



DOI: 10.18427/iri-2017-0077

The Potential of the Developing Model of Organizational Health for the Growth of the Insurance Industry

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Abstract. *Increased competition on the markets puts an imperative to companies and the respected variable managerial models to upgrade internal processes and relations towards unique and particular advantages. Creating, implementing and innovating the model of organizational health, on two streams, firstly on individual and group, and secondly on organizational level, enlightens vast opportunities for competitiveness and sustainability. Rare surveys in the application of organizational health in insurance industry show that organizations that include and develop sustainable model of organizational health, as a functional part of their organizational culture, has greater overall performance. For that reason, organizations must change and undertake consequent and consistent actions that primarily start with leadership. Insurance industry is struggling to keep pace in highly competitive environment in the financial systems that still pursue with the low returns and limited demand. In that context, insurance industry still deeply rely on human force that should create demand for insurance products throughout innovation, trust, ethics and responsibility, in the highly segmented insurance markets that differ and involve substantial behavior elements. The importance of the intermediaries, in particular for the life&health insurance, stresses the value of employees trust and their personal and organizational health level. This paper gives a rare multilevel approach for the role of the organizational health and its potential for increased competitiveness and growth of the insurance industry and is a base for further academic analyses.*

Keywords: Organizational health, developmental model, insurance industry, insurance competitiveness and growth

Conceptual framework for modeling the organizational health

In identifying the fundamental streams of thinking, while contextualizing the organizational health, the most influential categorization leads to the *fundamental concepts of organizational health* (NHS Institute for Innovation and Improvement, 2014), illustrated on the following way:

✓ *In the first group of OH concepts, the focal orientation is to maximize the employees healthy – it relies to the explorations in the field of occupational health, workplace health promotions, as well as traditional organizational psychology and sociology, while concentrating to individual – level performance indicators, such as low rates of absenteeism, high productivity and high level of expressed employee satisfaction,*

✓ *In the second group of OH concepts, the predominant importance is placed to seeing the organization itself to be healthy, or on the contrary unhealthy – the logic of analyzing the organizational health in this stream of thoughts lies in the analogy of functioning of the organization as human beings, in terms of their life cycles, paying particular attention to autonomy, resilience, systemic character of needs, predictability, future – oriented etc.*

It is evident that each of above concepts possesses competitive advantage in various combination of the tendency for external adaptation and integral integration, meaning that *the first stream line of OH concepts is most beneficial when the source of competitiveness and sustainability is placed on an individual or group/team organizational position, whereas the second stream of OH concepts is most influential while deriving the competitiveness or sustainability roots from the organization as a whole, meaning the mutual connectedness and inter-dependencies of the constitutive organizational elements.*

The contemporary attempts to harmonize the benefits of unifying the application of each of the above detailed streams of OH, in fact, leads to determining *the potential of the occupational health, especially in relation to the overall organizational health (OH)*. In this context, occupational health along with the safety dimension (OHS) is perceived as being a *sub – field of human resource management, in which OHS is not only a major component of the HRM function, but increasingly is associated with the achievement of operational efficiencies and competitive advantage* (Boyd, 2003).

As a consequence of the influence of the OHS to the overall organizational performances, *the focal orientation within the OHS has shifted* in the last twenty years, in terms that instead of previous prevalent attention on the individual employee and their work needs, motives, aspirations, tendencies, expectations etc., in relationship to the working environment or conditions, with an emphasis to the *interventions at work* (McAfee & Winn, 1989), as well as to the *causation* (Reason,

1995), to the *social group of employees or treating the overall working environment* (McKenna et al., 2006). However, this change of paradigm possesses several *misappropriate applicative dimensions of OHS concept, especially in the following key applicative managerial fields of change and developing, illustrated as:*

- ✚ business policy or practice (Boxall & Purcell, 2008),
- ✚ determining the efficiency, not only the effectiveness itself (Becker et al., 2001),
- ✚ analyzing the societal performance indicator (Paauwe, 2004),
- ✚ employee participation (Leopold et al., 2005) etc.

Having in mind above explained fields of mistreatment of OHS in the overall management literature, particularly in the field of managing changes and development, to construct a *contextual, process – based model of organizational health*, due to the critical importance of *harmonizing the positive influence of the following prevalent orientations of OHS* (Zanko & Dawson, 2012), to the *potential of OH itself*, best illustrated as the following *critical OHS perspectives:*

- ❖ prescriptive,
- ❖ systematic,
- ❖ success based,
- ❖ error and disaster based,
- ❖ culture, climate and high reliability based.

Our unification of above OHS perspectives would be conducted by the phases of the *process – based model of organizational health*, composed of the following phases:

- ✓ diagnosing - predominantly relying in this stage on the COHA (Comprehensive Organizational Health Assessment) managerial orientations,
- ✓ measuring - principally modified according to 4 – Tier research based model of Organizational Health, and
- ✓ changing and developing phase – prescribed in accordance with the roadmap of the Organizational Health Index of McKinsey.

Clearly, *ethical character of the desired model of organizational health derives its features from each and every of the above process – based model phases of organizational health.*

Integrated system of organizational health

The process of integrating the OH concepts must pay focal attention to several *cultural dimensions of organizational health*, out of which, most applicative and important happen to be the following ones, identified as:

- ✚ creating and entire application of an ethical Code of conduct,
- ✚ development of applicative managerial practices, which are needed for obtaining an optimal combination of the effects of the phases of the process – based model of organizational health, and
- ✚ continuous advancement of the employees skills, abilities, routines and well – being concepts, aimed at increasing the degree of work – life balance, enacting reasonable number of working hours, respecting the environmental importance while creating hew pathways for increasing the organizational health, etc.

The very constructing of *process – based model of organizational health*, initially is focused on the first phase – *diagnosing*, which methodologically would be developed predominantly relying on the **COHA** (*Comprehensive Organizational Health Assessment*) *managerial orientations*. In achieving so, the first step in diagnosing is the *categorization of all organizational health factors*, best illustrated on the following Table 1:

Table 1. Diagnosing factors of Organizational health

Individual factors	Unit factors	Organizational factors
✓ <i>Self – efficacy</i>	❖ <i>Supervision</i>	✚ <i>Leadership</i>
✓ <i>Job satisfaction</i>	❖ <i>Professional sharing and support</i>	✚ <i>Physical environment</i>
✓ <i>Intention to stay</i>	❖ <i>Team cohesion</i>	✚ <i>Cultural responsiveness & inclusivity</i>
✓ <i>Coping skills</i>	❖ <i>Shared vision and professional orientation</i>	✚ <i>Readiness for change</i>
✓ <i>Time pressure</i>		✚ <i>Public perception</i>
		✚ <i>Community resources</i>

Source: According to Leake Robin & Fritzlet Paul (2012), *Comprehensive Organizational Health Assessment – COHA*, Buttler Institute for families, May, p.5

At this stage of analyzes, we do not enter profoundly into the second phase of the process based model of organizational health, namely to the *measuring and assessment*, predominantly linked to the reason that the general majority of the insurance industry is rarely orientated to the establishing and introducing the *consistent and effective model of*

organizational health, thus the importance should be primarily stressed to the foundations, i.e. to the first phase of diagnosis, and subsequently, by accepting the possibilities and opportunities for the insurance business model, to advance to the follow up of the model.

The insurance industry model of organizational health- is there any?

The insurance industry is struggling to achieve higher performance in this downing times, in the climate of constantly misunderstood product and service such as risk protection (or securing by paying against uncertainty or "virtuality" on one side, and financial system environment, with extremely high competitive pressure and historically low rate of returns, on the other side. Bearing that in mind, the insurance companies are forced to *innovate and exercise changes in their classical business models in order to be competitive in the industry*, but also within the financial systems conglomerates. Identifying the need for holistic and consistent organizational health model is of immense importance. Regardless of the lack of empirical evidence for coherent insurance industry organizational health model and theoretical background for that, there are still proves for organizational health model correlation to insurance companies performance outcomes.

According to McKinsey & Co., leading organizational health analysts' survey, conducted on 11 claims processing sites in the US insurance industry, *found positive correlation between health and performance*. We should note that the health variable was defined as *the site specific summary score, or index, defined as a employees perception, expression and satisfaction to the nine elements of organizational health* as described at the McKinsey matrix of organizational health index, furthermore *enriched by employees stands for managers particular processes execution, and performance outcomes was defined with regards to the particular sites claim indemnity specific processes, expense and customer satisfaction*. The positive correlation to the organizational change, according to the survey, mounted to the *1/3 (one/third) of the performance variations, vis a vis to the rest 2/3 (two/thirds) of the performance factors variables that are predominantly located in the external environment*.

Those findings stress once again the importance of the internal insurance companies' processes and internal organizational culture and values as a factors that the managers can directly influence, rather to the actual primary focus of adaptation to the external ones, which are less influenced and manageable.

Figure 1. McKinsey elements of organizational health



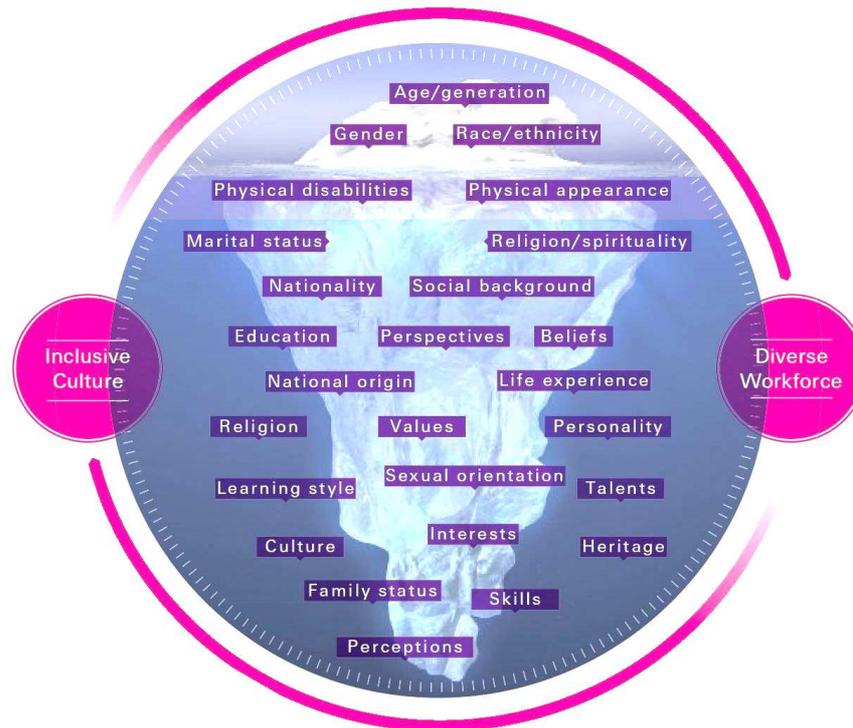
Source: According to McKinsey & Co. (2012), *Organizational Health Index: Using Organizational Health to Build and Sustain performance, McKinsey Public Sector Practice*, p. 2.

The issue of achieving healthy organization in the two streams-on individual/group and organizational level, is deeply connected to the possible new shift of the insurance industries priorities of implementing the business model based on ethical and socially responsible behavior, again, from the top to the bottom. The force for that, the strengths for that lies within the organization. That means, the human resources (employees) and the processes (values and culture). The insurance companies that would understand the benefits of having the healthy internal environment, as an internal decision and need, would acerbate potential for higher competitive advantage within the market.

Precisely, healthy employees as a part of occupational health system and healthy organization, in which the leadership remains the key pre-requisite, can *achieve sustainable and effective results in bringing changes to the company throughout innovations, new and customized integral insurance products and solid and growing customer base*. By accepting the need for change and introducing the organizational health elements improvements, the insurance companies that are global, can improve their global performances, knowing the international nature of the business and its orientations on actual and future mergers, acquisitions and local market insurance companies transformations. That does not mean just changing and adopting the existing working culture as an obligation, but moreover, *understanding the need of the transformation the internal capacity and potential into business success and competitive advantage*.

Shortly, it means, *agility, adaptation, change, internal compromise, and especially healthy dialog between all the stakeholders, and creation of work culture with supportive managers, clear performance expectations and open communication that builds on trust* (SwissRe, 2014). Understanding all the factors for healthy employees means understanding the need for healthy organizations that is ahead of the competition, thus making the changes for the future, based on the elements of the past and needs of the present, by recognizing the diversity of the expected healthy insurance companies as described in the vivid presentation (SwissRe, 2014):

Figure 2. SwissRe's Diversity Iceberg Model



Source: According to SwissRe, *Own the way you work: Living team spirit*, 2014:14-15

Moreover, there are two major factors for adopting changes in organizational health system:

- ✚ The first one is the leadership. All the phases and elements of the OH system must rely on the capacity, willingness and persistence of the leadership to change and adopt the OH elements of both streams to the creation of the new business insurance company model, and
- ✚ The second one is the trust. Trust inside of and within the company, as well as trust for the company from the customers' side.

Identifying, creating and implementing the model of organizational health within the insurance industry and companies is in line with the actual and future trends, in particular, because of the following three aspects:

Firstly, the last financial crisis outcomes and yet still remaining consequences, appeared to give advantage to the "shortism" organizational culture and managers practices, focusing to the financial performances of the companies and higher demands of the stakeholders. That is not complementary to the core business model of the insurance that is simple enough in theory, but rather complex in the practice, especially in the globalized and innovative financial system. The "shortism" paradigm is rather temporarily answer, not successful at most of the periods, to the financial volatility, but is endangering the long term prospects and sustainability of the business, that is transferred and

orientated to the broader and extensive time horizon. In that sense, *creating model of individual and companies organizational health, would mean sustainable insurance activity and growth of the insurance companies.*

Secondly, as mentioned before, higher competitive pressure, results in possible lower customer base, and lower premium volume per se. Decreasing the premium rates and increasing the intermediary's volume sales by transferring the profit margins to them, is not the long term solution for the industry. Achieving the companies sustainability and stability, on the basis of its values, culture and trust, as well as high level ethics and confidence, all of them, as an integral parts of organizational health system, introduced from the top management, is likely to be slower, but more effective answer to the competition and shift to the customers' demands for social and corporative responsibility in their relations, innovative approach and customized products that generates trust.

And thirdly, the insurance industry, has still distinctiveness that stresses its relyness upon human factors. Even though it's progressing fast, as the rest of the financial services, still, the core products, in particular the life insurance products, are to be sold outside the information technologies, throughout another humans, mostly within the intermediary's channels. The insurance culture and demand, is contrastly different in the geographic and cultural sense, as well as still, the personal attitudes and behavioral aspects are dominant in customers decision making process for insurance products buying. All together, they emphasizes the need for healthy organization and healthy and satisfied employees that would represent the company at the customer level that is changing and diversifying. Adoption of change into sustainable system is the best answer for the increasing needs of customized and adequate, still competitive products, in future times, when the insurance companies must create demand as the long term prerequisite to be in and do the business.

Conclusion

Organizations are striving to explore any possibilities to increase its internal capacity and potential for organizational growth and sustainability. In highly competitive markets, organizations are seeking for innovative actions for change and greater performance outcomes. Organizational health framework, defined on two streams, individual and organizational, as a part of HRM, is an element for developing additional competitiveness and sustainability. In context of change, we find the diagnosis phase crucial for beginning of change and adoption of OHS, followed up by the systematic measuring and changing & developing phase. It requires adopting the consistent organizational culture, based on McKinsey & Co. elements of organizational health. We find this change important for the growth of the insurance industry, based heavily on

capacities, capabilities and actions of human resources, crucial for creating trust furthermore interconnected to ethics and social responsibility.

It is evident that this is a potential for higher insurance companies performance in the markets that are diverse and burden with vast behavioral aspects, orientated to insurance products that are still misunderstood and predominantly sold throughout intermediaries channels. Organizational health model in the insurance industry, by other means, means internal change for external profitability, competitiveness and sustainability. It means trust within the organization, as a precondition for trust from the customers. Finally, it means great potential for doing insurance business.

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