

Organisational development has a vital role to play in today's competitive, turbulent and constantly changing world in building healthy and productive organisations, argue Linda Holbeche, CIPD Director of Research and Practice, and Mee-Yan Cheung-Judge, a leading thinker on organisational change.

Organisational development – what's in a name?

We believe that in today's fast-changing business environment organisational development (OD) is becoming critical to business survival, competitive advantage and future success. And yet because many managers and even HR practitioners do not understand what is meant by OD, even the basic OD principles and practices that could make such a difference to organisational success are rarely being applied to best effect, if at all. So in this article we want to provide the backdrop to a better understanding of OD and why it can be helpful in today's challenging climate.

One of the reasons why OD may be less well understood than other disciplines is that OD transcends functional boundaries. HR professionals have traditionally practised within the fields of HR management (HRM) and HR development (HRD). These functional fields are much more clearly articulated than that of OD, even if an overall model for HR may still be lacking. HRM deals with all activities traditionally linked with the personnel function except training. For instance, according to McLagan (1989), all HRM efforts are to increase organisational production by using the talents of its current employees and are associated with:

- talent management, including recruitment and selection
- resourcing
- compensation and benefits
- employee relations
- appraisal and other performance management systems
- HR information systems.

HRD, defined as 'organisational learning and development to bring about the possibility of performance improvement and/or personal growth', deals with all activities related to:

- training
- education
- development.

All HRD efforts are to bring about the possibility of performance improvement at individual or team level and/or personal growth. These disciplines make a powerful combination but stop short of being able to build organisational capability. This is where OD fits and provides a foundation for current and future organisational success. While learning and development (HRD) focuses on human learning, OD focuses on human dynamics. The rich field of knowledge in OD helps us understand how people and organisations function, and how to help them function better within a clear value framework. It's about getting

the organisation's total system to work coherently. We believe that as HR's role becomes more strategic, OD will become intrinsic to strategic HRM.

Defining OD

OD – in contrast to HRM or HRD – is more of a 'scavenger' discipline. It is an eclectic field that borrows from many other disciplines and theories, and that offers insights about how people within organisations work – for example systems thinking, behavioural science disciplines, such as psychology, social psychology, sociology, anthropology, systems theory, organisation behaviour, organisation theory, culture and management literature – to name but a few. This perhaps explains why OD has been somewhat in abeyance for years and has failed to be 'grafted on' to HR professional practice.

OD recognises that organisations do not exist in a vacuum but are part of an 'open system'. OD focuses on ensuring that the organisation is responsive to the world it operates in and that its internal capacity matches its strategic ambition. Environmental factors (input) affect what the organisation exists to deliver (output), and how the organisation in turn affects the environment.

OD looks at the total system and the linkage between all the parts of the organisation, and at how change in one part will affect the other parts. It is:

‘...a system-wide process of planned change aimed toward improving overall effectiveness by way of enhanced congruence of such organizational dimensions as external environment, mission, strategy, leadership, culture, structure, information and reward system, and work policies and procedures’ (Bradford and Burke 2005).

It looks too at how the total system can work well together to serve the outside world. OD also works to ensure that during turbulent change, organisational capability is maintained, aligned and improved through a planned change effort. It is:

‘...a long-range effort to improve an organisation’s problem-solving and renewal processes...with the assistance of a change agent, or catalyst, and the use of the theory and technology of applied behavioural science, including action research’ (French and Bell 1999).

In summary, OD is concerned with developing organisational effectiveness and sustaining organisational renewal. It is about building and maintaining organisational health as a total system. OD is:

‘...a process (and its associated technology) directed at organizational improvement’ (Margulies 1978).

‘...all the activities engaged in by managers, employees and helpers that are directed

toward building and maintaining the health of the organisation as a total system’ (Schein 1988).

As a discipline, therefore, it is fundamentally strategic, even if OD activities may be practical and occasionally tactical. It is the systematic application of behavioural science principles and practices to understand how people and organisations function and how to get them to function better within a clear value base. It is shamelessly humanistic and has strong value drivers.

What is involved in OD?

The key thrust of OD is ‘theory in action’, which involves three key activities: diagnostic work (help all relevant parties to know where the system is at, and where it needs to get to); intervention work (what are the key activities to help the system move from A to B); and how to mobilise the system to own the intervention for effective outcome – which is through the role of the OD practitioner.

The role of the OD practitioner is one of helper, using ourselves as instruments, and building effective relationships to deliver ‘help’.

Organisational development involves using diagnostic data (organisational, behavioural and psychological) and intervening within the system, using structured interventions to achieve the development of the organisation. Typically, OD practitioners use a framework of diagnostics to link the environmental factors that affect the organisation, its strategic imperative, the organisation’s ‘throughput’ (that is, linked to both the external customer’s

experience and employee satisfaction and behaviour), working back from implementation.

OD practitioners then work out how and where to intervene within the system, which are the key ‘interventions’ that affect the organisation’s health and performance, and link metrics to these. Interventions to improve the system are made on the throughput. Diagnosis itself is an intervention that produces an effect within the system. OD practitioners will typically favour participatory diagnosis to stimulate emergent change, which is ‘owned’ by employees and managers, rather than simply imposing change and hoping for the best. This reflects a key OD principle that involving the people affected by change and allowing them to provide input on issues that matter to them (for instance by engaging them in large-scale strategic conversations) is more likely to result in people owning the change process and its outcomes.

OD practitioners have to deeply understand how groups work, why certain groups bring out the best or the worst in people – find out what needs ‘fixing’ – how to influence the ‘shadow’ system of the organisation – its internal politics and power bases. While interventions can focus on any part of the organisational throughput system, they increasingly focus on upskilling leaders, turning them into strategists and organisational leaders, not just senior technocrats.

Core values

What has held the OD field together from the beginning

are its core values, which focus on:

- process – this is as important as content, if not more so sometimes
- organisational effectiveness – making an organisation a ‘better’ workplace for its employees and those the organisations serve
- balancing individual and organisation needs – aiming for multiple wins for those who work in them, and depend on them for their services
- humanistic values – believing that individuals should be given opportunities to become all that they can become, reflecting a humanistic striving for optimal alignment between organisational and individual goals and needs.

These core values – as manifested in participation, openness to learning, equity and fairness, valid information, informed choice, shared ownership and commitment – are vital in shaping processes that help organisations to become and remain healthy.

Why is OD needed now – especially by HR professionals?

We argue that the challenges facing today’s organisations require HR professionals to be able to apply their knowledge and skills within an organisational development frame. In a fast-changing context, especially when the focus is on survival in the short term, organisations can lose sight of the bigger picture and undermine their potential for renewal and future growth. Typical challenges that require

an OD approach hit the inbox daily:

- What are the right skills to drive my organisation forward?
- How do you engage the people you need to deliver success?
- How do you speed up processes?
- How will tomorrow’s leaders need to be different from today’s leaders?
- How do you create collective leadership?
- How does customer focus become embedded in the organisation’s DNA?
- How do you create a climate for performance and innovation?
- How can you create and transmit values that bind the organisation together?
- How can we manage change effectively and not ‘throw the baby out with the bathwater’?
- How do you maintain trust and keep people motivated through change?

Lessons from the past suggest that the conventional organisational time-span and focus is very short term, for a whole variety of reasons. This might also explain why organisations so often appear doomed to repeat the mistakes of the past, and even in ‘good’ times lose organisational knowledge (corporate amnesia), waste opportunities for synergies and shared learning, become siloed, stale and slow to change. Indeed, periods of strong growth can often mask the need to do anything different and breed complacency.

In the current economic climate we see a real

opportunity for businesses to break out of vicious cycles of wastefulness and short-termism. But this means taking stock and making any tough restructuring and downsizing decisions with a view to what will be needed to help the organisation recover and improve when growth returns. More generally, a fast-changing context highlights both the danger of organisational implosion and the need for different and longer-term thinking and practice. Success in the future will require organisations to operate as collaborative communities, to have agile cultures, flatter hierarchies, distributed leadership.

And that is why the CIPD’s Shaping the Future research and engagement programme (see page 14) is fundamentally an OD programme intended to advance HR and management practice and lead to sustainable organisational improvement, agility and renewal. On the one hand, this is an action research programme in a range of organisations from different sectors, all aspiring to achieve sustainable high performance in their context against a fast-changing backdrop. By way of interventions we will be exposing organisational members to action learning sets and research-based activities that are running in parallel to explore our hypotheses about what drives sustainable performance, so we will deliberately be feeding insight into organisational systems and exporting interesting practice. At the same time we will involve practitioners from many other organisations in a shared journey of

experimentation and knowledge-creation. We want to help build the capability and confidence of practitioners to shape the future of their organisations, of themselves and of their profession.

Looking into the future of OD—its role in sustainable competitive advantage

From the beginning, OD developed and applied its theories of people and change to organisational life and functioning. Many of the interventions originally pioneered and practised by OD professionals are based on the field's firm commitment to the human side of the enterprise. Though being criticised as 'too narrow' sometimes, many of its interventions have now become mainstream, shaping the way we all think about how organisations work. This included 'change management' (the term was coined by Linda Ackerman Anderson in 1968), which emerged as a subfield of OD. It also included organisation/role design, defining how tasks, authority and systems will be organised and integrated across organisational units and within individual jobs. As Edgar Schein (2006) points out, OD has been and will remain extremely influential in organisational life:

'...how many elements of OD have evolved into organizational routines that are nowadays taken for granted: better communications, team building, management of inter-group relationships, change management, survey research, meeting designs, feedback and learning loops, organization design, effective group processes, conflict

resolution...to name but a few.'

It is in fact hard to imagine how organisations will be the same, especially in the West, if we take away the seminal influence of those early OD thinkers and practitioners. Much has changed since OD's beginnings in the 1950s. There are the ruthless pursuit of efficiency, in the form of business reengineering in the 1980s, rationalisation in the 1990s, and aggressive outsourcing in the 2000s – all these stemmed from the combined impact of changes in technology, globalisation, competitive pressures, unpredictable socio-political and economic factors, which together with other factions have all altered the world of work and the ways we organise work groups. However, despite the changing challenges, the following concerns remain constant for leaders and OD practitioners. How do we:

- build a sustainable high-performance organisation in which individual workers take an active part in achieving the required output?
- appropriately build engaged, proactive, empowered staff when there are limited reward levers organisation can pull while needing to hold staff accountable?
- solve the problems of aligning and integrating diverse cultural elements?
- ensure there are fluid two-way communication channels – so that information can flow upward as well as downward within hierarchies?
- help organisations to be externally sensitive and internally agile?

- build organisational climates that will release human potential and creativity at work and foster continuous learning and renewal culture within organisations?

In the past few decades, the OD practitioners and academic community have continued to hold true to their value while shaping and adapting their approaches and methods to address key organisation issues that affect organisation success. The rich heritage of OD will continue to help organisations to meet these challenges, and new concepts and tools will continue to be invented to tackle ever tougher problems of change and organisational dynamics in an increasingly complex, global and diverse world. We believe that human capital, and the quality of relationships between people, and between people and organisations, will be more important than ever in predicting organisational success. We must therefore continue to build and strengthen the field of OD and maintain its core values while seeking innovative solutions to resolve the new sets of challenges facing organisations. The Shaping the Future programme should add much to this developing field of knowledge and practice.

Similarly, as HR takes on an increasingly transformational role, OD will enable HR professionals to:

- support transformation
- work on organisation design
- design and deliver learning and development interventions
- support clients in major change and organisation design projects

- analyse and improve the overall health of the organisation
- keep the organisation healthy and fit for future challenges.

And HR can best deliver effective OD through line managers; these are the primary practitioners of organisational development. Leaders hold the custodian role, safeguarding and improving organisational health and performance. HR needs to work closely with senior leaders, turning them into commissioners of OD who are able to diagnose and understand their impact and role in improving organisational health, who appreciate that an organisation is a human system, not just a technical system. HR needs to ensure that leadership capabilities are transformational, not just transactional. Leaders need to add to their ability to interpret the data on the horizon to manage the environment, form effective strategies and delineate organisation performance outcomes. They need to make sure their organisations stay relevant to their key stakeholders, with further ability to focus inward so that the vision, mission and culture of the organisation are aligned. And they need to be able to understand sufficient human dynamics to make sure that sufficient and robust processes exist within the organisation culture and practice to inspire people to come along with them. In other words, leaders need to ensure that the organisation's internal capability matches the strategic ambition.

With its powerful and influential heritage, solid core

and evolving applications and approaches, OD will continue to play a vital role in equipping HR professionals to support their organisations in today's competitive, turbulent and constantly changing world.

And we share with Professor David Cooperrider (1998) the belief that OD's focus on building healthy organisations contributes to society as a whole: 'The best path to the good society is the construction of great organisations that nurture and magnify the best in human beings.'

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