



Unlocking Organisational Health for a Sustainable Future

Deloitte Consulting Human Capital – Organisational Design

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In a constantly changing business landscape where organisations are dealing with increasing cost pressures, the concept of Organisational Health has emerged as a key element of sustainable business success. It is not just a response to the latest economic and political developments but critical to achieving organizational longevity, resilience, and competitiveness.



We explore the significance of Organisational Health below, explaining what it entails and why it should be at the core of your HR strategy and priorities. We also discuss how to approach it effectively, drawing on client experiences and market practices.

Why is Organisational Health at the forefront of leaders’ minds?



Defining Organisational Health: The Key to Sustained Business Success

What is Organisational Health?

At its core Organisational Health ensures that the relevant capabilities and resources, at the right costs and in the right geographies, are optimally deployed to enable the organisation to deliver a future-proof business strategy, all while maximising profitability. It provides a foundation for a forward-looking strategy, strengthening long-term viability and adaptability in a dynamic business landscape.



What are the key benefits of organisational health?

Based on our client experience and market analysis, we see these key benefits of fostering and sustaining Organisational Health:



Long-term success and sustainability

A healthy organisation secures its place in the competitive business landscape for years to come.



Adaptability and change management

They are better equipped to navigate and thrive amid challenging and ever-evolving circumstances.



Higher performance and productivity

Healthier organisations tend to perform better and achieve heightened levels of productivity.



Well-being and talent development

Health-conscious organisations prioritise the growth and well-being of their employees, fostering an empowered and engaged workforce.

In essence, a healthy organisation is strategically positioned to outperform competitors, seize new opportunities, reduce costs, optimise the use of resources, and maintain agility in response to evolving industry dynamics.

The urgent need to navigate global and Swiss market developments

The need to place Organisational Health at the forefront of your corporate strategy is made urgent by the rapidly evolving business landscape. Both global and, particularly, Swiss-specific developments are shaping organisations' operational dynamics. Some trends are short-term and reflect current geopolitical and macroeconomic shifts. Others are long-lasting, such as the impact of Switzerland's high labour costs.



Macroeconomic Environment



Globally macroeconomic shifts, such as the rise in interest rates, and geopolitical conflicts are causing market disruptions (e.g., altered market dynamics, new competitors, and changing customer preferences) which are pressuring organisations to rethink their set-up.



In Switzerland historically low interest rates set by the Swiss National Bank are posing challenges to financial stability, with a direct impact on profitability and organisational health .



Transformation of structures and capabilities

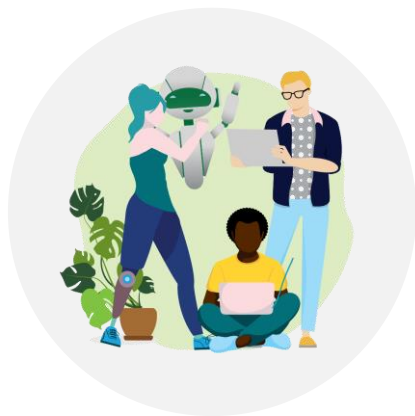


Globally ongoing business transformation requires organisations to continually seek, develop and strengthen the capabilities to drive innovation and achieve their objectives. However, the global competition for talent is a problem, affecting recruitment, staff retention, and the overall health of the organisation. Demographic shifts are driving a re-evaluation of workforce strategies and work practices.



In Switzerland organisations often require specialised capabilities, particularly in sectors like pharmaceuticals, finance, and engineering. But sourcing talent with the required skill sets can be challenging and the difficulty is exacerbated by the country's high labour costs.

Technology and regulations



On a global scale digitalisation is introducing industry-specific challenges through evolving laws and regulations. Organisations must adapt, meet new standards, and mitigate associated risks to maintain their competitiveness.



In Switzerland the country's strict regulatory environment mandates compliance with both domestic and global laws, including GDPR and data protection. Non-compliance can lead to substantial fines and damage an organisation's reputation, ultimately impacting its operations and overall health. Moreover, the ongoing process of digitalisation poses both challenges and risks. Embracing digitalisation requires organizations to navigate evolving technological landscapes, ensure data security, and address the potential risks associated with cyber threats and data breaches.

People and culture



Globally failures in the oversight of changes in organisational culture during times of transformation can result in long-term reputational damage and hinder the organisation's ability to implement successful change initiatives.



In Switzerland, which has traditionally attracted an international workforce, organisations are facing pressure to foster diversity and inclusion in the workplace. Key challenges involve adapting to flexible work arrangements, recognising the importance of employee well-being, and integrating sustainability – for example, through the development of green skills) – to align with global efforts to address climate change and social responsibility.

Building resilient health: Key drivers for success

To thrive in today's complex business landscape and secure your organisation's lasting success, it is essential to take a systemic approach. Organisational Health centres on a set of key drivers, clustered into key themes addressing relevant topics (*see next page*), to boost your organisation's strength and competitiveness. Strengthening these drivers fortifies your organisation's resilience, enabling it to flourish in a dynamic business world. The following themes are informed by market insights and real client experiences:



THEME 1: ORGANISATIONAL STRUCTURE AND CAPABILITIES

This theme centres on shaping your organisation's structure and capabilities. It involves strategically designing your ecosystem set-up and workforce around your core organisational capabilities, optimising operational processes and ways of working, and establishing effective governance and decision-making processes. You align employees' skills and roles with your business strategy to ensure impact and efficiency.



THEME 2: FINANCIAL COSTS

The second theme focuses on your organisation's financial landscape, encompassing workforce costs, external vendor investments, and geographical footprint. It involves resource optimisation and strategic financial management.



THEME 3: SUSTAINABILITY AND TALENT

This theme concentrates on fostering a strong organisational culture, shared values, and ethical, sustainable business and people practices. It also encompasses recruiting, retaining, and developing talent with the right skills.



THEME 1:
ORGANISATIONAL
STRUCTURE AND
CAPABILITIES

Workforce
structure

Ways of
working

Governance &
Decision-
making

Drivers regarding organisational structure & capabilities encompass the composition and arrangement of an organisation's employees, the procedures, and practices that an organisation follows to conduct its day-to-day activities as well as the system of rules, policies, and decision-making processes that guide and control the organisation's actions.



THEME 2:
FINANCIAL COSTS

Workforce
costs

Third Party
Spend

Geographical
footprint

Drivers regarding financial costs encompass the expenses associated with employing and maintaining a workforce within an organisation, the money an organisation invests in goods and services provided by external vendors as well as the extent and distribution of a company's physical presence or operations across different geographic locations.



THEME 3:
SUSTAINABILITY AND
TALENT

Talent

Culture

Environmental,
Social, and
Governance
(ESG)

Drivers regarding sustainability & talent encompass the activities around recruiting, retaining and developing individuals with the right skills, an organisations shared values, beliefs, norms, behaviours, and practices as well as company's commitment to ethical, sustainable, and socially responsible business practices.

How to shape success

Our experience shows that each Organisational Health driver is fortified by a set of key metrics (*see below*), that guide and measure the organisation’s health and progress. These measures enable organisations to fine-tune their strategies, set-up and day-to-day operations to ultimately navigate their path towards success.

| THEME 1: ORGANISATIONAL STRUCTURE AND CAPABILITIES | | |
|---|--|---|
| <div>Workforce structure<ul style="list-style-type: none">• Span of Control• Organisational layers• Front vs. Back office• Pyramid distribution and grade inflation• Internal vs. external workforce</div> | <div>Ways of working<ul style="list-style-type: none">• Time spent on activities, collaboration patterns (activity analysis, process mining)• Ratio operational vs. strategic activities• Level of digitalisation</div> | <div>Governance & Decision-making<ul style="list-style-type: none">• Decision-making rights distribution• Complexity of escalation path</div> |
| THEME 2: FINANCIAL COSTS | | |
| <div>Internal workforce costs<ul style="list-style-type: none">• Distribution of salary grades and ranges• Fully loaded costs• Budget forecast</div> | <div>Third party spend<ul style="list-style-type: none">• Outsourcing potential to external providers• Vendor costs</div> | <div>Geographical footprint<ul style="list-style-type: none">• Internal shared-service centres• Location strategy• Stranded costs in exiting locations</div> |
| THEME 3: SUSTAINABILITY AND TALENT | | |
| <div>Talent<ul style="list-style-type: none">• Taxonomy of skills and competencies• Retention percentage• Collaboration metrics• Talent review outcomes</div> | <div>Culture<ul style="list-style-type: none">• Number of successful culture initiatives• Culture assessment surveys & employee engagement• Employee Net Promoter Score (ENPS)</div> | <div>ESG<ul style="list-style-type: none">• Achieved ESG targets• Diversity, Equity & Inclusion (DE&I) ratios and pledges</div> |

These metrics can reveal what it truly means for an organisation to be healthy, and how these indicators translate into real-world scenarios. For example, when we assess a company's workforce structure, the resulting diversity in skills and backgrounds is not just a statistic; it is a tangible asset that equips the organisation to face diverse challenges with adaptability and resilience.

An empowered workforce with a flat hierarchy permits quicker decision-making and enhanced agility. Think of it as the difference between a speedboat that can swiftly change direction and a massive cargo ship that requires more time to adjust course.

Furthermore, the strategic mix between internal and external talent provides an organisation with the flexibility and innovation capabilities needed to thrive in a rapidly changing business environment. It is like having both fixed and adjustable tools in a toolkit, ensuring the organisation is always prepared for various scenarios.

Finally, an elevated level of digitalisation provides competitiveness and adaptability in the modern market. For example, an e-commerce platform using advanced data analytics can predict customer preferences and optimise the supply chain in real time. This ensures products are readily available and tailored to customer needs, enhancing competitiveness and adaptability.

Each of these metrics provides a tangible glimpse into organisational health, revealing the practical implications of the numbers and highlighting the organisation's degree of adaptability, efficiency, and readiness.



The path towards Organisational Health

The journey towards achieving and maintaining Organisational Health begins with several fundamental steps:

1

ASSESS AND ALIGN

Begin your journey towards Organisational Health by conducting a comprehensive Organisational Health Assessment to understand your current state and establish a baseline for improvement. Next, ensure that your Organizational Health initiatives are aligned with your business strategy and objectives and priorities. This alignment is the foundation of a successful journey.

2

IDEATE AND IMPLEMENT

Develop a plan and set of interventions tailored to your organisation's unique challenges and goals, prioritising the key themes and tailoring the organisational health drivers to your unique context, drawing on market best practices and trends, and with the support of experts in topics like Organizational Transformation and Development.

3

MONITOR AND ADJUST

Have a clear view of what success looks like and set goals by function or business unit. Leverage technology for organisational monitoring, provide training to integrate Organisational Health into business practices, and measure and monitor KPIs to continuously make data-driven adjustments and refinements with the support of OD. Quality people data is essential for reliable insights and baselining

Factors to successfully achieve and continuously manage Organisational Health



Buy-in across business units and geographies / resistance to change: Achieving buy-in across various business units and geographies is often a significant hurdle. The success factor here lies in effectively communicating Organisation Health's value, aligning it with the broader organisational strategy, and addressing concerns about change. Overcoming resistance to change by demonstrating the positive impact on each unit's and geography's objectives Ownership from senior business leadership is a key success factor. When leadership not only supports the project but actively champions it, the chances of success significantly increase. Leadership ownership drives a culture of health and serves as a model for the entire organisation. It is about more than endorsement; it is about active participation and commitment is critical.



Business leadership ownership: Ownership from senior business leadership is a key success factor. When leadership not only supports the project but actively champions it, the chances of success significantly increase. Leadership ownership drives a culture of health and serves as a model for the entire organisation. It is about more than endorsement; it is about active participation and commitment.



Collaboration between HR and Finance: Collaboration between HR and Finance teams is crucial for success. An effective partnership between these two functions ensures comprehensive understanding of the financial implications of organisational health initiatives. Successful projects have mechanisms for cross-functional collaboration that aligns financial and human resource strategies.



Data availability and consistency: Success in organisational health projects depends heavily on the ability to obtain and maintain high-quality data across different business units and countries. This data provides an essential foundation, enabling organisations to assess their health against industry standards or peers. However, it can often be challenging to ensure good data quality and acquire the capability to compare different data sets between business units and countries. Inconsistencies or data gaps may impede organisations' efforts to accurately track their progress and pinpoint areas requiring improvement.



Data privacy and regulations: Maintaining a strong grip on data privacy and adhering to evolving regulations are paramount to success. Failure to navigate these concerns can lead to data breaches, legal issues, and damage to an organisation's reputation. Successful projects have robust data privacy measures in place, ensuring data is managed securely, in compliance with all relevant laws.

Organisational Health can significantly impact the future success and longevity of your organisation. By embracing it you can begin now a journey towards a sustainable, profitable future, supported by tailored strategies and informed by data analytics.

The urgency is clear, the benefits undeniable, and the path forward is supported by our Deloitte experts who can accompany you on this journey.



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