

# The link between meaning and organizational health

Employees are more likely to find meaning at work when the organizations they work in are healthy.

*by Rodgers Palmer and Bill Schaninger*

**Meaning is an important** but squishy concept, and we appreciate the efforts of London Business School professors Dan Cable and Freek Vermeulen to add some structure to it (see “Making work meaningful: A leader’s guide,” on McKinsey.com). Their observations, along with those of Stanford professor Jeffrey Pfeffer in another recent *McKinsey Quarterly* article,<sup>1</sup> resonate with our own, decade-plus effort to understand the importance and drivers of organizational health.

To understand the relationship between meaning and health, consider the recent work of a banking network to improve retention among 12,000 individuals. The bank found that demographic data, such as age, salary, and performance ratings, were far less correlated with employees’ intention to leave the bank than were their attitudes toward several determinants of organizational health—defined as the organization’s ability to align around a common vision, execute against that vision effectively, and renew itself through creative thinking. In the case of the bank, the organizational health and retention relationship was particularly strong with respect to variables connected to meaning—among them motivation, the work environment, and how open and trusting the workplace was.

This case example speaks to a broader trend seen in our research, which now encompasses more than five million survey responses, from employees at 1,700 organizations, regarding 37 workplace practices. Those responses

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<sup>1</sup> See Jeffrey Pfeffer, “The overlooked essentials of employee well-being,” *McKinsey Quarterly*, September 2018, McKinsey.com.

aggregate to nine outcomes related to health and, ultimately, to a single metric (McKinsey's Organizational Health Index, or OHI). As we've elaborated elsewhere, organizational health is correlated with financial performance. It also appears to reflect meaning and employee well-being, as described by Cable, Vermeulen, and Pfeffer:

- Cable and Vermeulen find that among the many ways that companies create meaningful workplaces, the ability of leaders to connect daily work to a grander goal stands out. Our work confirms that “direction”—the ability to give employees a clear sense of where an organization is headed—is a critical determinant of organizational health. And “employee engagement”—the extent to which leaders engage employees on the objectives of the organization—is among the three workplace practices that contribute most to strong direction.
- These findings are consistent with Pfeffer's conclusion that a sense of job control is central to the physical and mental health of employees. Pfeffer also shows that having strong personal connections and relationships at work improves employee well-being. Our research confirms that the quality of employee interactions, measured through the strength of the “work environment,” is a key driver of health, and that “open and trusting” workplace behavior is a critical contributor to a strong work environment.
- Finally, we've seen over and over that giving people a sense of ownership and control contributes to a greater sense of accountability, to a better work environment, and to stronger execution skills. While this may sound intuitive, we know from experience that it's challenging for employees to embrace true ownership, and for leaders to let go sufficiently for the ownership to become real. We're hopeful that the consistency between our ground-level analysis of individual workers and their organizations, on the one hand, and the academic pattern recognition of Cable, Vermeulen, and Pfeffer, on the other, will embolden more leaders to try.

Ultimately, leaders who create meaningful work environments contribute to the health of their employees and their organizations. Whether the relationship between individual and organizational health is causal or merely correlated, we don't yet know. Nor do we particularly care. The facts before us suggest that meaning, health, and performance go hand in hand—and that should be enough for leaders seeking to leave a legacy by improving their companies and the lives of their employees. 

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