

Back to Work: Time for an Organisational Health Check

*The start of the year is a good time for an organisational health check. In the third of a series of short articles on aspects of people and organisations, **Dr Tony McNulty** provides a ten-point checklist to help you identify and deal with the barriers that often impede performance.*

Like ships that have been out at sea, organisations have a tendency to gather barnacles as time goes on. These barnacles take a variety of forms: bad habits become ingrained; we forget some of the basics which brought us success in the first place; we keep on doing things which were necessary at one time, but which are no longer required; the market has moved and we haven't kept pace.

As consultants, we often get asked to carry out organisational health checks. These can involve businesses, departments or particular functions. After a couple of days of one-on-one discussions with the key people, the priorities are usually very evident.

So how to spot the barnacles that might be holding you back? In our experience, the ten areas below are the places to look. The comments and questions that follow each item are not exhaustive, but are a good start in thinking about what to do next.

1. **Strategy** As circumstances change so strategies need to adapt. Is your strategy still working? Fit for purpose? What steps are needed to make sure you remain an effective competitor in your chosen markets?
2. **Control** This is often considered a bad word, with connotations of over-management, micromanagement or unnecessary interference. But when managers have lost control, organisations are in serious trouble. The trick is to identify the key tasks you need to carry out, and the key numbers that you need to track. Then monitor and follow through on these elements so you can take corrective action in time. Remember too to make time to "walk" the organisation and keep your finger on its pulse.
3. **Customers** Are you still delivering what your customers want and expect? Are you doing so to time, cost and quality? How do you know? What pressures are your customers facing currently and how are you helping? How are your competitors attacking your markets and how are you responding? In the search for new customers are you forgetting your current ones? Existing customers are often the source of most of your future business, and frequently your most profitable business.
4. **Finance and Costs** Most organisations already know what is needed in the broad financial area (e.g. funding, cash flow, governance, reporting requirements) and for the most part they perform as required. A pressing issue currently is the effects of recent cost-cutting exercises. Sometimes cuts have been implemented quickly and across-the-board, rather than in a planned and targeted way. Have you cut in the right places? Are you the right size and shape? Are you down to the bone in some areas that now need resources and investment?

5. **Products** Have another look at your product portfolio. Drucker once suggested that most firms' products could be classified into one of several types:
 - "Today's breadwinners" – needing time, energy and resources if they are to continue to deliver day-to-day revenue.
 - "Tomorrow's breadwinners" – needing appropriate levels of investment, so that they are ready to take over when the current breadwinners decline.
 - "Sleepers" – those products that have become more successful than anticipated, and with more time and focus could become tomorrow's breadwinners.
 - "Investments in Managerial Ego" – products or activities that, despite continuing investment, never live up to their billing. If you stop further investment you might lose face, but these products can cripple organisations. Learn the lessons, swallow your pride and kill them.

6. **Organisation** Left alone, your organisation structure can tend to be the solution to yesterday's problems. Make sure your structure helps solve problems rather than being the source of them. A previous article provided a checklist to help with a review: (<http://mcnultymanagementconsultants.com/pdf/how-to-get-your-organisation-structure-right.pdf>).

7. **Management and business processes** Most organisations are quite skilled in identifying their core business and management processes (e.g. supply chain, marketing, strategic planning, business development, customer relationship management, performance management etc.) Where these have become less efficient and effective it is usually because they have not evolved to meet changing circumstances. Again, the trick is to keep these processes under review so that they remain fit for purpose and meet the needs of stakeholders. Benchmarking can help and will be the subject of a future article in this series.

8. **People** Who are your key people and what are you doing to retain and develop them? Have you got the right talent in the right places? Are your managers able to motivate and inspire? Do people know what is expected of them, and are their expectations also being met? Are there gaps in your organisation in terms of skills or management capabilities and do you need to recruit or develop to fill these gaps? Have you identified the best practices of your most successful employees and started training "the rest" to do what "the best" do? Is executive coaching required to provide an external source of expertise and a dispassionate sounding board?

9. **Teams** In most organisations teams at all levels are a vital cog for delivering top performance. Poorly performing teams can bring things to a halt. Do people understand the purpose of teams and their own roles? Is the composition of the team right? Is the leadership clear? How effectively do team members work together? What teambuilding has been done? Are teams disbanded once they have achieved their purpose?

10. **Other stakeholders** In addition to your customers and staff, are there plans for dealing with the needs of other stakeholders? For instance, what needs to be done for owners, external suppliers, creditors, shareholders, government, local communities?

For many, business has been tough recently, and you cannot afford to allow any barnacles to slow you up. A first step might be to share this "health check" with your management team. If you want to discuss it further, by all means get in touch.

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