level of agreement with questions that make a positive performance assertion ✓ *Example question:* *This company's vision is understood by its staff* *(1 = strongly disagree, 5 = strongly agree)*	Number of Respondents Satisfactory =/> 50% Attention Needed < 50% Selected Strongly Agree/ Agree
Practices ❖ The choice of emphasis or style of practices employed in order to deliver organizational performance ❖ Determined by reported frequency a practice occurs while delivering performance ✓ *Example question:* *Management actively solicits staff involvement in setting this company's direction* *(1 = never, 5 = always)*	Selected Always/ Often



For the pilot run of 5 participating NGOs in 2018, the average score of the 9 outcomes was 46%. The highest scoring outcome was **External Orientation (54.8%)** while the lowest scoring outcome was **Coordination and Control (40.5%)**.

Reference

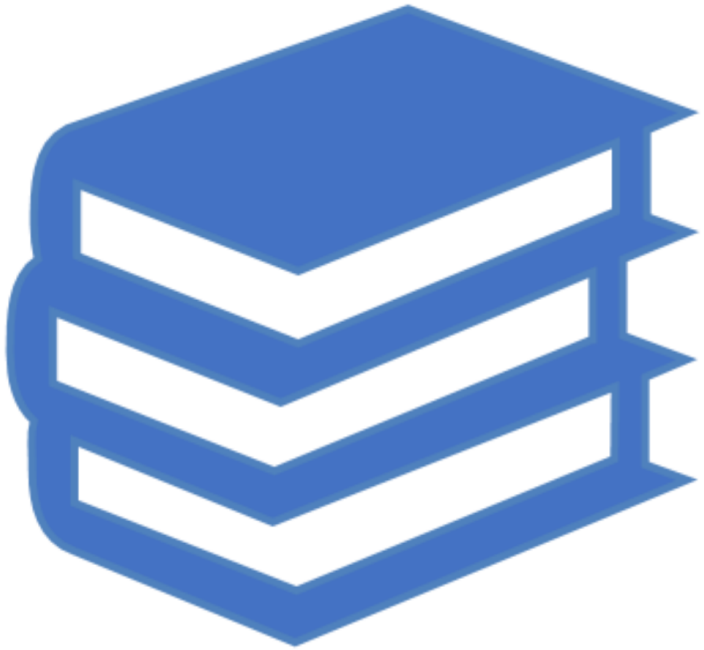
HKCSS & HKU-HKJC ExCEL3. *NGO CEO Competency Model*. Retrieved from http://hkcsshkuexcel3.com/ceocompetencymodel/en/index.php

Keller, S., & Price, C. (2011). *Beyond Performance: How Great Organizations Build Ultimate Competitive Advantage*. Hoboken, N.J: Wiley.

McKinsey & Company. *Organizational Health Index*. Retrieved from https://www.mckinsey.com/solutions/orgsolutions/overview/organizational-health-index

HKCSS Institute (2014)。《社會服務機構的健康檢查– 做好「協調」與「創新」 實踐機構使命》 。取自 https://institute.hkcss.org.hk/zh-hk/advancement-of-learning/article-sharing/detail/41

HKCSS Institute (2019)。《「NGO 機構健康評估」可靠並帶出反思 有助機構永續服務》。取自 https://institute.hkcss.org.hk/zh-hk/advancement-of-learning/article-sharing/detail/91



Part A:

McKinsey's Organizational Health (OHI) and NGO Organizational Health Assessment Framework (NOHAF)

Part B:

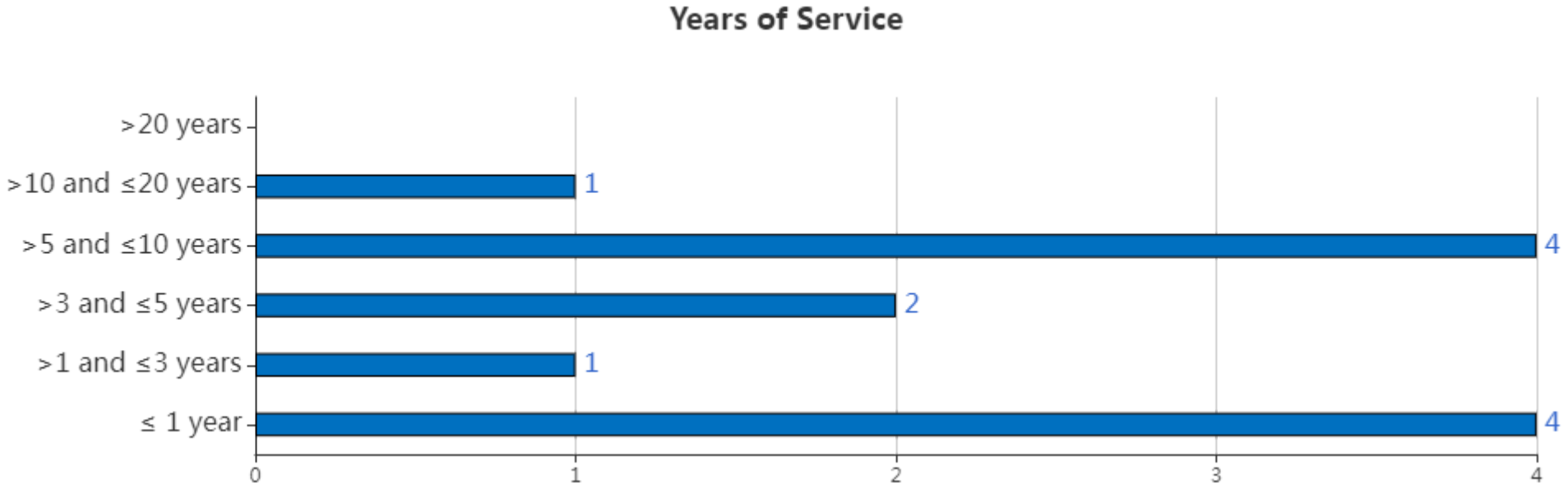
Finding from NGO ABC

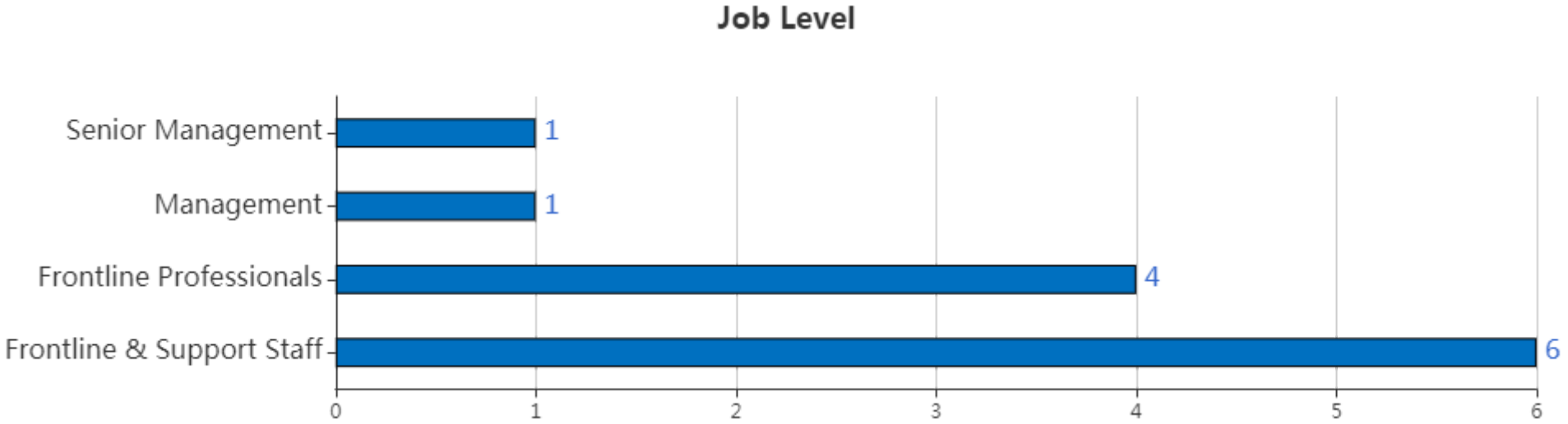
General background information

Total number of Respondent**: [12 / 34 = 35.29%] response rate**

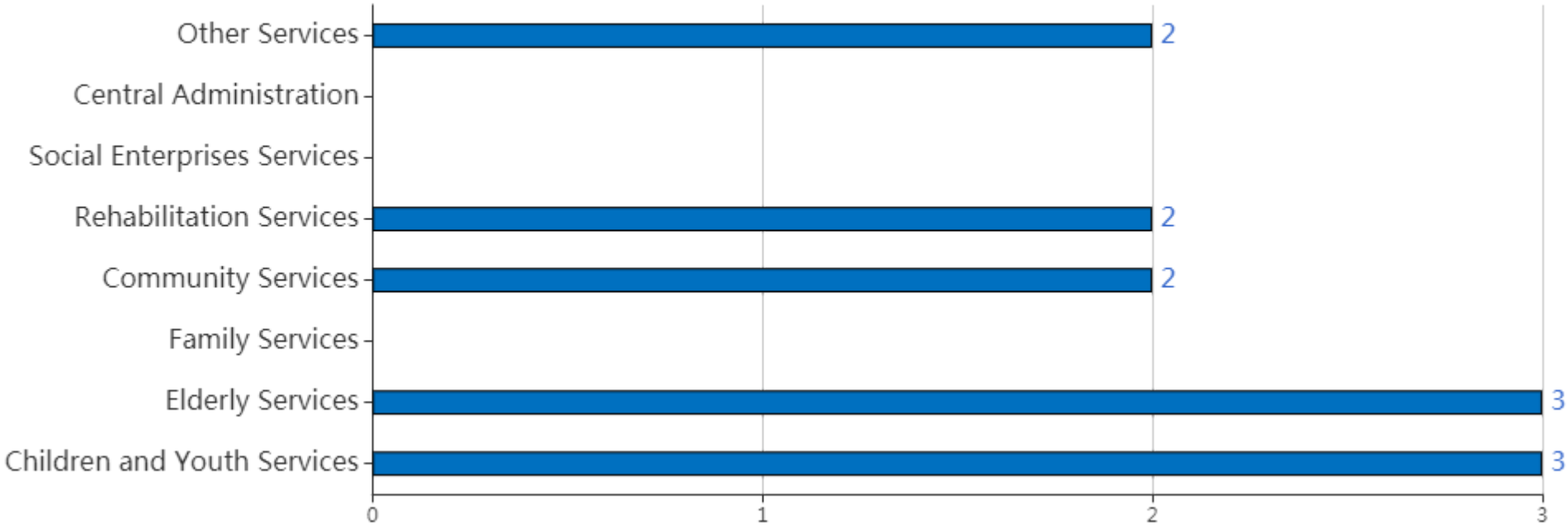
Data Collection Period: [2020-12-17 – 2021-03-09]

The basic information of invited staff participated in the survey

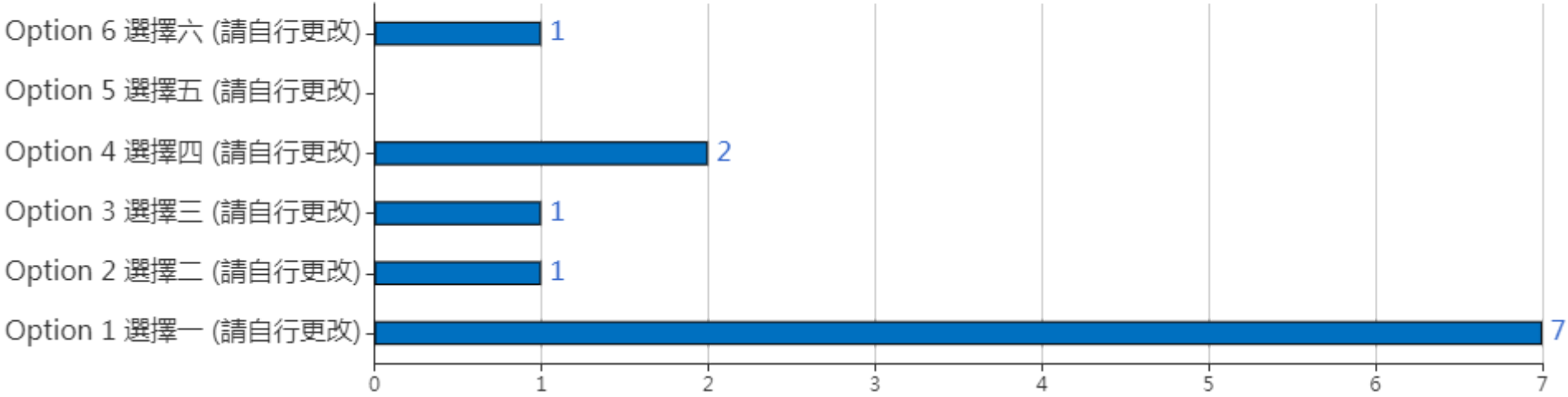


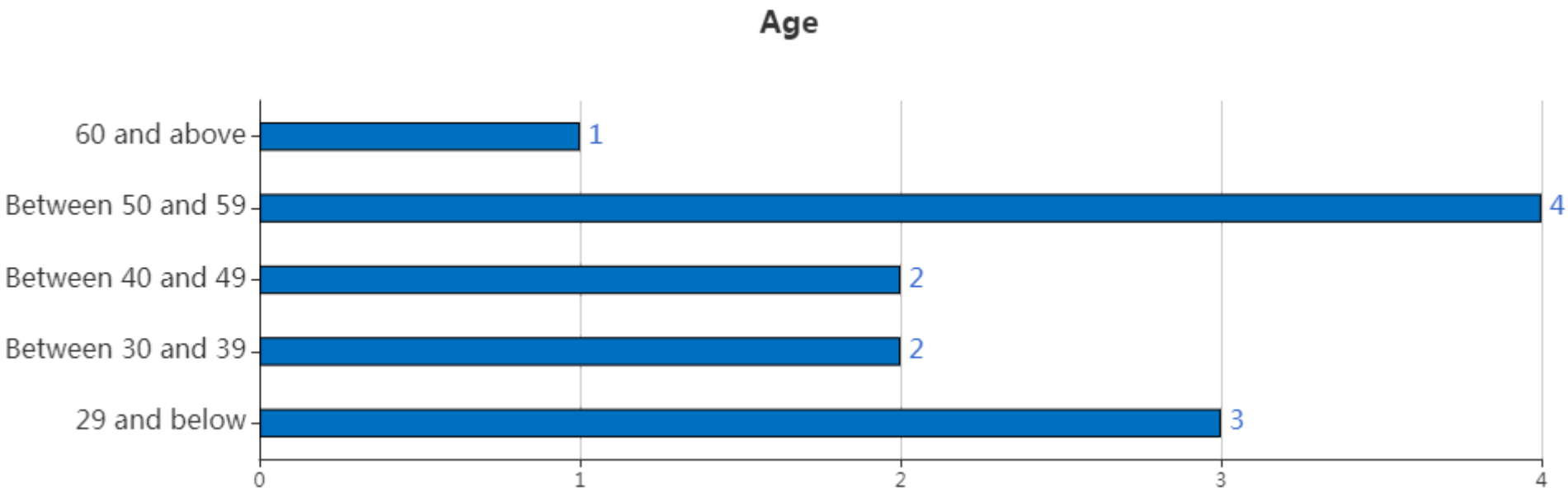


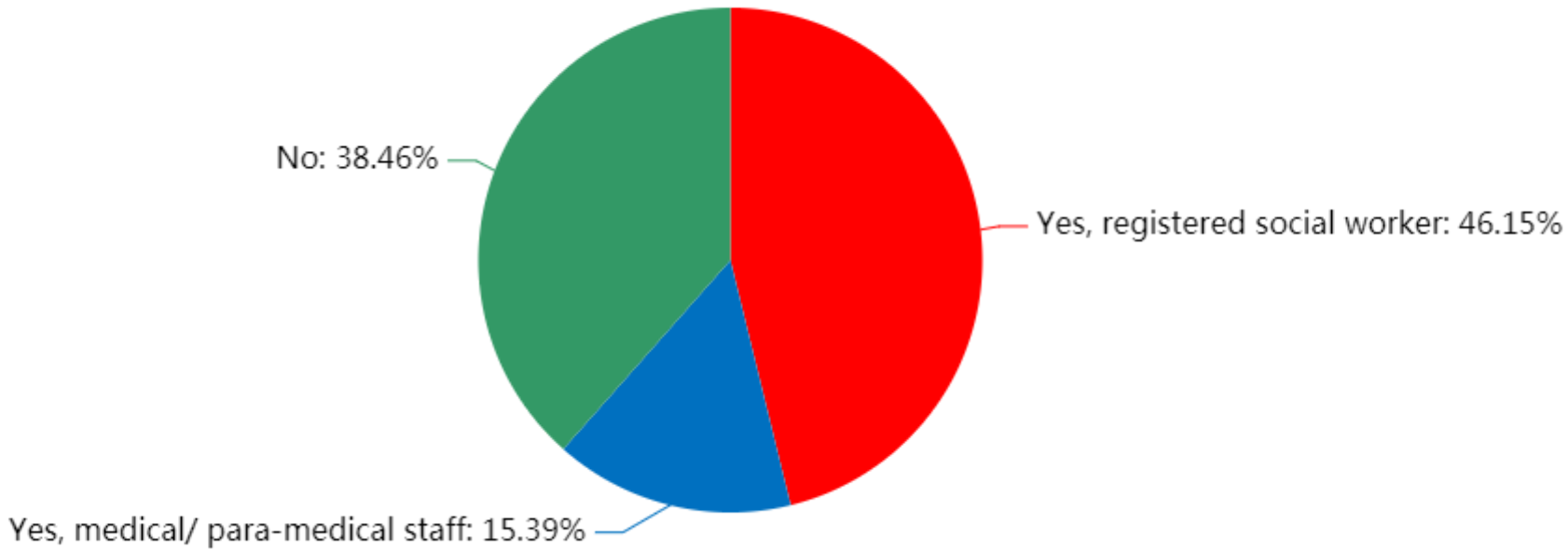
Service Type



Job Function

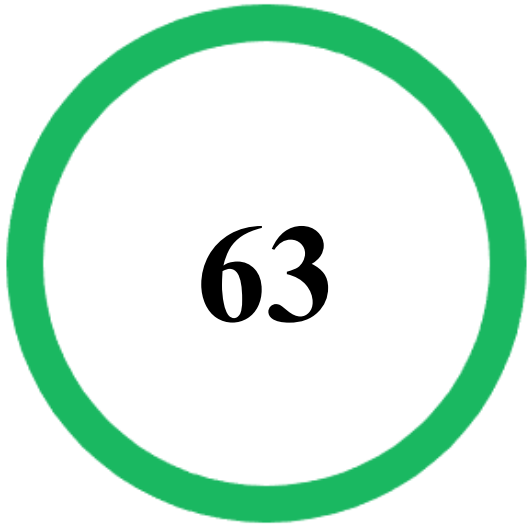



Age
60 and above
1
Between 50 and 59
4
Between 40 and 49
2
Between 30 and 39
2
29 and below
3
0
1
2
3
4


Are you a registered social worker or medical/para-medical staff?
No: 38.46%
Yes, registered social worker: 46.15%
Yes, medical/ para-medical staff: 15.39%

Outcome -

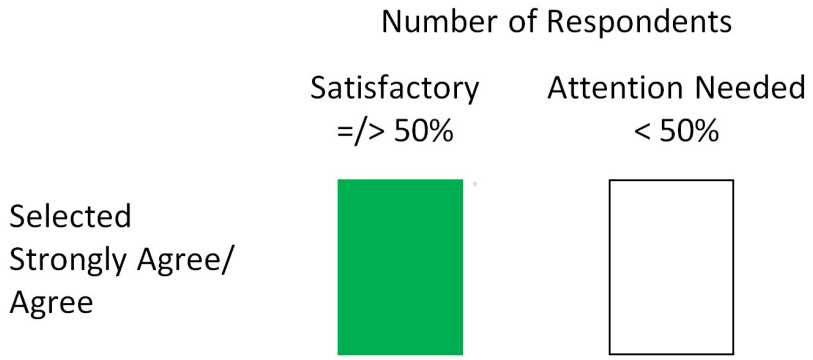
How Healthy NGO ABC is



A single score that tells you how effective your organisation is – and how its current and future ability to perform

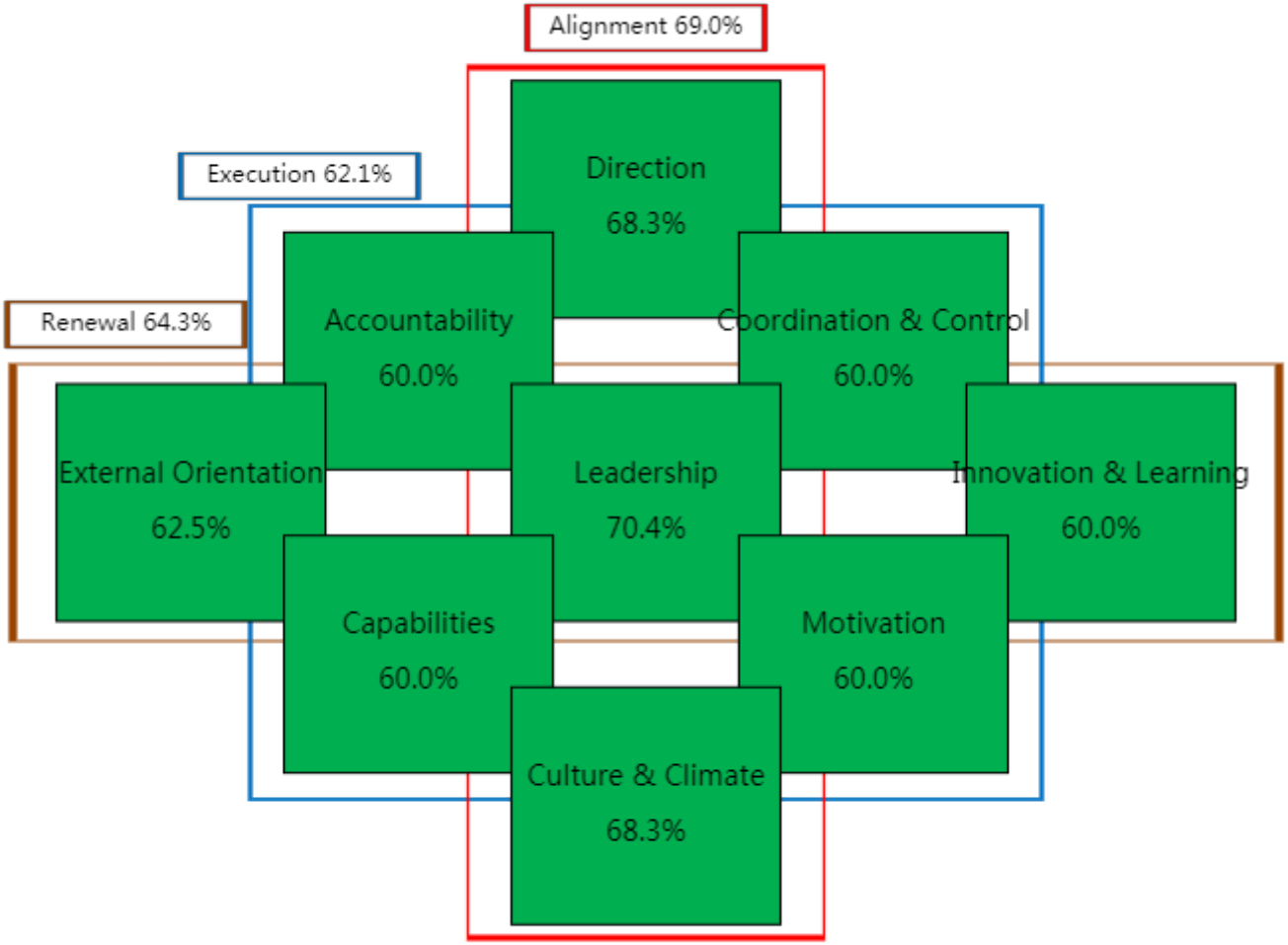
Average of Percentage of the 9 outcomes

Percentage of respondents that selected "Strongly agree" or "Agree" with the Outcome



Outcome -

How Healthy NGO ABC is

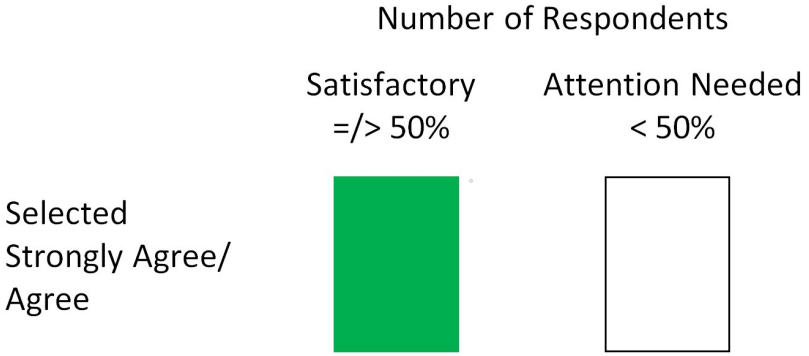


Scores for each of the 9 outcomes – the elements of health that together indicate the ability of an organisation to **align, execute and renew** itself to sustain exceptional performance over time.

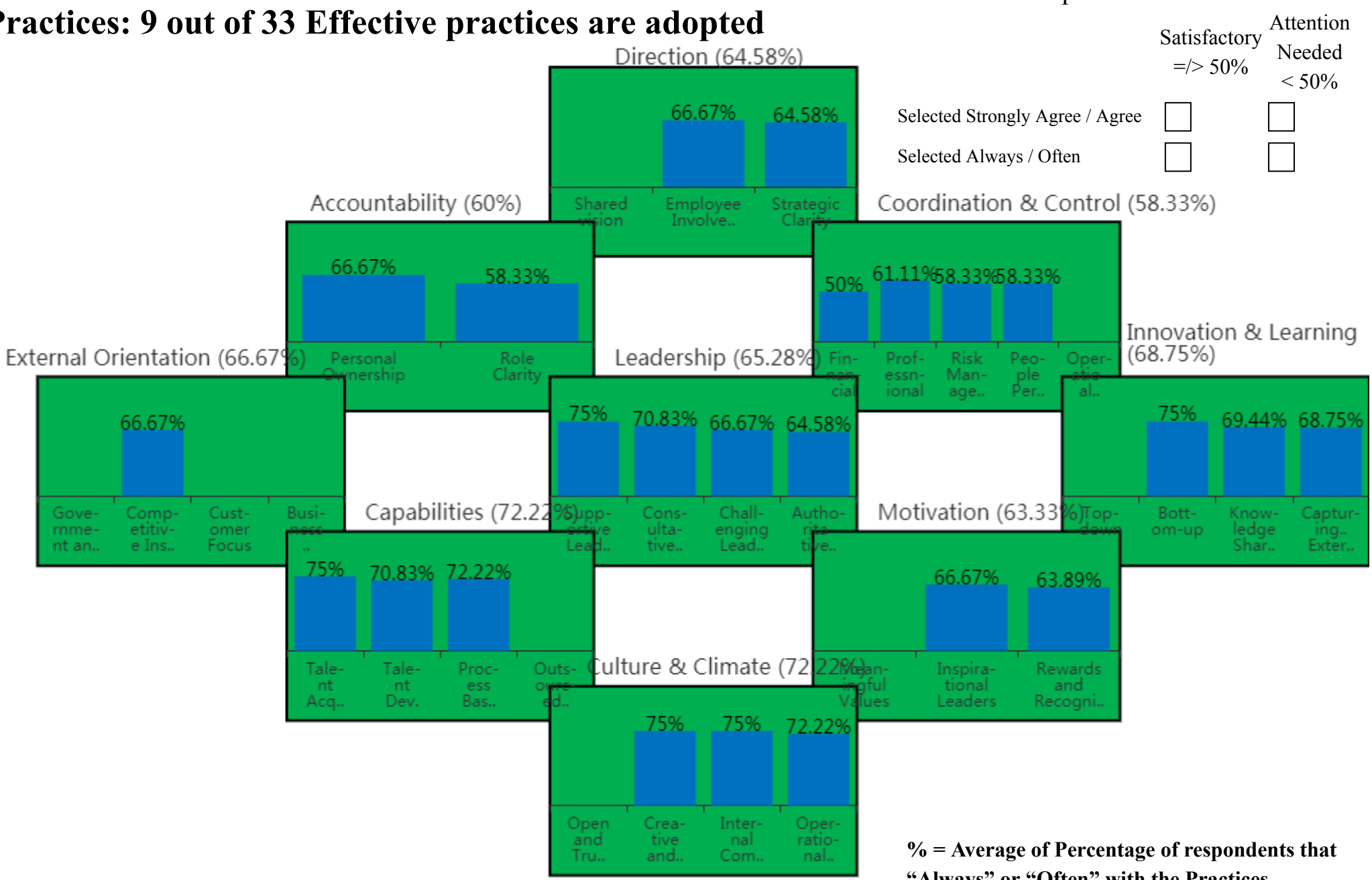
Percentage of respondents that selected "Strongly agree" or "Agree" with the Outcome
= positive performance assertion

Summary of NGO ABC

- 9 effective outcomes
- Highest scoring outcomes is Accountability
- Lowest scoring outcomes is External Orientation

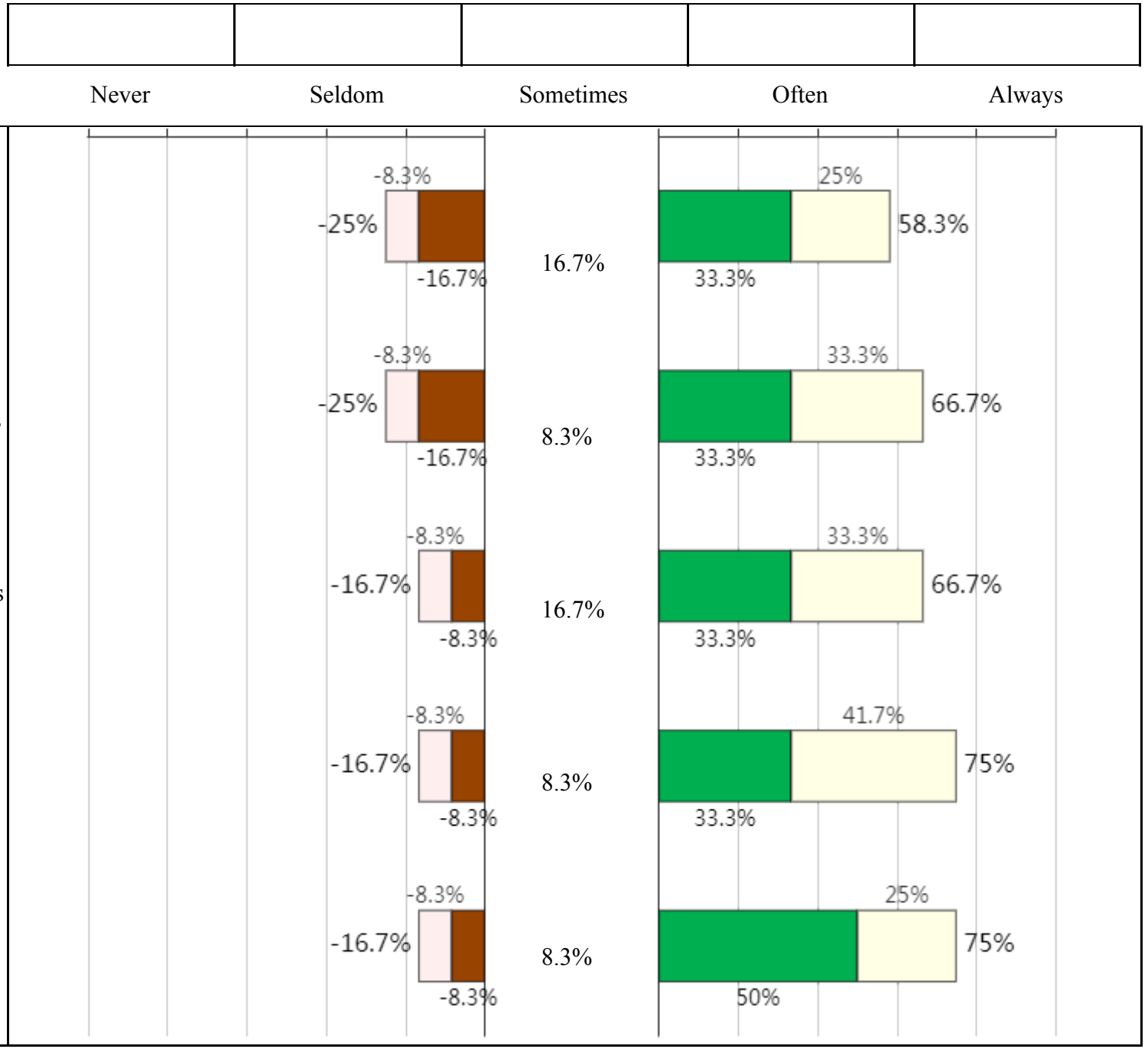


Practices: 9 out of 33 Effective practices are adopted

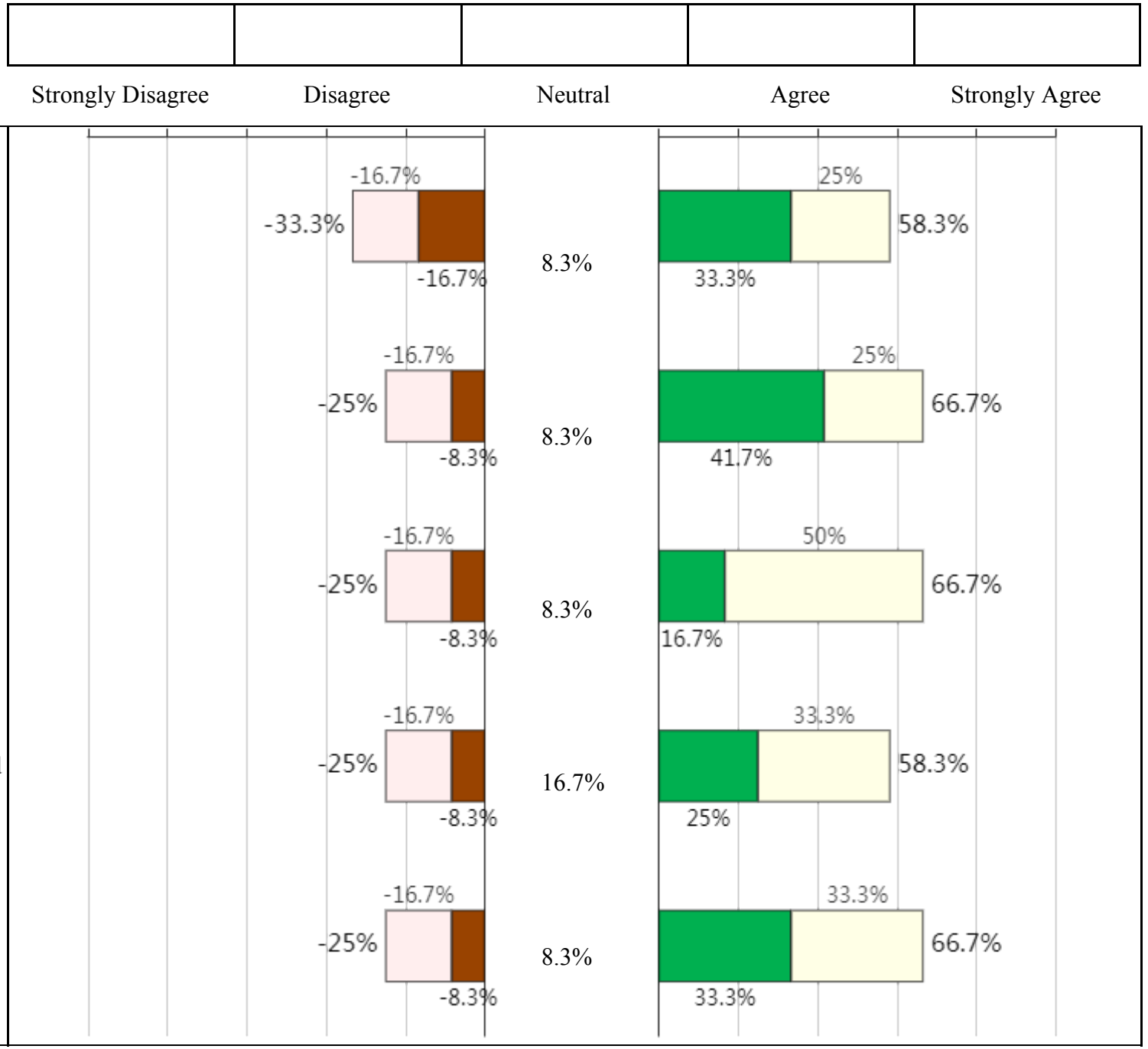


% = Average of Percentage of respondents that "Always" or "Often" with the Practices
= frequency a practice occurs while delivering performance

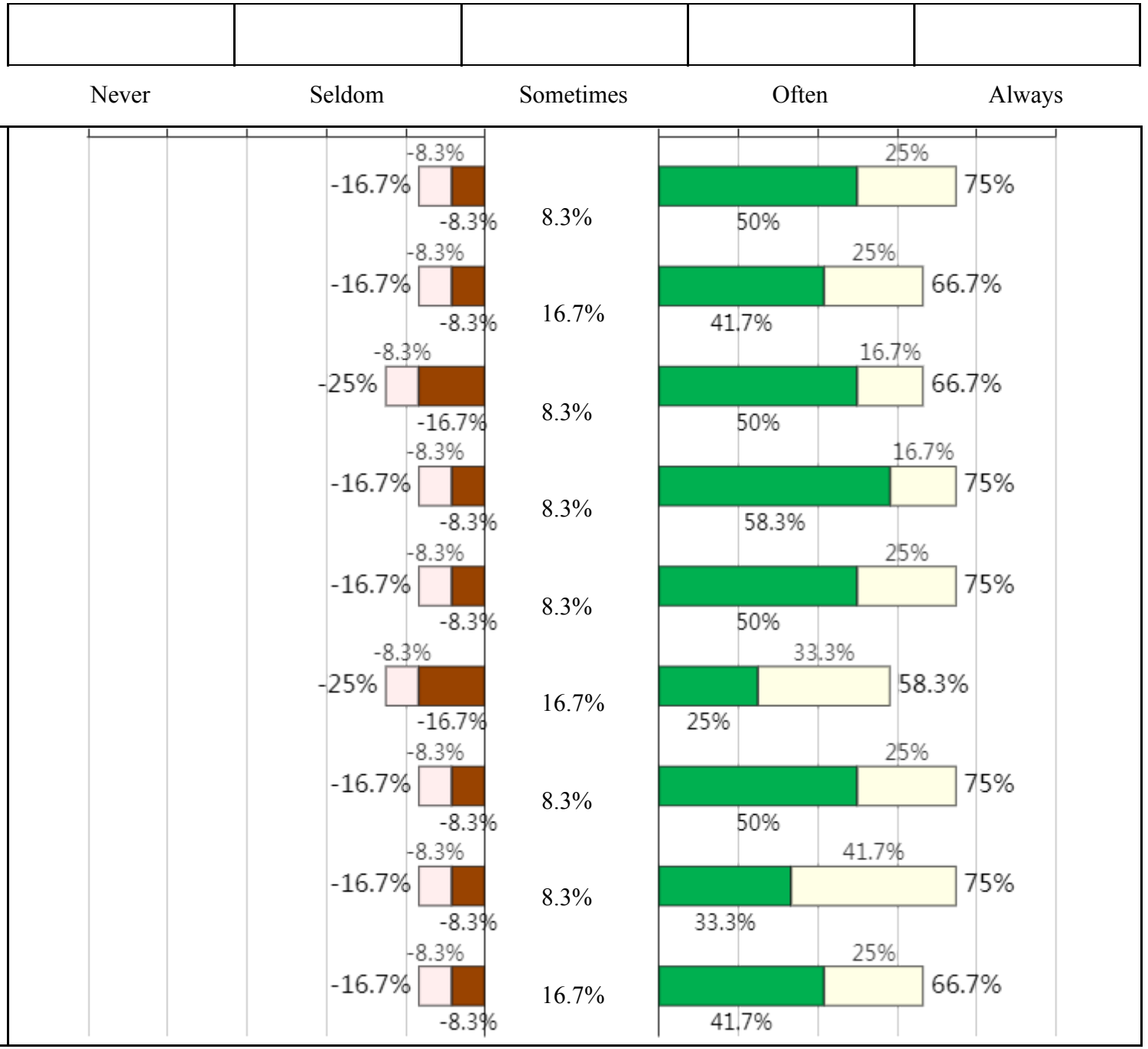
(1a) Outcome: Direction



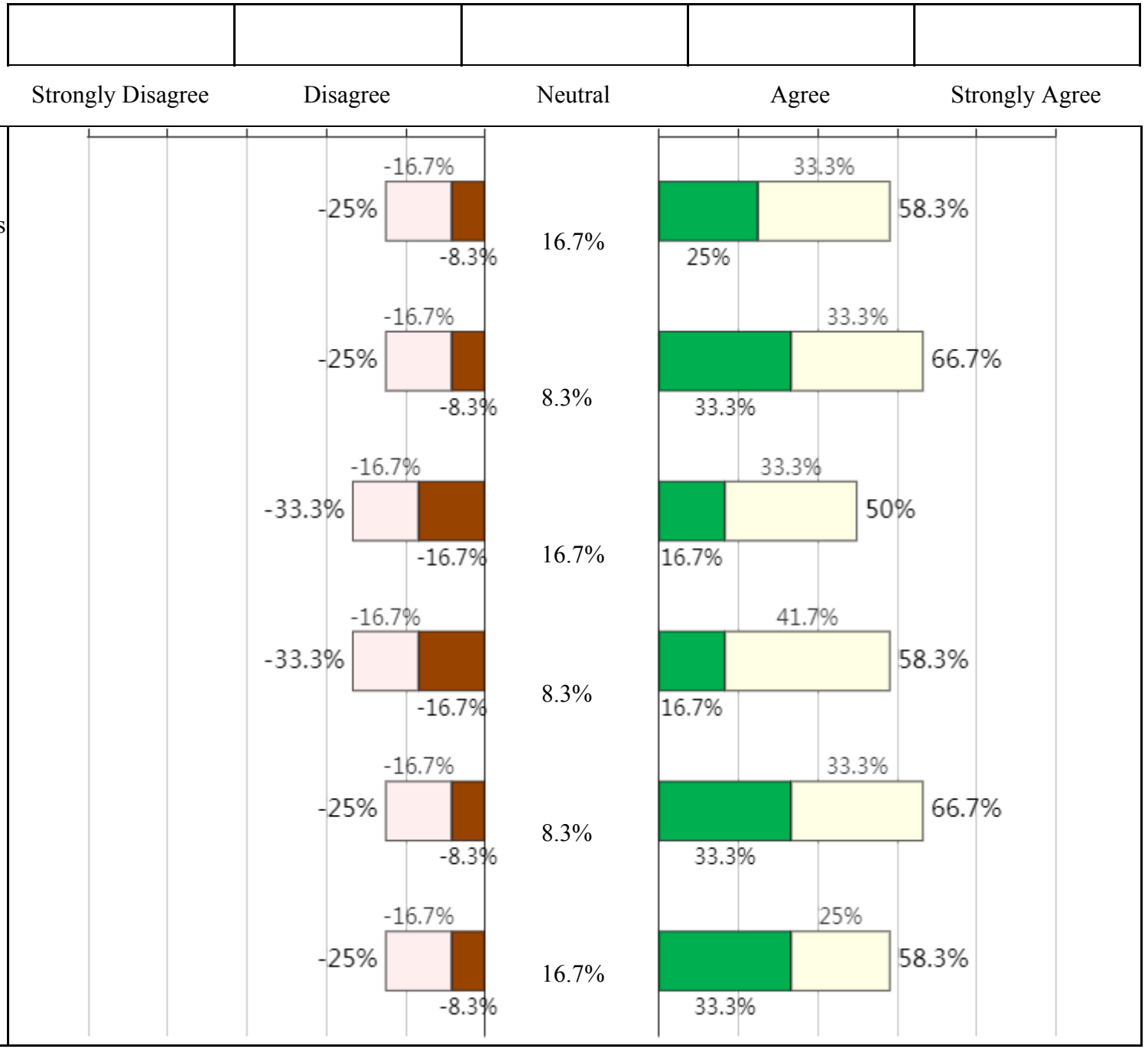
(1b) Practice: Direction



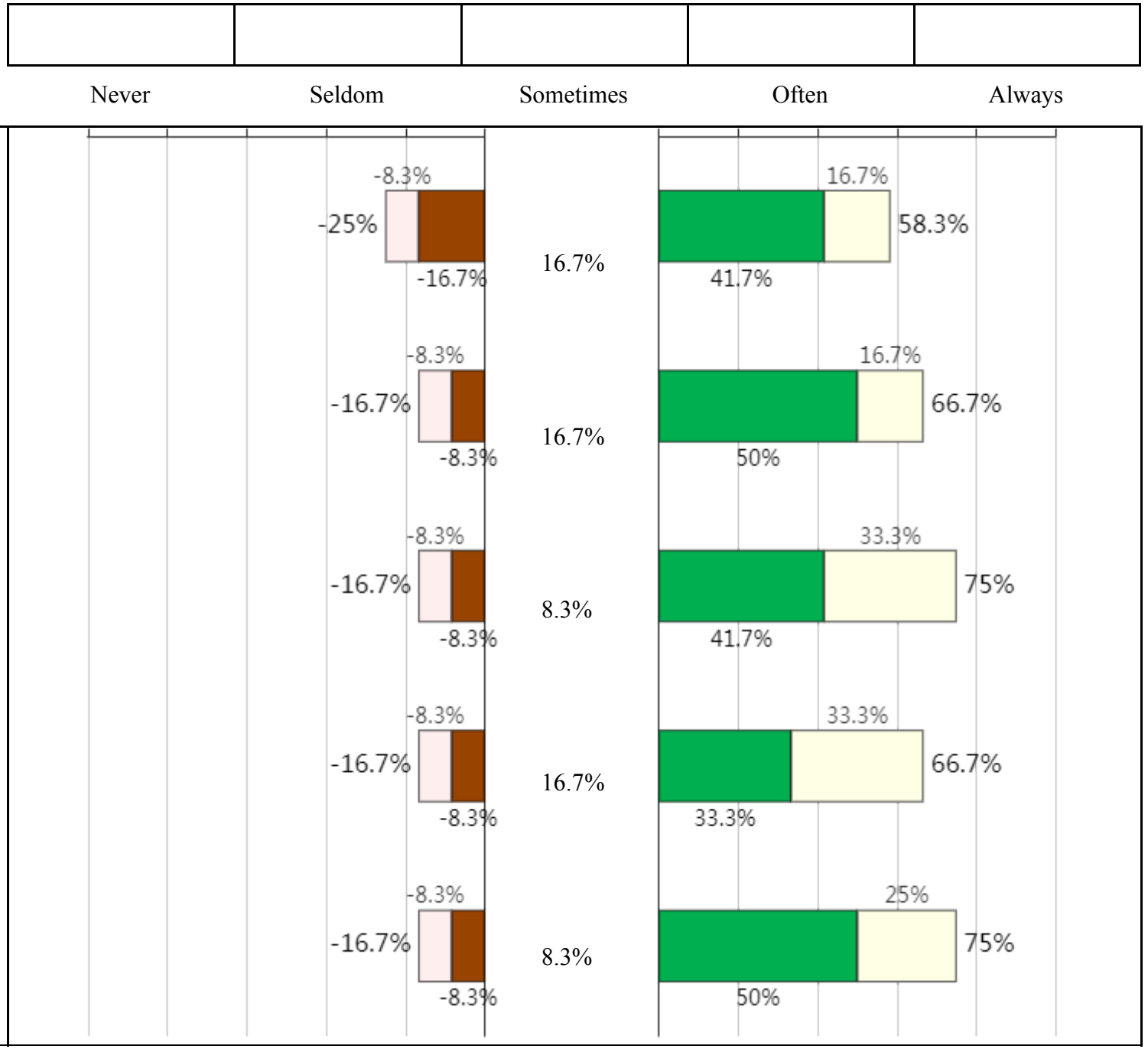
(2a) Outcome: Leadership



(2b) Practice: Leadership

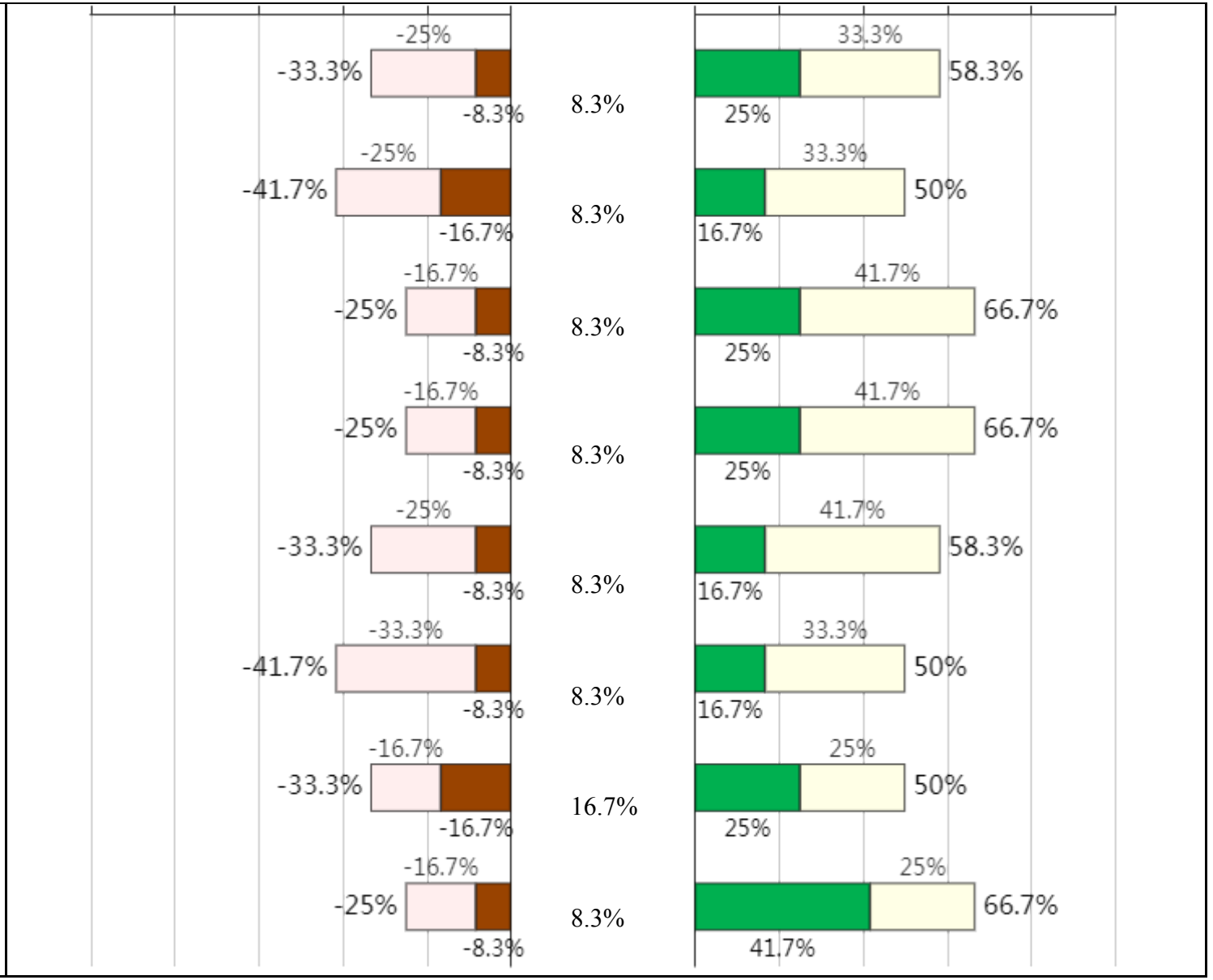


(3a) Outcome: Culture & Climate

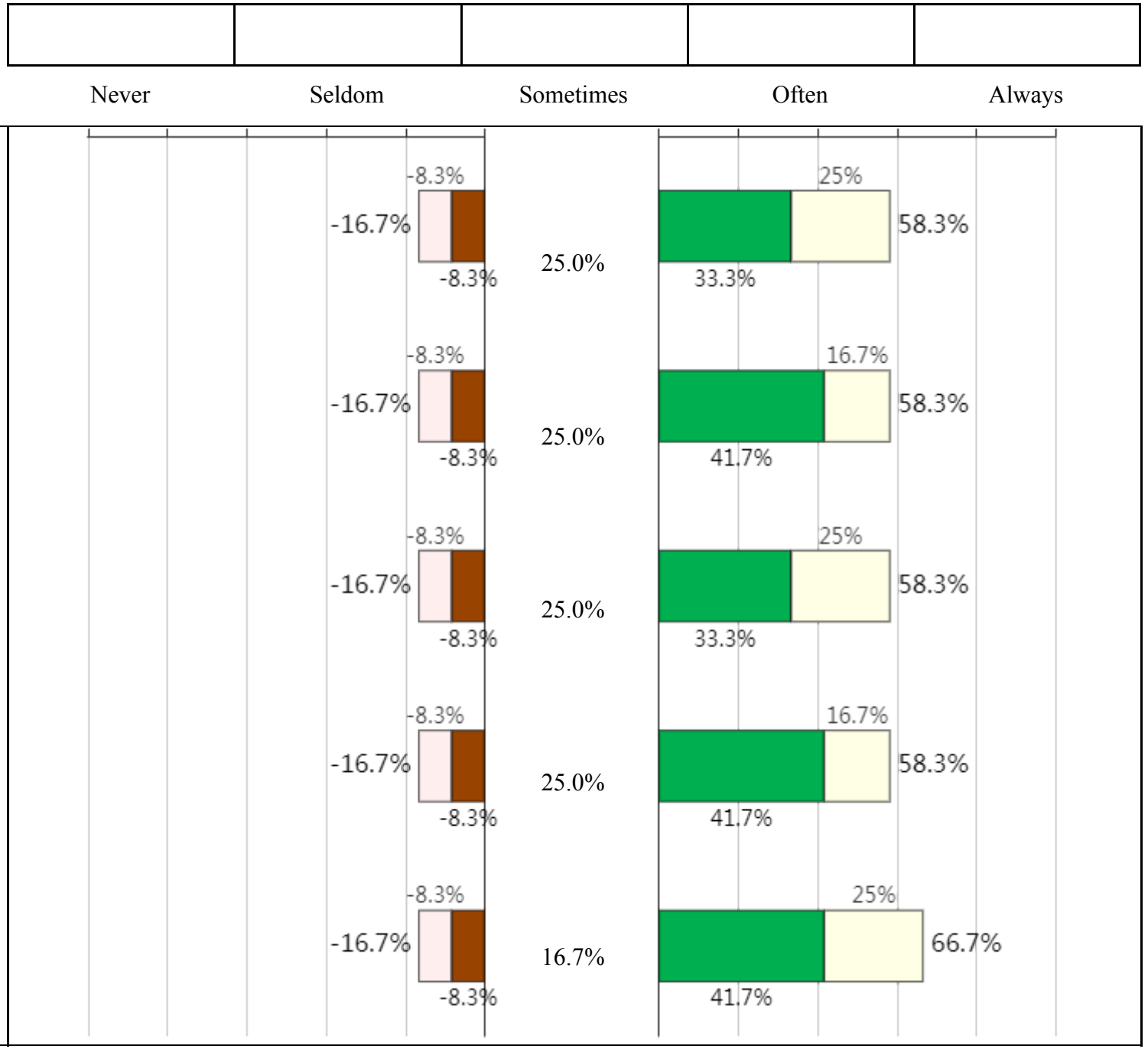


(3b) Practice: Culture & Climate

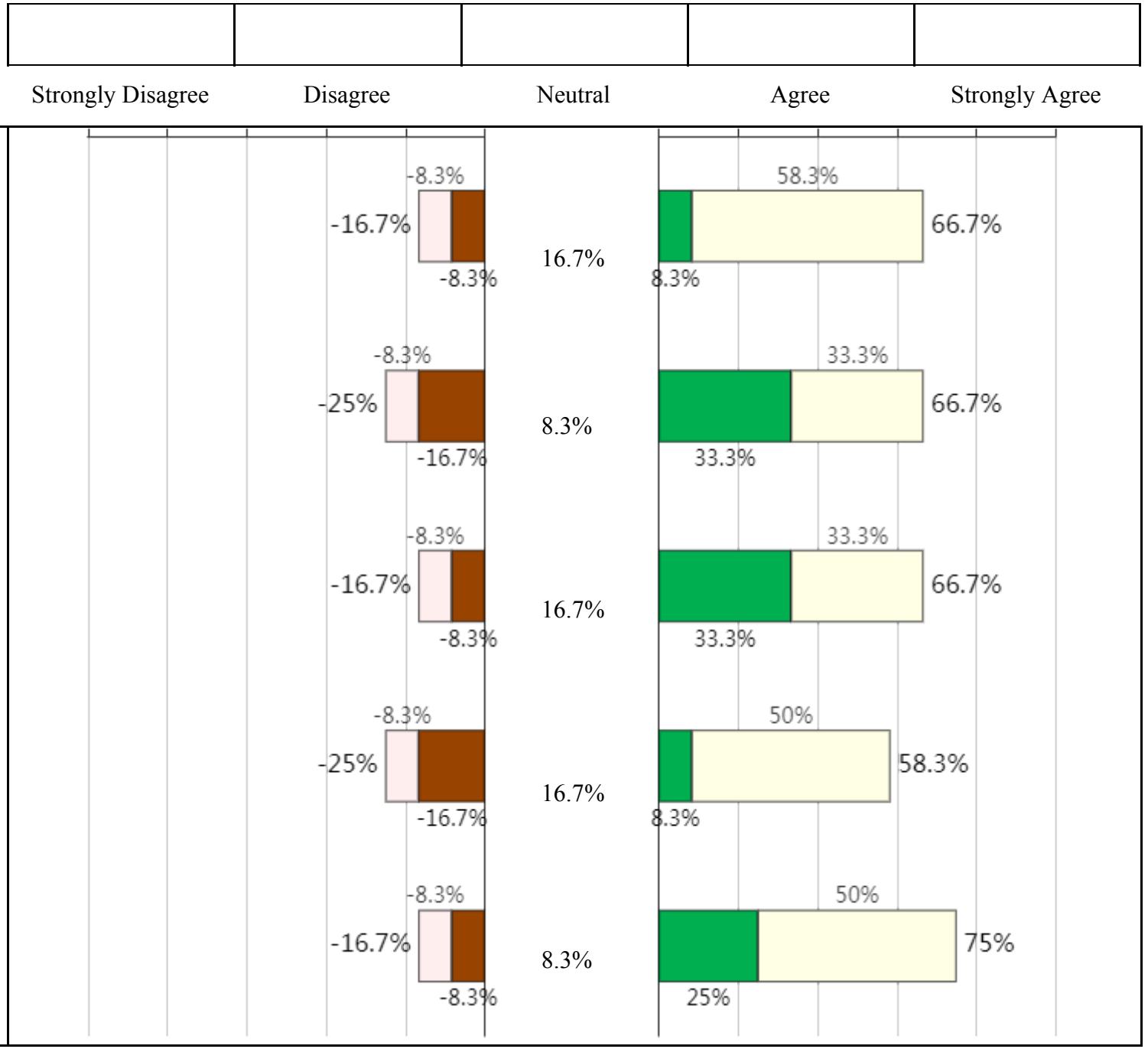
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree



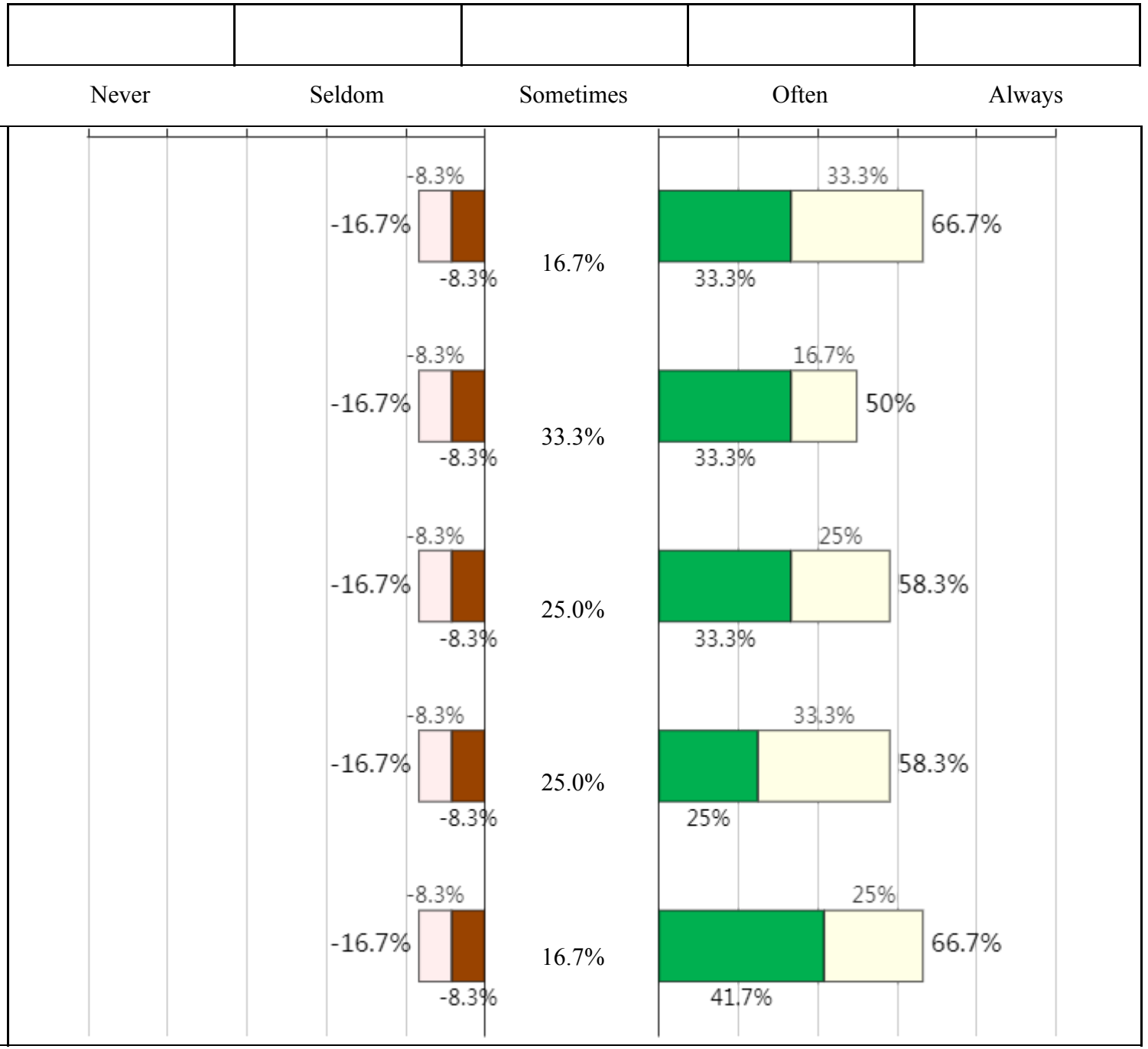
(4a) Outcome: Accountability



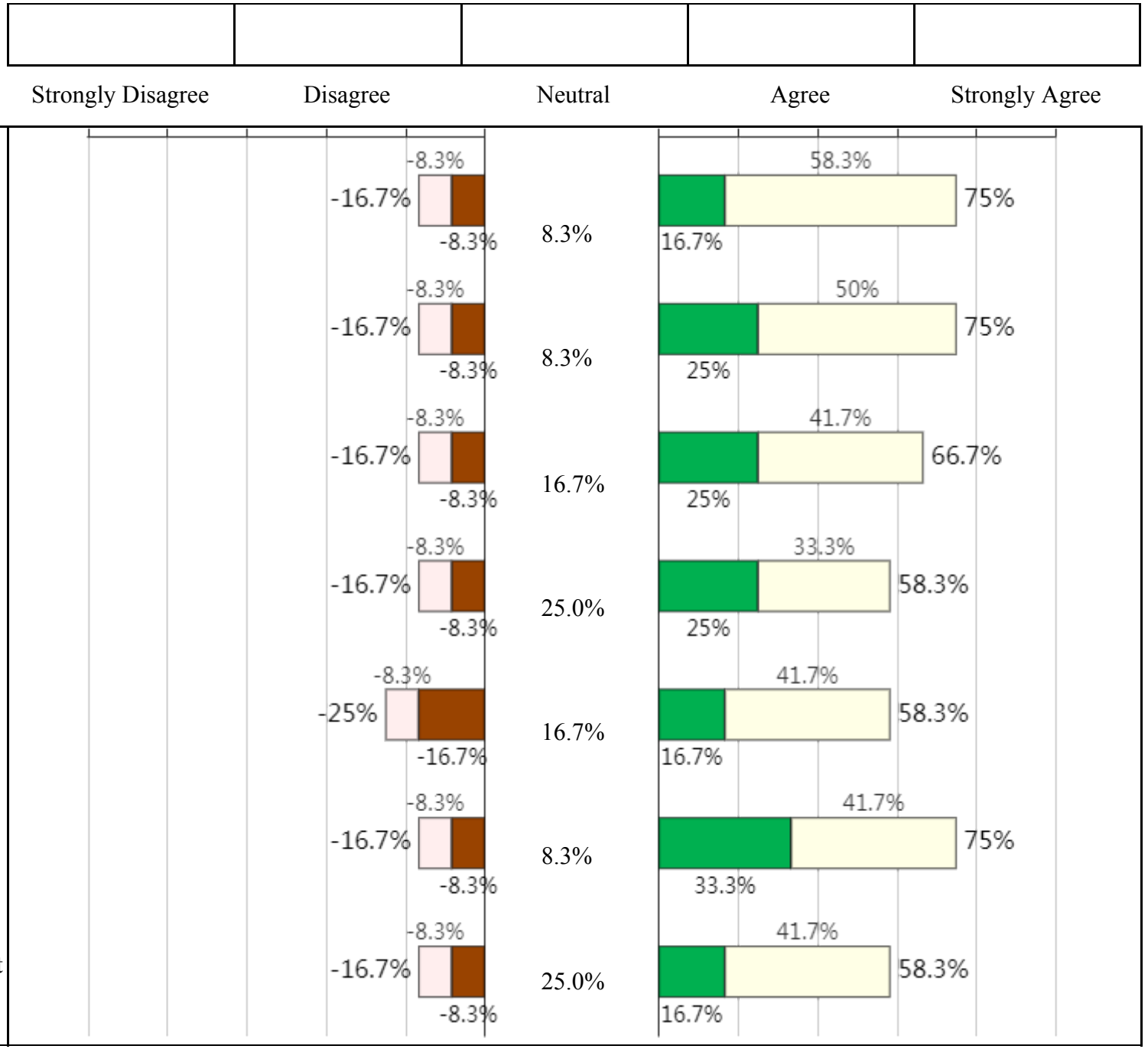
(4b) Practice: Accountability



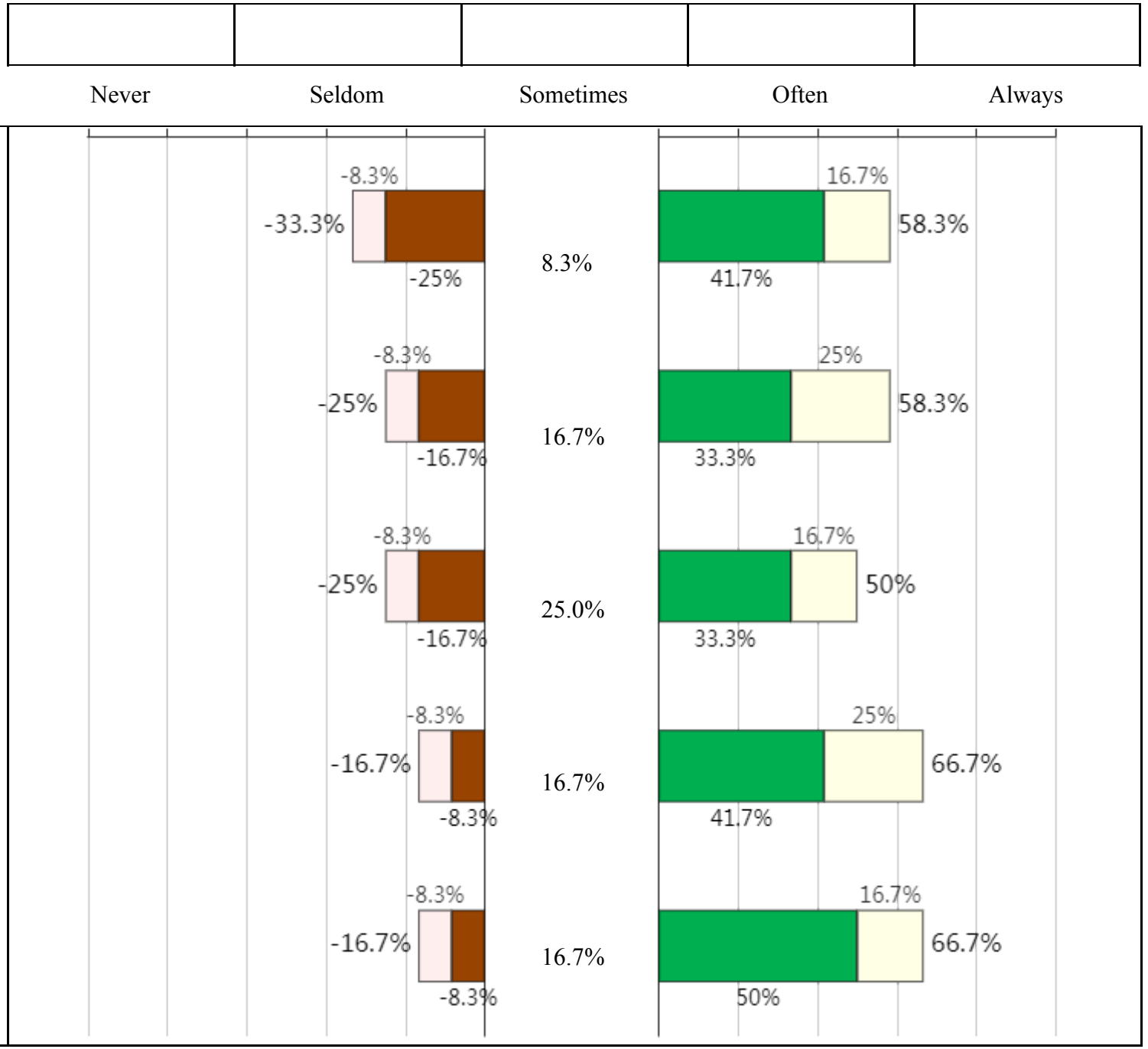
(5a) Outcome: Coordination & Control



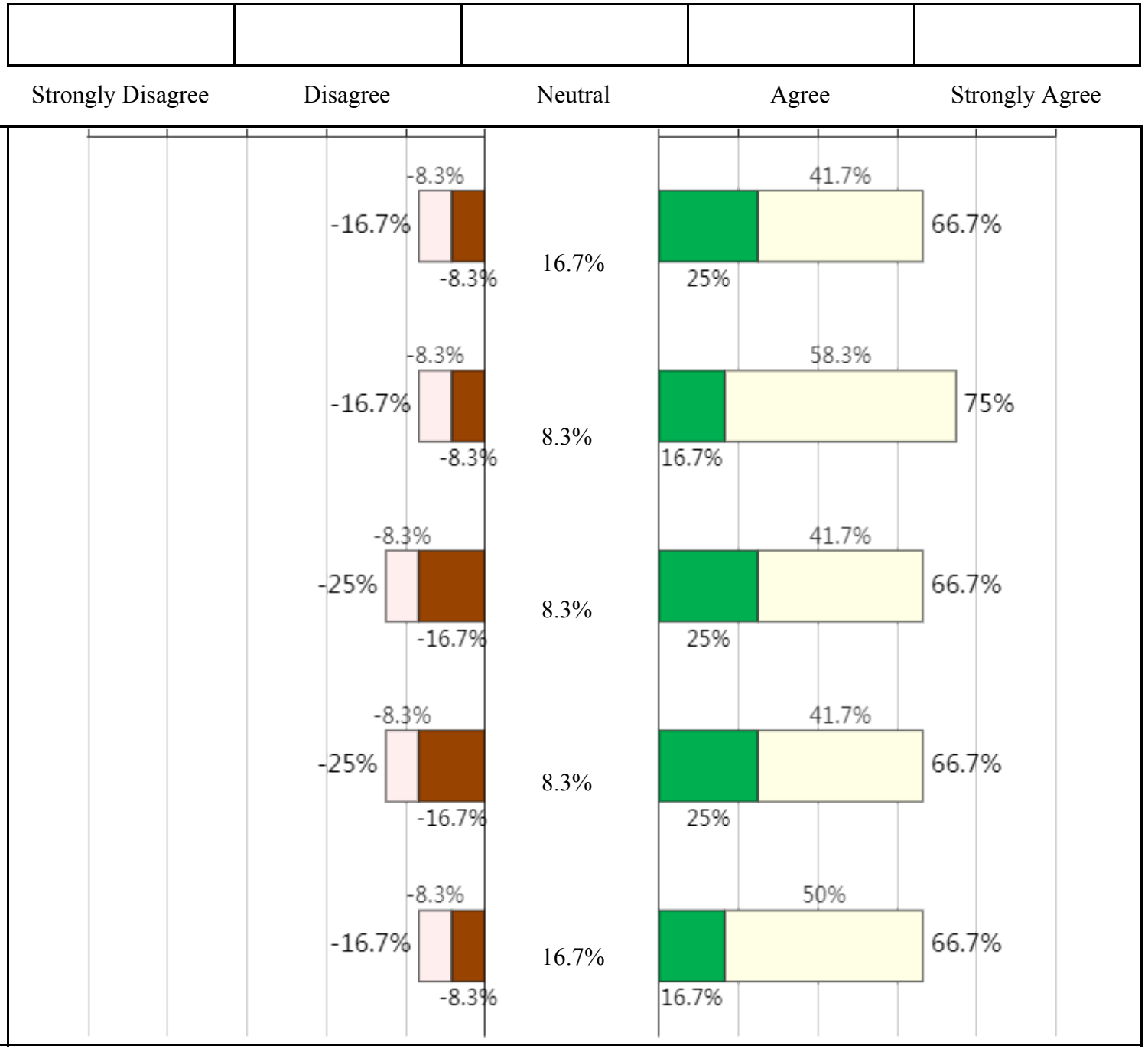
(5b) Practice: Coordination & Control



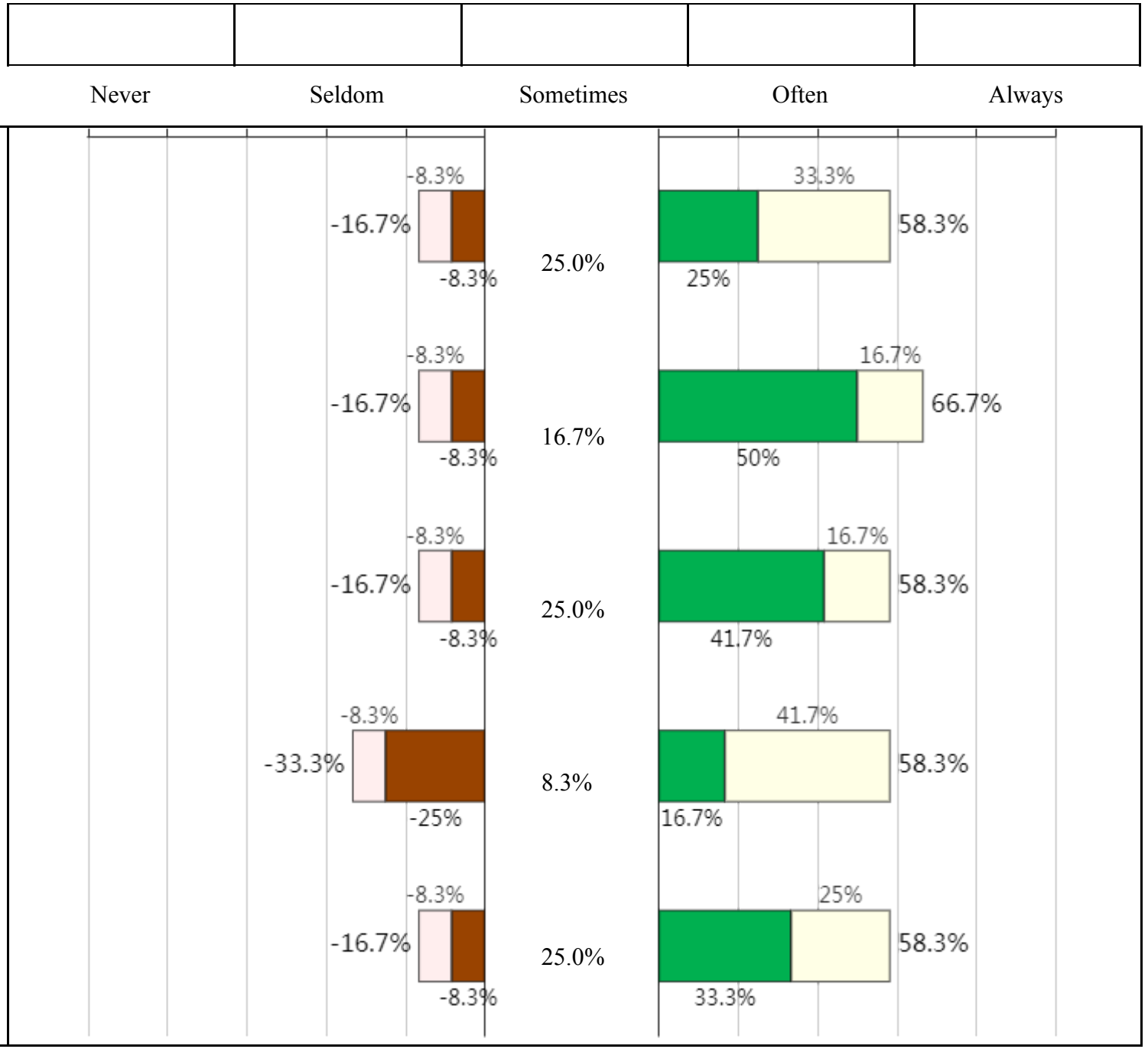
(6a) Outcome: Capabilities



(6b) Practice: Capabilities



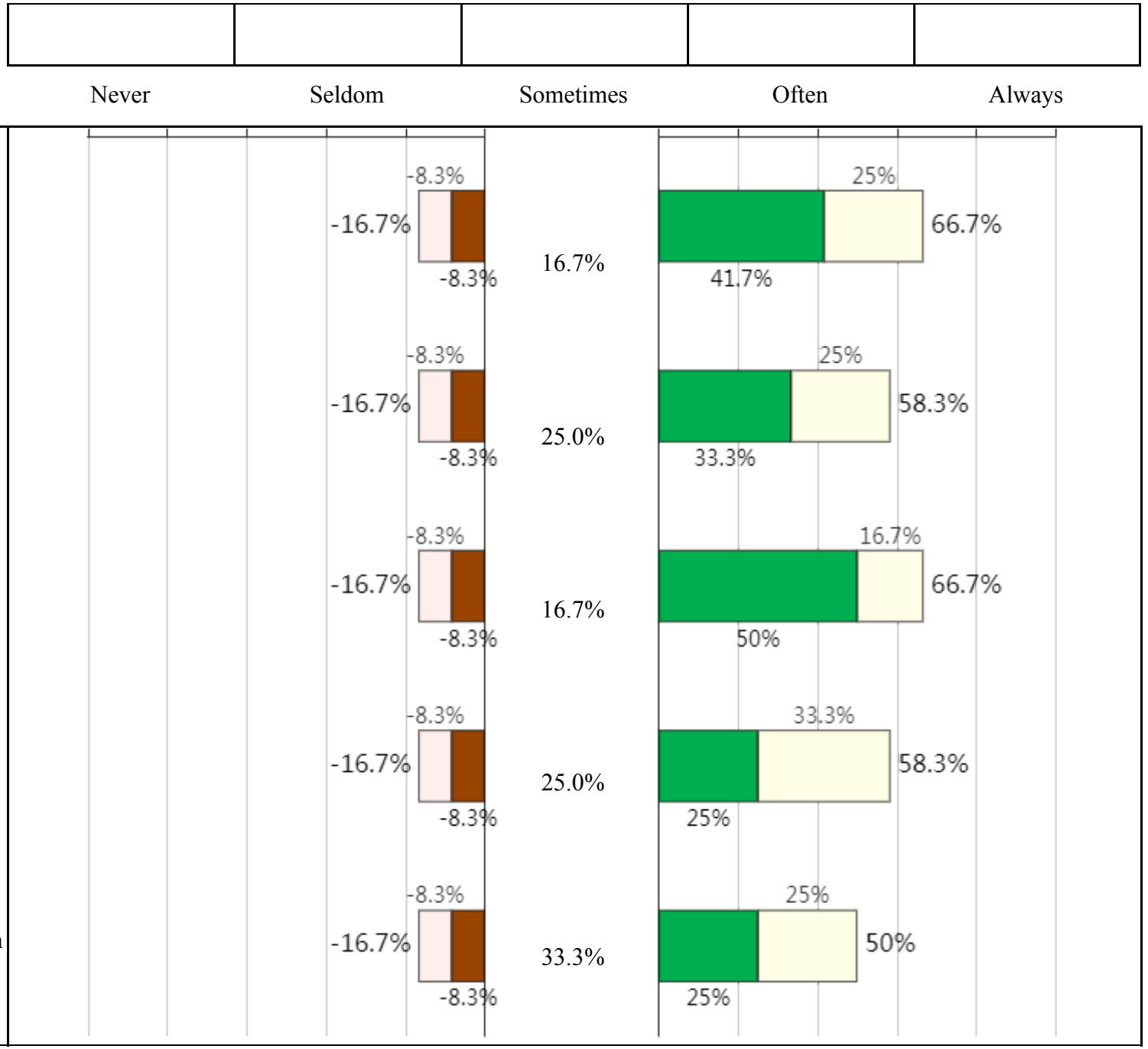
(7a) Outcome: Motivation



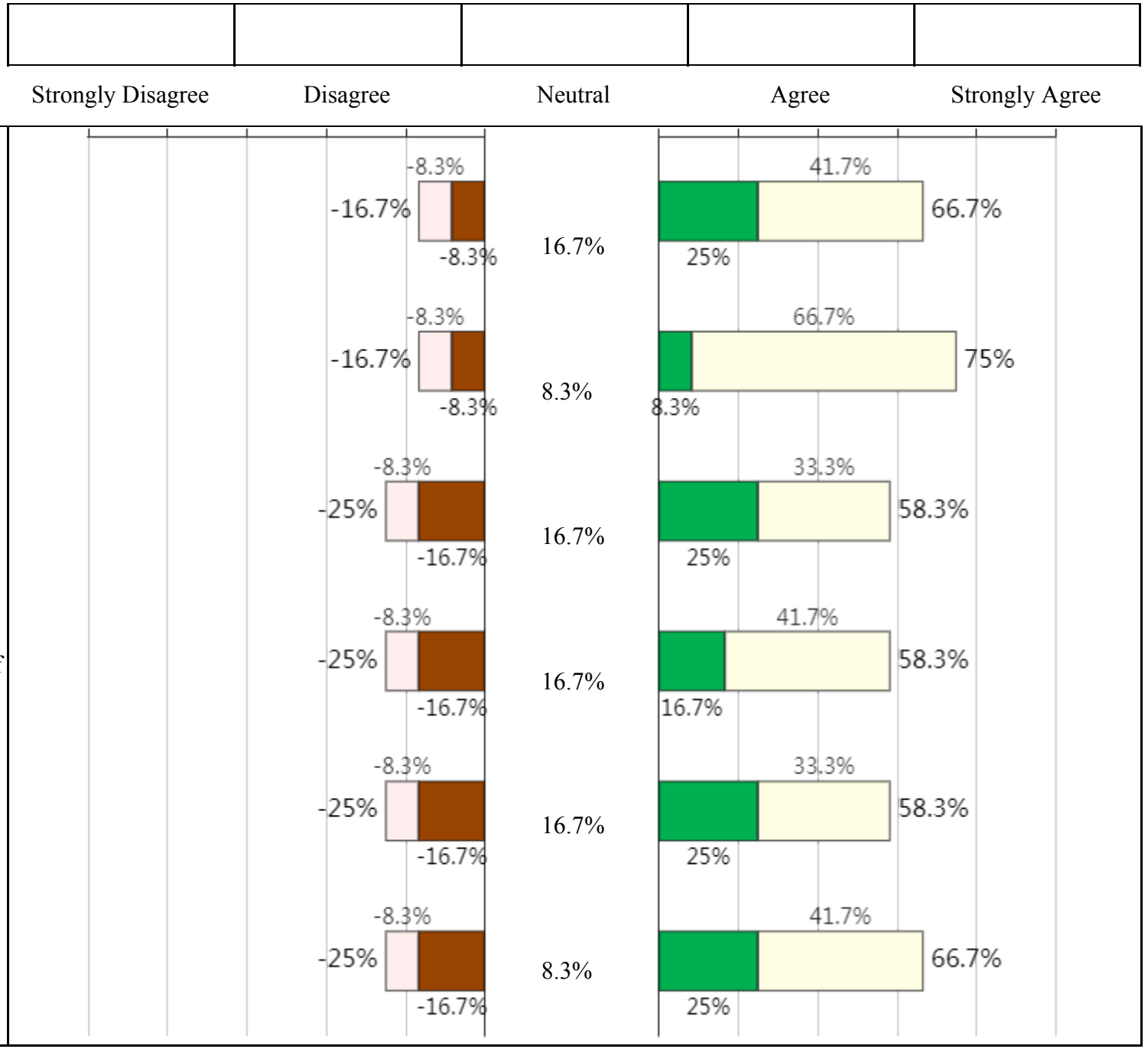
(7b) Practice: Motivation

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1. The organization inspires, clearly communicates and demonstrates a set of values that are personally meaningful to employees, board members, volunteers, donors and other supporters.	-8.3%	-16.7%	-8.3%	8.3%	41.7%	33.3%	75%
2. Managers in the organization find ways to make work more meaningful to their direct reports.	-8.3%	-16.7%	-8.3%	8.3%	41.7%	33.3%	75%
3. Leaders in the organization motivate employees to perform by providing encouragement and support (e.g. supportive environment, necessary resources, concerning about employees' wellness).	-8.3%	-16.7%	-8.3%	16.7%	41.7%	25%	66.7%
4. In the organization high performers receive recognition, opportunities and rewards for their results and merit.	-8.3%	-16.7%	-8.3%	8.3%	41.7%	33.3%	75%

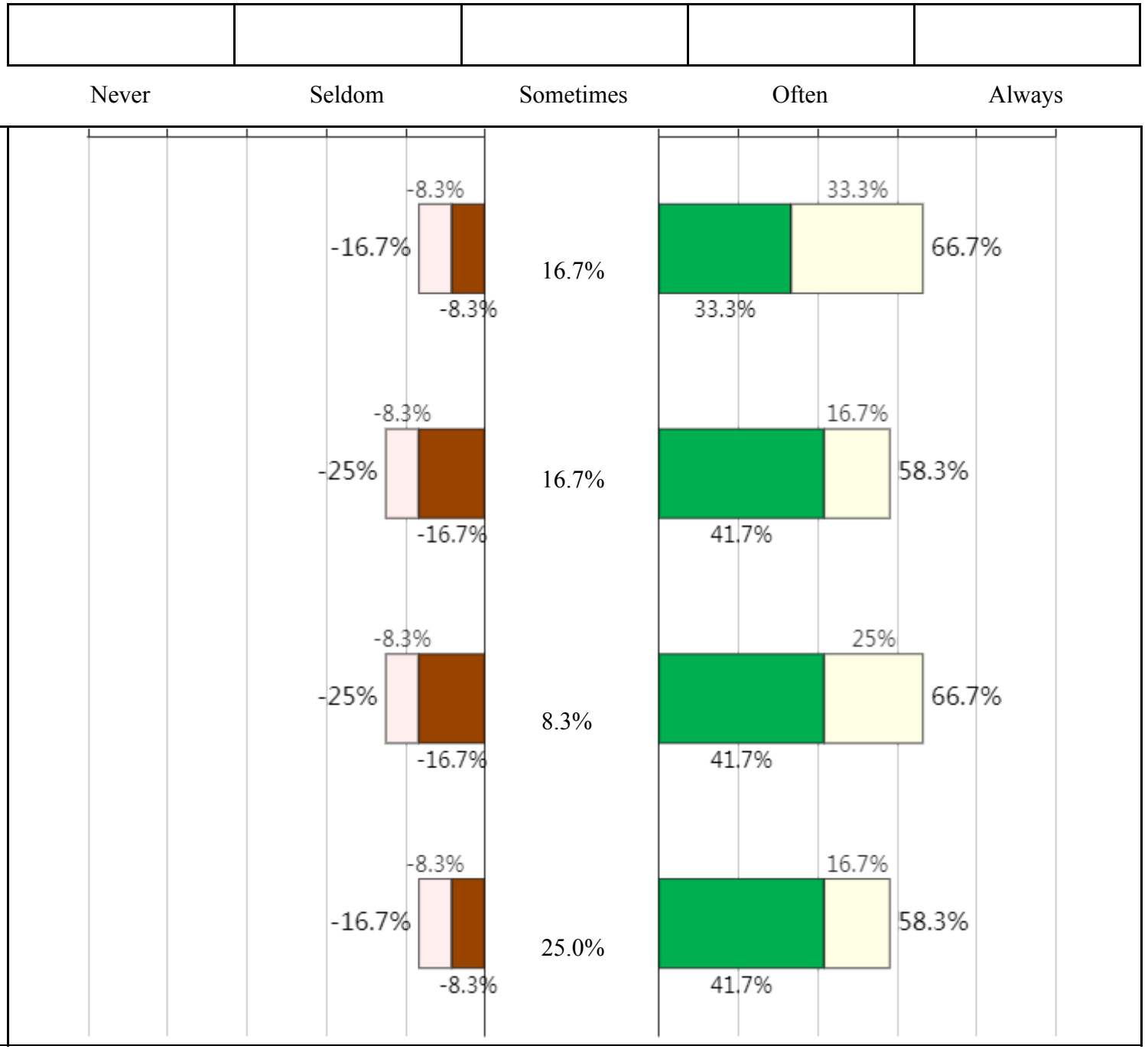
(8a) Outcome: Innovation & Learning



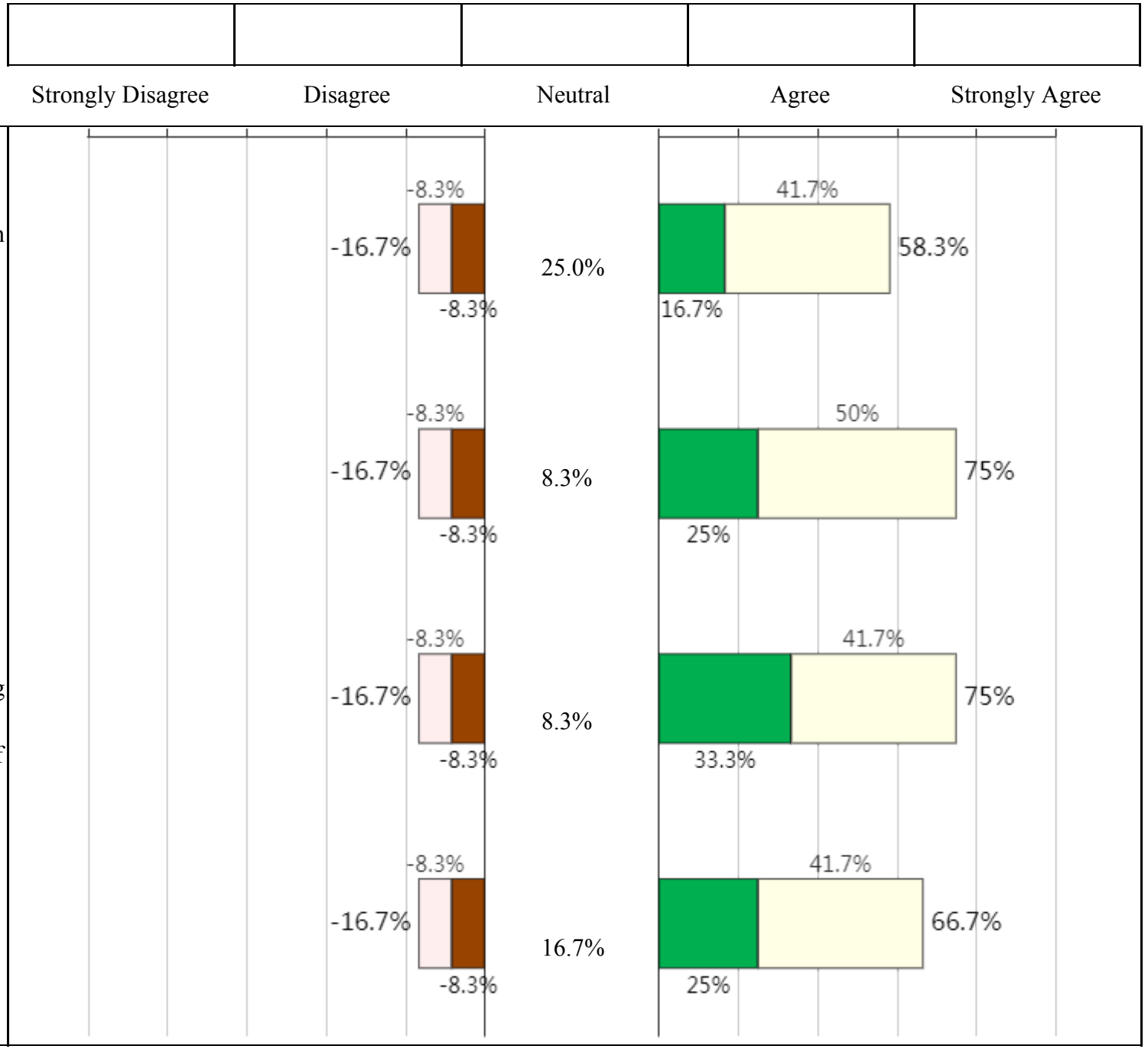
(8b) Practice: Innovation & Learning



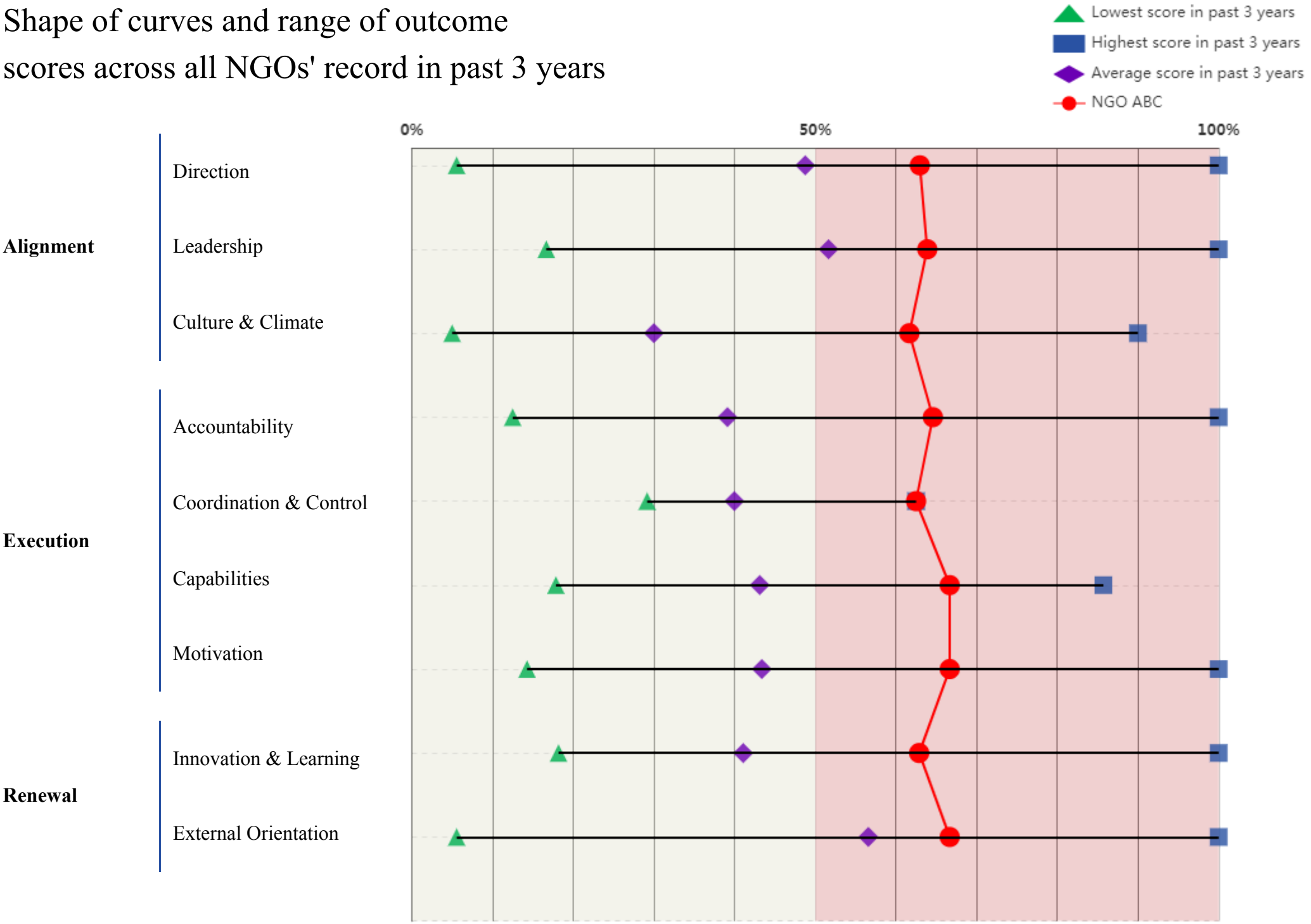
(9a) Outcome: External orientation



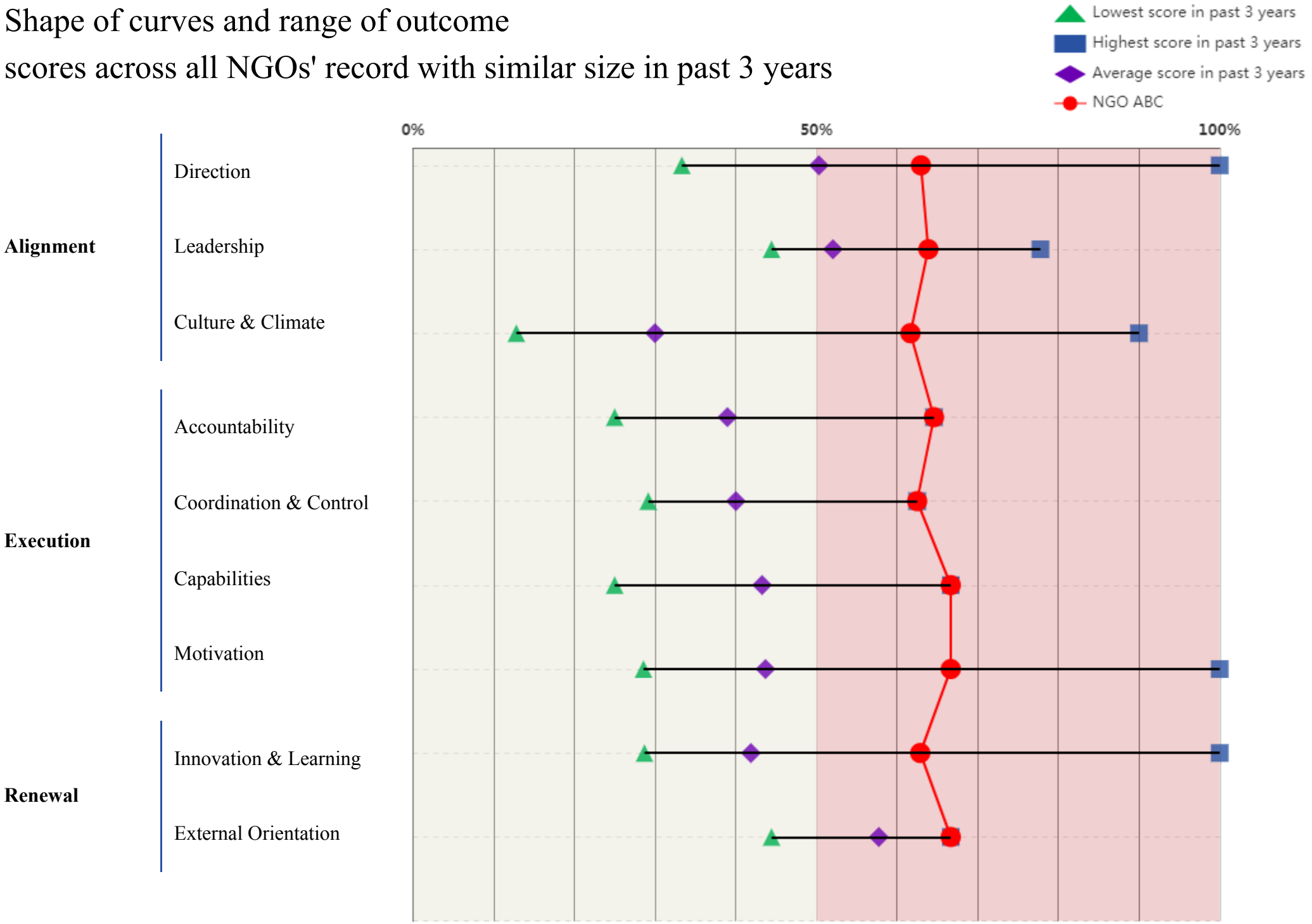
(9b) Practice: External orientation



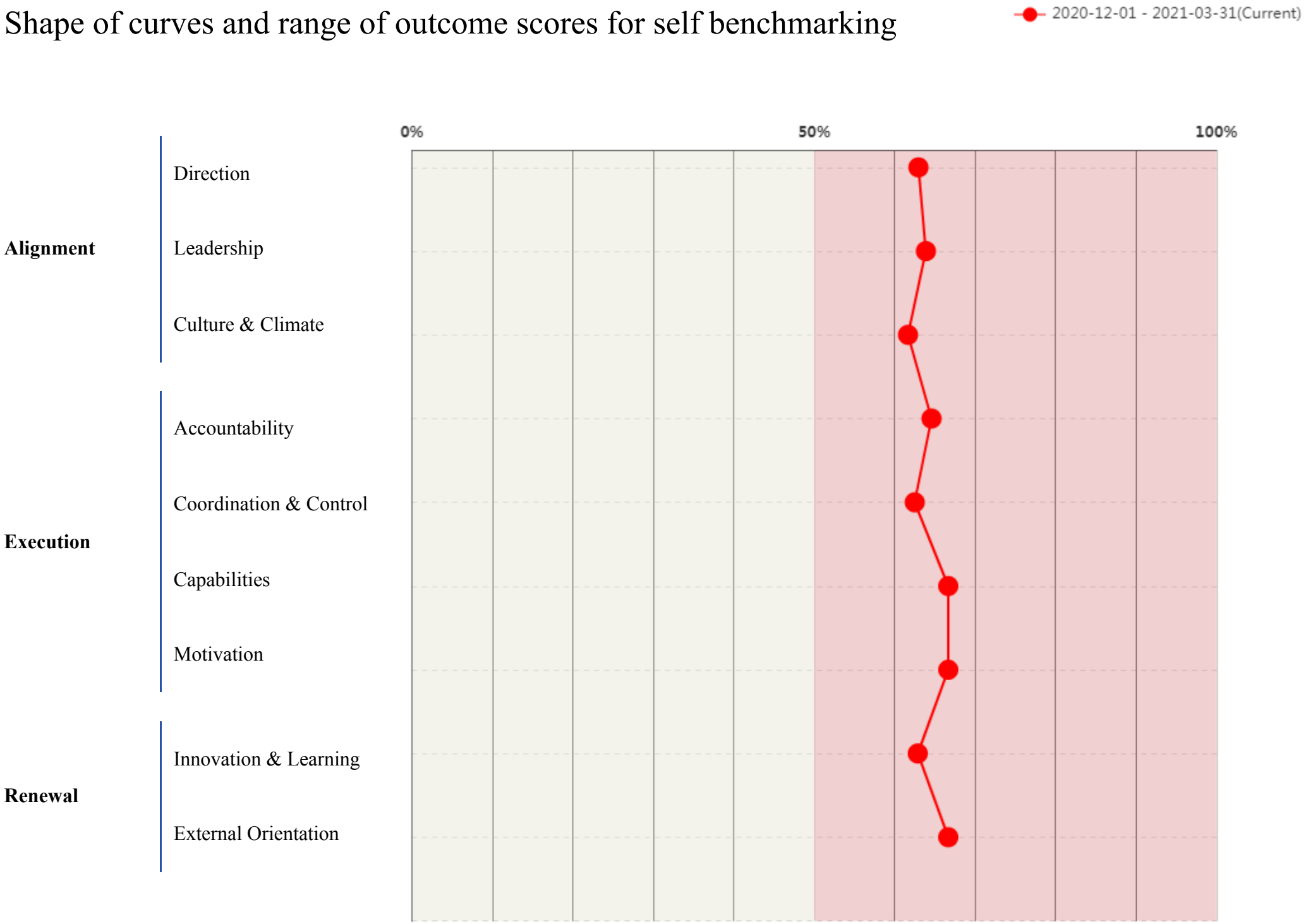
Shape of curves and range of outcome scores across all NGOs' record in past 3 years



Shape of curves and range of outcome scores across all NGOs' record with similar size in past 3 years



Shape of curves and range of outcome scores for self benchmarking



Qualitative Comments:

105. If you have any comments to the organization, please leave a comment below:

- testing

- Nice working environment

- N/A

Qualitative Comments:

106. If you have any comments on the assessment, please leave a comment below:

💬 Testing