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THE PRACTICE OF ORGANIZATION
DEVELOPMENT: A SURVEY OF THE 500
LARGEST SERVICE FIRMS

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A TECHNICAL REPORT OF RESULTS

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NOTE FROM THE AUTHORS

Dear Survey Participants:

We would like to thank you for the time and energy you expended to assist us in this research effort. We appreciate the demanding schedules each of you are faced with on a daily basis.

It is our hope to continue a periodic investigation into the formal role of Organization Development inside large service firms. We continue to believe that the ability of an organization to adapt to the changes in its internal and external environment is the key to surviving in a competitive, global world.

Thank you again for your cooperation. It is deeply appreciated.

THE PRACTICE OF ORGANIZATION DEVELOPMENT:
A SURVEY OF THE 500 LARGEST SERVICE FIRMS

EXECUTIVE SUMMARY

The 500 largest service firms in the United States were surveyed with regard to their internal Organization Development (OD) practice. This study is a natural extension of a survey we published last year on Fortune 500 industrial firms. Prior to this research only a handful of studies have explored the world of internal OD activities. Thus, a basic premise underlying the survey research presented here is that it would be valuable to continue the development of a data base concerned with the internal practice of organization development.

The sample for this survey consisted of the 500 largest service firms as defined by the 1991 Fortune 500 listing. The survey was mailed to the executive in charge of human resources at each of the 500 firms. The survey instrument was constructed by the authors with the assistance of a fifteen member expert panel consisting of HR professionals, external OD consultants, internal OD professionals, and academic researchers who have made distinguished contributions to the field of organization change and development. Completed questionnaires were received from 23.4% of the Fortune Service 500.

Based on these results, the internal practice of OD as represented by 117 large service firms can be described as an activity at the corporate level of the organization which is located in the Human Resource area. Typically, the director or manager of corporate OD reports directly to the Senior Vice-President or Vice-President of Human Resources. The lead OD professional, who operates in a dual role of supervisor and active consultant, has a relatively small staff of less than 10 full-time consultants or professionals. The ideal internal OD consultant would have an advanced degree in addition to significant work experience. The formal education of the ideal OD professional would be in disciplines such as organization behavior, organization development or organizational psychology.

The internal OD function provides 78% of all OD services to the organization. External consultants are used for the remaining 22% of OD services. The external consultants provide a range of

services from one-shot interventions to complex system-wide change processes which are beyond the expertise (or time) of the internal group.

The responding firms described 37.79% of their OD services as human processual interventions. The remaining OD activities and services provided include system-wide interventions (27.84%), strategic planning interventions (16.52%), and technostructural interventions (14.03%).

The internal practice of OD is further characterized by a lack of involvement in operations outside of the United States and Canada. Although approximately 45% of the 117 large service firms had facilities outside the United States and Canada, only 27% of internal OD functions provide services to international operations.

A content analysis of critical issues facing the internal practice of OD yielded seven key issue areas that deserve research attention. The critical issues include OD credibility, OD outcomes and measurement of productivity, organizational structure, workplace diversity, resistance to change, leadership development, and empowerment of employees.

On balance, the state of internal OD practice seems to be reasonably effective and well established in these 117 large service firms. Over 76% of the responding firms classified their internal OD function as being an effective contributor to their respective organization. Therefore, the practice of OD inside these large service firms is alive and well and worthy of further exploration.

THE PRACTICE OF ORGANIZATION DEVELOPMENT:
A SURVEY OF THE 500 LARGEST SERVICE FIRMS

The purpose of this report is to summarize data gathered from a survey of the Fortune 500 service companies with regard to the practice of organization development within their firms. We begin by presenting some rationale for conducting the survey. This is followed by a description of the survey methodology, results, and some discussion.

BACKGROUND OF THE STUDY

Last year we published a study on internal OD activities in large industrial firms (McMahan & Woodman, 1992). As a natural extension of that research, we have conducted this study of OD practice in large service firms. In an effort to provide some linkage to our previous work, it is important to reiterate our motivation for studying the internal practice of organization development.

Two major categories define the practice of organization development. First, the external practice is lead by a consultant outside the client organization. Typically, external consultants are entrepreneurs of OD services and operate from a contract to provide a specific intervention or change program. Second, the internal practice of OD is lead by a change agent inside, and under the employ of, the client organization. While this role dichotomy is frequently addressed in the literature of the field (e.g. Burke, 1982,; Case, Vandenberg, & Meredith, 1990; Cummings & Worley, 1993), on balance we probably know more about the activities of external change agents than we do about the activities of internal OD professionals. Upon reflection, this is not surprising since much of the literature (certainly not all) is written by external consultants, academically based researchers, and others that are not directly employed by client organizations. The public availability of information is constrained also by the reality that organizations understandably regard some internal change programs and their results as proprietary information (Woodman, 1989a).

Only a handful of studies have explored the world of internal change agents. Case, et al. (1990) included 50 internal change agents in a survey that examined differences in values and intervention use between external and internal change agents. Browne, Cotton, and Golembiewski (1977) obtained data

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from 246 internal OD practitioners for a study of marginality in the change agent role. Some of the 65 OD experts used by Shepard & Raia (1981) as a Delphi panel to predict the future of the OD profession were internal practitioners. Most recently, Fagenson & Burke (1990) reported on the predictions of OD practitioners. A sample of primarily internal practitioners generated lists of activities that they thought they would engage in at the turn of the century. While other examples could be cited, respondents to survey research published in the change and development literature seem more likely to be external rather than internal OD practitioners. In addition, scholarly reviews of the field (e.g. Beer & Walton, 1987; Porras & Robertson, 1992; Porras & Silvers, 1991; Sashkin & Burke, 1987; Woodman, 1989b) that serve to identify cutting edge issues, document developments in theory and practice, and summarize empirical research, may well have an "external practice bias." That is, typically neither the reviewers nor the researchers and consultants whose change efforts are reviewed are internal practitioners. Even collections of writings devoted to OD practice (as opposed to theory and research) seem to be heavily biased toward the external perspective. For example, a recent book on OD practice published by NTL (Sikes, Drexler, & Grant, 1989) contains contributions from some 36 authors. A perusal of the biographical sketches included in the volume indicates that only a single one of these individuals is an internal OD professional. The other 35 are external consultants and professors. Similarly, Volume 3 of the Organization Development Annual (Jackson & Manning, 1990), devoted to an exploration of organizational diagnosis, included work by only three internal OD professionals among the 14 authors contributing to the book.

Thus, a basic premise underlying the survey research reported here is that it would be valuable to continue to develop a data base regarding the internal practice of OD. The authors have experience in both the internal and external practice role, yet (like everyone else in the field) each of us can only work with, or for, a limited number of organizations. How much of our experience base is generalizable to other organizations? What are firms currently doing when they think they are doing OD? Does the literature, which would seem to provide an external practice lens through which to view the field, accurately portray the internal practice of OD? These are the types of questions which prompted us to

survey first, the Fortune 500 industrial firms, and now the Fortune 500 Service firms, with regard to their OD activities.

SURVEY METHODOLOGY

Sample

The sample for this survey consisted of the 500 largest service firms as defined by the 1991 Fortune 500 listing (Fortune, 1991). The survey was mailed to the executive in charge of human resources at each of the 500 firms. 496 executives were identified by name using the Dun & Bradstreet Million Dollar Directory (1991), the Standard & Poor's Register of Corporations, Directors and Executives (1991), and direct telephone calls to the firms. Surveys mailed to the remaining four firms were addressed to the "Executive in Charge of Human Resources."

Procedure

A three-step procedure was used to conduct this survey research. First, surveys were mailed to the 500 firms identified as the sample. Four weeks after the initial mailing, reminder postcards were mailed to all firms who had not returned their completed questionnaire. Thirty days after the reminder cards were mailed, a second mailing of the questionnaire was sent to those firms who had not previously responded to either the first mailing or the reminder card.

Measures

An early goal of this survey research project was to construct a questionnaire that would be short and relatively easy for the busy HR/OD executive to complete, while at the same time be rich enough for descriptive research purposes. To assist the authors in achieving this goal, a pilot panel of experts was assembled to provide guidance in the construction of the survey instrument. The fifteen member pilot panel consisted of HR professionals, external OD consultants, internal OD professionals, and academic researchers who have made distinguished contributions to the field of organizational change and

development. Each pilot panel member provided detailed feedback on the "draft" questionnaire the authors provided. Based on this feedback, the final survey instrument was developed. The instrument was a 15-item questionnaire that was a mix of short answer, "check mark," and open-ended questions. A copy of the questionnaire is contained in the Appendix.

RESULTS

Responses to the survey were received from 137 organizations, representing 27.4% of the 500 largest service firms. Of this number, 11 organizations did not have a corporate OD function, 9 had a policy against participating in survey research, and 117 (23.4%) firms provided completed questionnaires.

It is important to note that while the respondents to this survey may not necessarily be representative of the 500 largest service firms, nevertheless their responses do represent a summary of the OD activities of 117 of the largest service organizations.

Of the 117 completed questionnaires, 101 firms identified themselves by requesting a copy of the survey results. Among the 101 firms that identified themselves, 20 were from the 100 largest diversified service companies, 19 were from the 100 largest commercial banking companies, 11 were from the 50 largest diversified financial companies, 11 were from the 50 largest savings institutions, 7 were from the 50 largest life insurance companies, 7 were from the 50 largest retailing companies, 9 were from the 50 largest transportation companies, and 17 were from large utility companies.

Item Responses

The first question in the survey dealt with the percentage of time dedicated to various intervention activities (see Table 1). The respondents were asked to split 100 percent of their OD professionals' time into four defined categories: Human Processual, Technostructural, Strategic Planning, and System-Wide Interventions. Respondents were also given the opportunity to answer "Other" and describe these other interventions. Only 2.72 percent of the total time distributed by the respondents utilized the "Other" category. Thus, the categorization scheme used to identify the firm's OD activities

seemed to make sense to most respondents. Table 1 reports averages that summarize the OD activities

for the 110 respondents answering this question. However, there is considerable variance across

individual firms.

Table 1
Internal Intervention Activities for all Responding Firms

Type of Intervention

Type of Intervention	Percentage of OD Professionals' Times
Human Processual	37.79
Technostructural	14.03
Strategic Planning	16.52
System-Wide	27.84
Other	2.72

Percentage of OD Professionals' Times

Human Processual: Emphasis on human relationships, team building, work team interaction, process consulting, or conflict resolution.

Technostructural: Emphasis on socio-technical systems, task and technology work designs, or organization and group structure.

Strategic Planning: Emphasis on strategic business planning processes, strategic change or visioning. Primarily top management involvement.

System-Wide: Emphasis on organization-wide improvement activities. Leadership, culture, quality improvement, and transformation-type organizational change projects.

The second question in the survey asked respondents to place an "X" on a continuum at the point

that best describes the current state of OD activities in their organization. The continuum was a nine

point scale that ranged from "Real Player" (the OD activity is alive and well and is considered to be an

integral and strategic entity) to "Finished" (OD, for all practical purposes, is not practiced in this

organization). The modal response to this question was "Effective but Struggling," with 76.7 percent of

the respondents ranging between "Real Player" and "Effective but Struggling." Only 4.31 percent of all

respondents stated that OD was "Finished" in their organizations. Table 2 provides the percentage of respondents that selected each point on the continuum.

Table 2
Description of Current State of OD Inside Responding Firms

Category	Value
Real Player	4.31
	7.75
Established	18.96
	17.24
Effective	28.44
	4.31
Worried	10.34
	4.31
Finished	4.31

Percentage axis: 0, 5, 10, 15, 20, 25, 30

Percentage Selecting Response

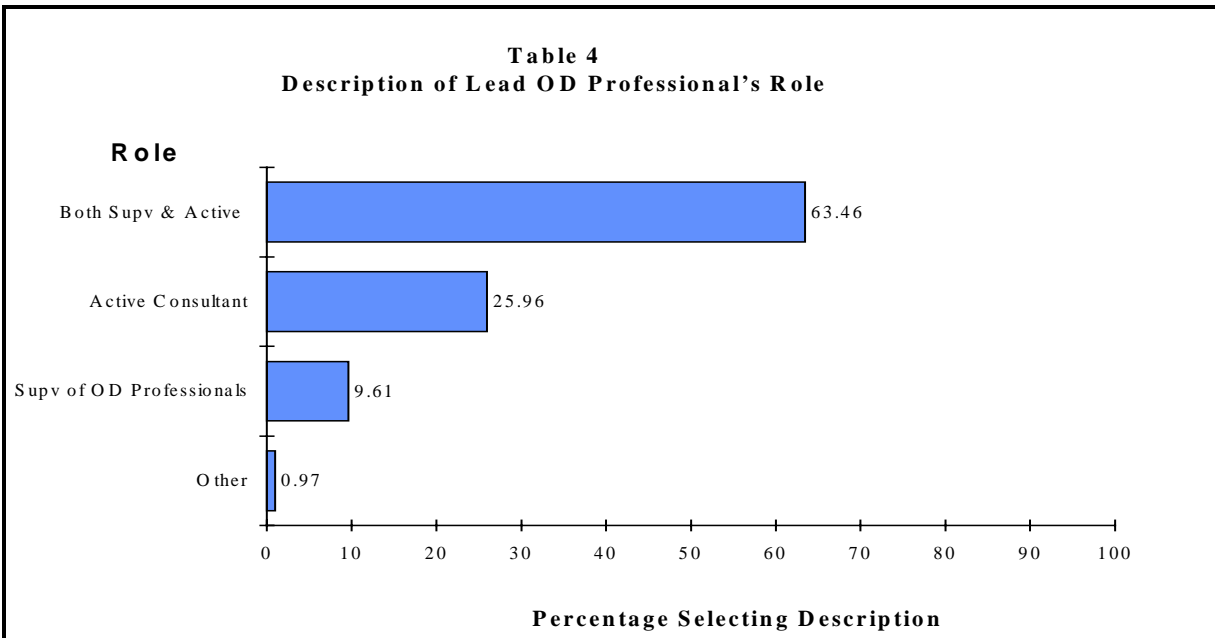**Real Player:** The OD activity is alive and well. We are viewed by the organizations as an integral and strategic group. We are fully contributing.

Established: Recognized and accepted as providing necessary OD services to the organization. We are contributing.

Effective but Struggling: We often struggle to prove our value to the organization. Although we are contributing, we are viewed as a "luxury" by the organization.

Worried: Our organization does not understand OD services. Few requests for organizational development services. The OD function develops and "sells" programs that we believe are necessary to the organization.

Finished: For all practical purposes, OD is not practiced in this organization. Any OD services are obtained through outside consultants.
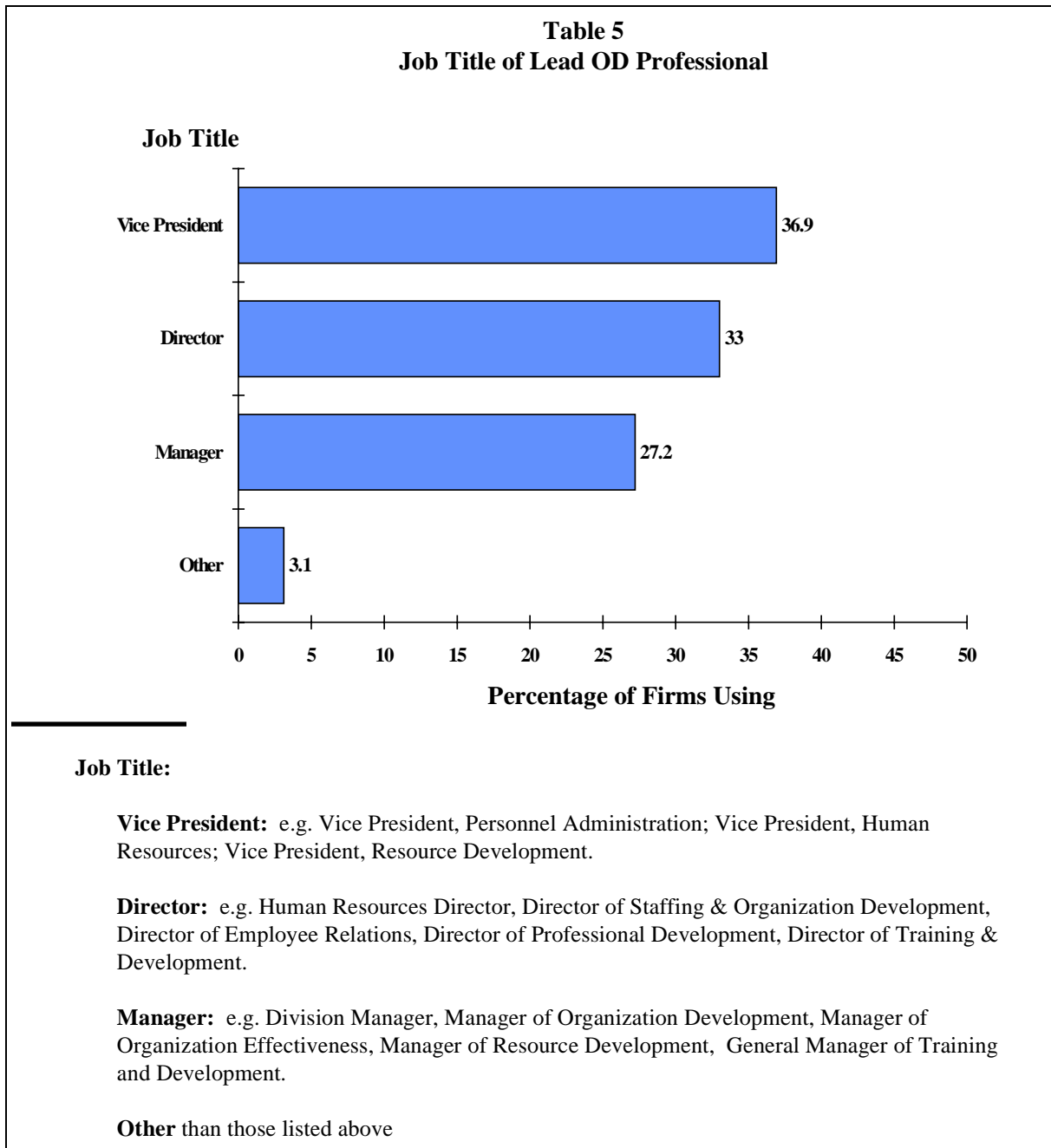
The third question involved the percentage of OD services that occur at different levels of the organization (see Table 3). According to the 110 respondents to this question, 27.36 percent of OD services are provided to top management, 40.17 percent of services are provided to middle management, and 20.83 percent, 9.59 percent, and 1.68 percent of services were provided to first line supervision, other employees, and union employees, respectively. An interesting finding is that almost 67.53 percent of all OD services provided by the survey respondents were to top and middle level management.

Table 3
OD Services provided by Internal Professionals
To Various Organizational Levels

Organizational Level	Percentage
Top Management	27.36
Middle Management	40.17
First Level Supervision	20.83
Other Employees	9.59
Union	1.68
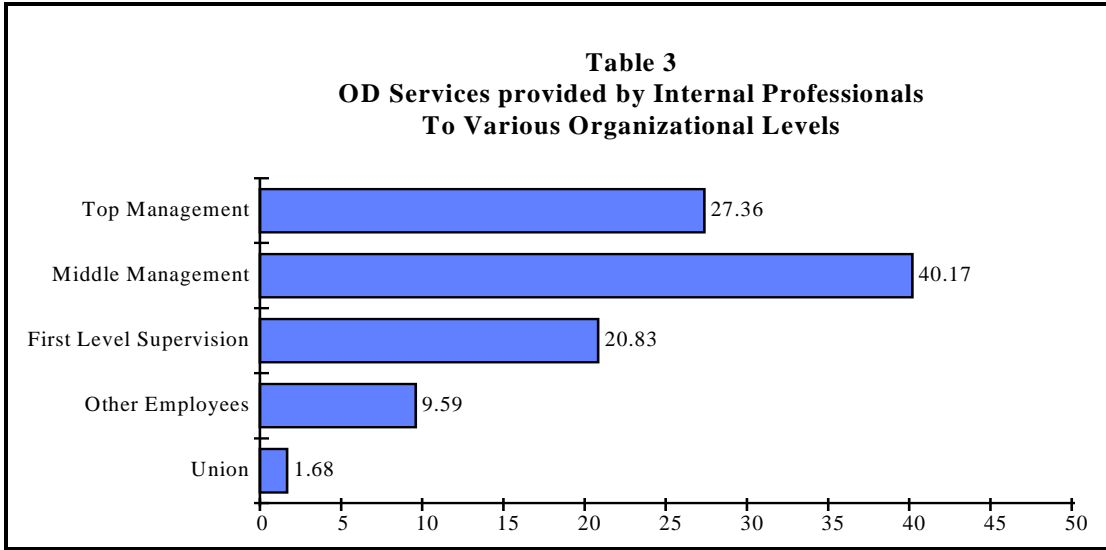
Question four asked about the role of the lead OD professional inside the organization. Specifically, the question addressed what role best describes the lead professional: supervisor of OD professionals, an active consultant providing direct client services, or both, a supervisor and active consultant. Table 4 shows the percentage breakdown of the 104 respondents to this question. 63.46 percent of lead OD professionals operate as both a supervisor and active consultant, 25.96 percent are defined as an active consultant, and 9.61 percent are defined as supervisor of OD professionals.

Table 4
Description of Lead OD Professional's Role

Role

Role	Percentage Selecting Description
Both Supv & Active	63.46
Active Consultant	25.96
Supv of OD Professionals	9.61
Other	0.97

**Percentage Selecting Description**

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Question five asked for the job title of the lead OD professional (see Table 5). The respondents included a wide variety of titles which the authors collapsed into director, manager, and vice-president. Of the 103 firms responding to this question, 36.9 percent of the lead OD professionals were in vice-president positions, 33.0 percent were in director positions, and 27.2 percent were in manager positions. 3.1 percent of respondents provided titles that did not fit into these three categories.

Table 5
Job Title of Lead OD Professional

Job Title

Job Title	Percentage
Vice President	36.9
Director	33
Manager	27.2
Other	3.1

Percentage of Firms Using

Job Title:

Vice President: e.g. Vice President, Personnel Administration; Vice President, Human Resources; Vice President, Resource Development.

Director: e.g. Human Resources Director, Director of Staffing & Organization Development, Director of Employee Relations, Director of Professional Development, Director of Training & Development.

Manager: e.g. Division Manager, Manager of Organization Development, Manager of Organization Effectiveness, Manager of Resource Development, General Manager of Training and Development.

Other than those listed above

Question six related to the department or staff area to which the OD activity reported. Of the 108 firms responding to this question, 63.89 percent specified that OD activities reported to the human resources area. Some of the other departments or functions mentioned included personnel, employee relations, human resources development, industrial relations, and vice-president. Broadly defined, the human resources function would encompass almost all of the responses to this question. This seems consistent with conventional wisdom with regard to the locus of OD professionals within the firm (Cummings & Worley, 1993).
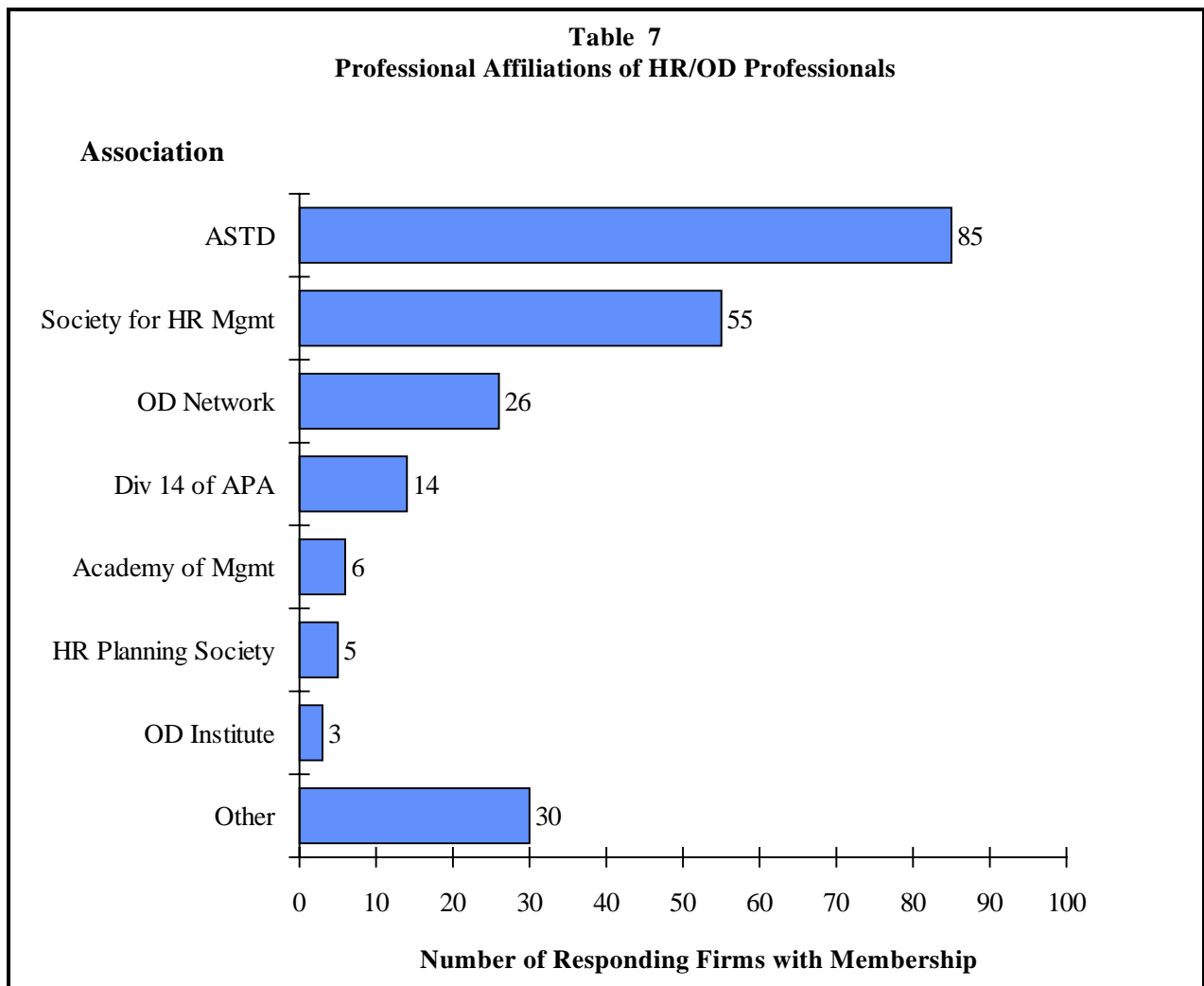
Question seven asked for the title of the position to which the lead OD professional reports. Of the 104 respondents to this question, 49.04 percent report to the Senior Vice-President or Vice-President of Human Resources. Other responses included vice-presidents, managers, or directors of human resources, employee relations, or training and development. An interesting note is that 19.23 percent of the respondents report directly to either the CEO or President of the firm.

Question eight specifically asked respondents to provide the number of full-time equivalent employees devoted to professional OD activities (see Table 6). The answers ranged from no employees to 100 employees, with an average OD staff of 6.42 professionals. Of the 102 firms responding to this question, 89.22 percent of all firms have an OD staff size of 1-10 employees, 6.86 percent have an OD staff size of 11-20 professionals, while 3.92 percent have OD staffs of more than 20 professionals.

Table 6
**Size of OD Professional Staff**
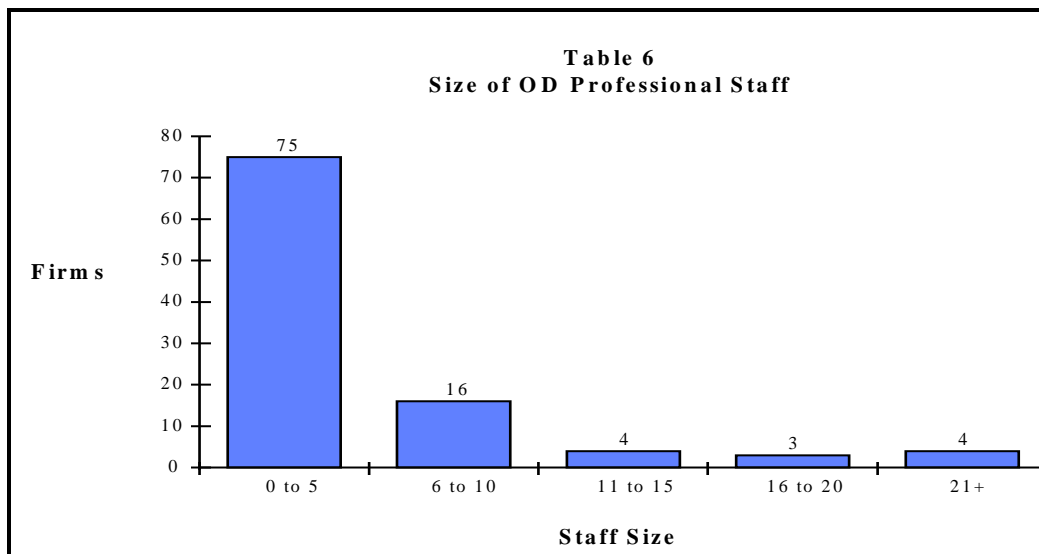
Question nine referred to the involvement of the HR/OD professional in outside professional organizations (see Table 7). Of the 111 responses to this question, the American Society of Training and Development was the leading organization with membership reported by 85 respondents. ASTD was followed by the Society for Human Resource Management (55), OD Network (26), Division 14 of the American Psychological Association - Society for Industrial/Organizational Psychology (14), the Academy of Management (6), Human Resource Planning Society (5), and the Organization Development Institute (3). It should be noted that the Human Resource Planning Society was not listed in our major categories. HRPS membership was provided by the respondents through the "Other" category.

Table 7
Professional Affiliations of HR/OD Professionals

Association

Association	Number of Responding Firms with Membership
ASTD	85
Society for HR Mgmt	55
OD Network	26
Div 14 of APA	14
Academy of Mgmt	6
HR Planning Society	5
OD Institute	3
Other	30

Number of Responding Firms with Membership

Questions ten and eleven were concerned with the use of external or outside OD consultant services. Summarizing the 111 responses to question ten, firms receive 22.41 of their OD services from outside consultants. The type of services most likely to be provided by outside consultants is as follows: a) those traditional OD services that the internal OD staff does not have the resources or time to provide, b) one time only interventions or training sessions, and c) interventions that require the experience or expertise that the internal function cannot provide (See Table 8). Only 12.09 percent of those responded indicated "Other" types of services provided by external consultants.

Table 8
Uses of External Consultants to Provide OD Services
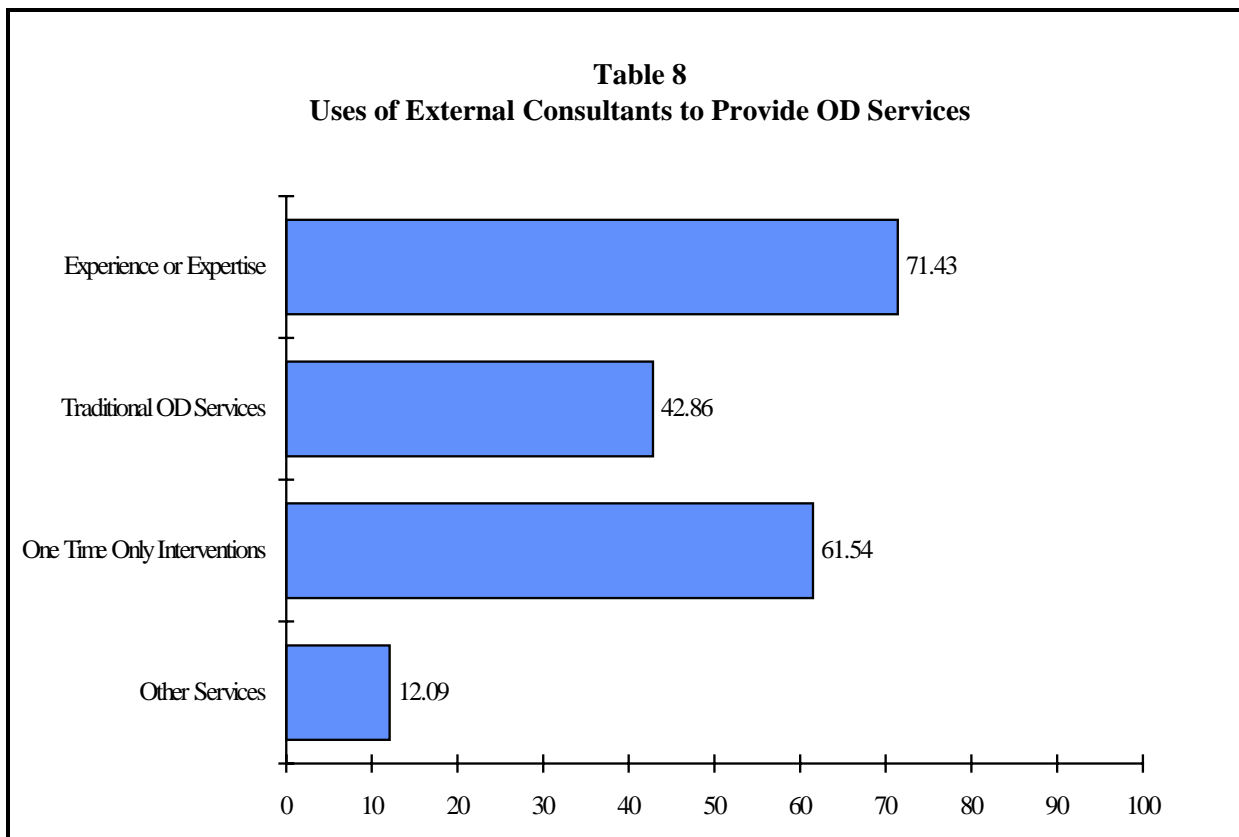
Question twelve was concerned with the international dimension of OD services. The respondents were asked if there was an active OD effort outside of the U.S. and Canada. Of the 109 responses to this question, 52 firms had operations outside of the U.S. and Canada. However, only 14 of those organizations with international operations have an OD effort outside of the U.S. and Canada.

Question thirteen was intended to capture the most important world-wide issues facing internal OD functions. The emphasis of the question was on international concerns. There were 28 responses to this item. The major concern was culture and diversity. The respondents described culture and diversity as a) the differences in cultural laws and traditions across countries and how this might impact organization improvement, b) the integration of cultures from new acquisitions, and c) consistency in service while assuring sensitivity to local culture and business regulations.

Question fourteen asked the organizations to list the most critical issues that deserve research attention in the field of organization development. A content analysis of the 94 responses to this question revealed seven key issue areas that seemed of predominant concern in these firms (see Table 9). The first issue of concern was credibility of OD. Secondary issues including misconceptions of OD efforts, a lack of top management support, and the real definition of OD help to define the OD credibility concern of responding organizations. The second critical issue involved the outcome and measurement of productivity in OD. Concerns such as whether there is a link between organization development and profitability, how to measure the outcome of an OD effort, and how OD interventions tie to business objectives characterize this issue. The third major issue, organizational structure, was defined as interdepartmental barriers impeding communication, cross functional assignments, and how to build high performing organizations focused on business needs. The remaining issues involved diversity (flexible systems to manage diversity), change (managerial resistance to change), leadership development (how to develop effective leaders), and empowerment (enable employees to have a role in change). Overall, there were over 200 issues listed by the responding firms. The seven categories previously mentioned represented only 64.6 percent of the responses, so there is clearly a rich, diversified set of concerns in the remaining data.

Question fifteen asked the executives to describe the educational and work experience background that is most essential for success as an OD professional in their organizations. With regard to education, 6.45 percent preferred a Ph.D., 37.63 percent preferred at least an advanced or master's degree and 8.60 percent required a bachelor's degree. Work experience was an important component for

success according to 49.45 percent of respondents. Possession of specific skills such as interpersonal,

facilitation, consultation, intervention, and psychology skills were cited by 67.74 percent of respondents.

TABLE 9

Most Critical Internal OD Research Issues Identified By Responding Firms

CRITICAL ISSUE	EXAMPLES OF RESPONDENTS' COMMENTS
Credibility of OD	"developing a reputation for being able to impact an organization constructively and effectively"
	"improve the professionalism of the OD profession"
	"lack of top executives' understanding OD and what it can offer"
Outcome, Measurement, & Productivity	"need to more effectively measure outcomes of systematic change"
	"more attention to OD's impact on the bottom line"
	"link OD to business objectives"
Organizational Structure	"build a high performance organization based on business needs"
	"transfer of HR activities to line functions"
	"break down inter-departmental barriers"
Diversity	"managing resources for competitive advantage"
	"flexible systems to deal with changing diversity"
	"effects of diversity on organization development"
Change	"resistance to change among senior executives"
	"managing change in re-energizing organizations"
	"use systems thinking to encourage longer time horizons for change"
Leadership Development	"transformational leadership"
	"how changes in leadership style impact an organization"
	"willingness of upper management to confront change issues"
Empowerment	"train employees about effects of change"
	"identify individual potential"
	"empower employees and work teams"

Organizations who preferred the Ph.D. were specific with regard to the area of study. In most

cases, the organization wanted the Ph.D. in industrial/organizational psychology, human resources, or

adult education. The organizations who required at least a master's level degree gave preferences ranging from a master of business administration (M.B.A.) to a master (M.A.) of psychology. There was particular emphasis on advanced study in human resource management (HRM). Finally, those respondents requiring at least a bachelor's degree cited general business and liberal arts degrees as preferred areas of study.

From a work experience perspective, the responding organizations identified three primary areas of preference a) general business and line management experience, b) at least five years general OD-related experience, and c) eight to ten years experience in the industry. The need and ability to interact and intervene with all levels of management was stressed. One respondent stated the OD professional must have "perseverance, be action-oriented, possess great influence skills, and be able to deal with ambiguity."

DISCUSSION AND SUMMARY

By way of summary, we will describe a typical or "modal" OD operation in these firms and provide a few additional observations.

Based on these results, the internal practice of OD as represented by 117 large service companies can be described as an activity at the corporate level of the organization which is located in the Human Resources area. Typically, the manager or director of corporate OD reports directly to the Vice-President of Human Resources. The lead OD professional, who operates a dual role of supervisor and active consultant, has a relatively small staff of less than 10 full-time consultants or professionals. The ideal OD consultant/professional would have an advanced degree in addition to significant consulting and/or business experience. The formal education level of the ideal OD professional would be in disciplines such as human resources, industrial/organizational psychology, or organizational development.

The internal OD function generally provides 77.59 percent of all OD services to the organization. External consultants are used for the remaining 22.41 percent of OD services. The external professional

provides a range of services from one-shot interventions to complex, system-wide change processes which are beyond the expertise (or time) of the internal group.

Respondents described the internal practice of OD as follows: 37.79 percent of their OD services are human processual interventions, 27.84 are system-wide interventions, 16.52 percent are strategic planning interventions, and 14.03 percent are technostructural interventions. This finding is interesting to contrast with the results of a similar classification reported by Golembiewski, Proell, and Sink (1982). Their categorization of OD interventions produced the following figures: Public sector - 73% human processual, 11% system-wide, 16% technostructural; Private sector - 61% human processual, 11% system-wide, and 28% technostructural. Differences that limit comparison here include time of the study and an absence of the strategic planning category in the Golembiewski et al. study. However, some differences might be attributable to internal versus external OD practice. Golembiewski et al. (1982) analyzed 574 cases of OD interventions which, it would have to be assumed, include both internal and external OD practitioners as change agents. However, as argued earlier, it would be surprising if these interventions are not heavily biased toward reports of external practice.

It is interesting to note that the Industrial 500 study of internal OD practice yielded similar results to the Service 500 with regard to this classification scheme (McMahan and Woodman, 1992). The industrial firms produced these results: 34.5% human processual, 28.7% system-wide, 16.9% technostructural, and 15.7% strategic planning interventions.

Therefore, consistent with Woodman (1989b), it could be argued quite strongly that internal OD professionals have moved toward a more whole systems approach with regard to intervention usage when compared to the Golembiewski et al. (1982) study conducted over ten years ago.

The internal practice of OD inside service firms is further characterized by a lack of involvement in operations outside of the United States and Canada. Although over 50% of the large service firms had facilities outside of the U.S. and Canada, only 27% of internal OD functions provide services to international operations.

Finally, perhaps the data from Table 2 provide a fitting closing comment. On balance, the state of internal OD practice seems to be reasonably effective and well established in these 117 service

organizations. In most of these firms OD is perceived as a viable entity. We must be careful not to over generalize these conclusions to all service firms or even to the Fortune 500 service firms. For example, we would expect the percentage of Fortune 500 service firms where OD is in serious trouble to be under-represented in our sample. On the other hand, surveying the Fortune 500 is a tricky business (Garde and Tootles, 1976). This survey went "cold" to these firms; that is, it had no sponsorship that could be used to encourage these firms to participate. Despite this, 117 organizations took the time to provide this important glimpse into the practice of OD within their firms. This suggests, at the very least, that issues of organizational change and the OD activities undertaken to address these change issues are important to a significant number of the largest service firms.

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