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Organisation development

Explores what organisation development is, how it has developed, and how it is conducted in today's organisations.

Introduction

There are many ways to describe organisation development (OD), all of which share common features despite their varied meanings. Regardless of the approach, OD has grown to become one of the most critical practices an organisation needs to maintain performance within a rapidly changing environment.

This factsheet explains what organisation development is, how the models and approaches have developed, and how it compares with organisation design. It looks at how OD can be carried out effectively and identifies the stages of the process.

What is organisation development?

Organisation development (OD) is where interventions are developed with a 'systematic mindset' – they create alignment with the organisations goals and activities in a planned and intentional way, with a view to bringing about a particular result that will improve the overall performance of the organisation. Our definition of OD from a people profession perspective is 'a planned and systematic approach to enabling sustained organisational performance through the involvement of its people'. See how OD fits into our new [Profession Map](#).

Organisation development specialists play a critical role in working with line leaders and people practitioners to develop the organisation to achieve its goals. The specialists have expertise in navigating complexity to unpick what the organisation is trying to achieve; diagnose underlying issues, challenges, opportunities; and to select the best approaches to develop the organisation moving forward.

Employees are often at the centre of the changes to the organisation that follow, and

people professionals need to have a solid understanding of the relationship between organisation development, organisational strategy and the HR agenda. They should leverage their expertise and knowledge of the organisation to question assumptions, help surface non-obvious problems/issues, diagnose barriers/enablers to execution, and manage change effectively.

Development can take many forms and focus on different aspects of an organisation, which is why organisation development (OD) has come from various disciplines, which all take a slightly different approach to what it is and how it should be conducted. However, some fundamental principles are always present:

1. OD focuses on **maximising the value gained from the organisation's resources** – for example, in an automated manufacturing plant, the development might focus on mechanical efficiencies, whereas if the organisation produces people services, it might focus on people capabilities.
2. OD focuses on **an organisation's strategy, goals and core purpose** – all development is carried out to achieve these things to a greater extent. Development that's undertaken without such a focus can become incongruent with the rest of the organisation and can cause issues in other areas.
3. Where an organisation's main competitive advantage is delivered through their people (as opposed to technology or machinery), OD will involve **applying behavioural science knowledge and practice**, such as leadership, group dynamics and work design. This ensures that people practices are developed in a way that uses research-based insights and scientific understanding of how and why people behave the way they do.
4. OD is related to change management in the sense that many developments would be implemented using change management practices, but also, because it is being done continuously; OD is a kind of planned, ongoing, systematic change that **aims to institutionalise continual improvement within organisations**.

Although these points could be seen to apply to almost any HR activity in an organisation, it's important to recognise OD activities as slightly different in the sense that they are done for a different reason than day-to-day HR activities or improvements. That being said, aspects of change management, in particular, are now considered core knowledge for all people professionals. Listen to our podcast on how people professionals can adopt OD practices in their workplace, and read our report People Profession in 2030: a collective view of future trends where enabling change and transformation is called out as a key concern for people professionals.

For example, an HR practitioner may review and develop the organisation's performance review process to improve the level of participation and reduce the time it takes to

prepare for it. This could be referred to as a 'business as usual' development of a HR practice. Alternatively, a business could identify that people were working in silos, have little focus on their internal customer relationships, and have developed a 'them and us' culture between the different teams. In this case, the same appraisal process could be redesigned to include inter-team peer feedback to focus on internal customer service, and include a target of shadowing for a certain number of days to improve cross-team understanding.

What makes this an OD activity is that the HR activity was redesigned to bring about a certain change that the business needed to make it more effective, not to just improve the effectiveness of the activity itself. There isn't merely a change in the way the appraisal is done, but a change in resulting behaviours and attitudes as a result of a successful OD intervention.

If the range of areas that require development are large, the level of work required is significant, or the interconnectivity of those areas requires a wholesale organisation change, this is where organisation development transcends into organisation design. Organisational design and development are complementary, but distinct, capabilities.

The history of organisation development

Organisation development (OD) has its roots in the US in the 1940s and 1950s. It comes from various schools of thought and practice including applied behavioural sciences, sociology and psychotherapy. Various academics and specialist consultancies researched what practices brought about higher levels of people-related results, and then applied that thinking to organisations to help achieve higher levels of performance.

More recently, OD has included more systematic approaches such as systems thinking, business process re-engineering, total quality management, continuous improvement, and human factors engineering. Efficiencies are found from streamlining processes and reducing areas of waste, and human interactions are analysed to identify how processes can be engineered to create specific behaviours and actions.

Each of these different disciplines approaches OD from a different stance, depending on what they identify to be the most critical factor in producing organisational performance.

Find out more about the factors that are having an impact on OD practice, now and in the future, in our thought pieces collection Organisation development – the state of play and beyond.

Who does organisation development?

This diverse interpretation of what organisation development actually is often causes confusion about who does it, and when. Not only is the term 'OD' sometimes used interchangeably with other disciplines, such as organisation design and organisation effectiveness, but the job title 'Organisation Development consultant' can also focus on a number of the above disciplines (for example, systems or people etc), and therefore involve very different ways of working from one organisation to another.

Organisation development practitioners come from a diverse range of professional backgrounds. When it does sit within HR, OD doesn't replace HR, but it does heavily draw upon and develop many of the processes of HR to bring about the required change.

When and why to undertake organisation development

Organisations operate in a constantly-changing environment; externally (where markets change, new competitors emerge, and technology evolves) and internally (where people come and go, cultures evolve, and leadership agendas change). Because of this, organisations often find that the practices they have used historically that used to perform well, no longer work as well as they did - they need adjusting to maximise their impact on the organisation achieving its goals.

So it's critical that OD is an ongoing activity rather than an annual or ad-hoc initiative. Without constant review of the organisation's goals, its effectiveness in achieving them and an analysis of how the processes and practices are (or are not) helping achieve that performance, there is a risk of organisations drifting into complacency and decline.

As it's often a people and problem-centred activity and usually spans different parts of an organisation, successful OD practitioners need to be very effective at working with colleagues across departments or organisational disciplines in a multi-disciplinary approach. This provides a more holistically-informed perspective when analysing what works and how to realign practices to bring about a desired change.

One way to approach OD is to use organisational metrics and people analytics to identify the 'fit' between the organisation's goals and needs, and the practices that are attempting to fulfil them. So, for example, information from an annual staff survey might indicate that there are engagement issues, which might be having an impact upon absence and performance levels. This might be a trigger to undertake an OD initiative to review and redesign related practices to improve the connected areas of performance.

However, as well as the ongoing review of organisational effectiveness, there may be a more timebound trigger for undertaking organisational development activities. With the current pace of change, organisations are having to review their strategy frequently, often

altering their course in response to external forces.

The pace of change and disruption facing organisations has never been more of a challenge than now, where organisations are operating in an increasingly volatile and uncertain environment and the rate of disruption and transformation is happening quicker than ever before, with new technology, new start-up firms, and new customer habits all rapidly evolving. Read more about the role of [organisational development practitioners in leading through the COVID-19 pandemic](#).

OD activities are usually overseen at board level to ensure they reach all areas of the business and take the organisation forward in a systematic way. Because of this, to be successful, practitioners also need to have a strong grasp of strategic planning and a good estimation of the potential of the organisation's people to create value.

The organisation development process

The OD process has various stages:

1. **Organisation review.** To identify what it needs ('needs analysis'). Uses a range of tools and approaches including:
 - Strategic review.
 - Future state analysis.
 - [SWOT](#).
 - [PESTLE](#).
 - Quantitative performance targets.
 - Target Operating Model.

2. **Diagnose the extent to which those needs are being met.** Essentially the same thing as doing a gap analysis to identify the difference between a current position and the desired future position, but using a range of frameworks or diagnostic tools to analyse the situation fully, including:
 - ISO.
 - Lean / Six Sigma.
 - Force Field Analysis.
 - Total Quality Management (TQM).
 - Organisation design frameworks (used as diagnostics), such as McKinsey's 7S model, the Burke Litwin framework, or the 5 Star model.

3. **What intervention would best fit the gap identified, and whether to design it or**

buy it in. OD's multidisciplinary roots means there're different types available:

- Human process interventions – coaching, mentoring, training, group work, facilitation, action learning.
- Techno-structural interventions – Lean / Six Sigma, business process re-engineering (BPR), outsourcing.
- Human resource interventions – performance management, reward and motivation, employee surveys, psychometrics.
- Strategic interventions – business planning, cultural change, transformation programmes.

All these do the same thing in that they seek to develop the processes and practices within an organisation so that it can perform better, but each type approaches the activity differently depending on what the practitioner thinks is needed. In essence, **what** they are trying to achieve is improved organisational performance, but the **how** will differ depending on the preferred method. A good organisational development practitioner will identify what the challenge is (diagnosis), and decide which method / approach is most likely to improve it (treatment).

4. **Implement the initiative.** It's always good practice to use robust change management practices, which will include focusing on communication, stakeholder involvement, and evaluation metrics. Our Landing transformational change report covers the thinking in the field of change management and practical action points for change interventions in organisations. It's complemented by case studies of four organisations applying the approaches in practice.

Useful contacts and further reading

Contacts

Organization Development Network

NHS Leadership Academy – organisational development

Books and reports

CANNON, J.A. and MCGEE, R. (2016) *Organisational development and change*. 2nd ed. CIPD toolkit. London: Chartered Institute of Personnel and Development.

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Journal articles

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AXELROD, R.H., & AXELROD, E.M. (2017). The scholar-practitioner mindset: how texts and experience influence organizational change practice. *Academy of Management Review*. Vol 42, No 3, pp561-571.

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JEFFREY, R. (2020) [Why the pandemic has been OD's time to shine](#). *People Management* (online) 4 June.

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This factsheet was last updated by Melanie Green.