

Recent Research Links Macro Forces, Emerging Trends and OD's Expanding Role

Jonathan Mozenter

Volpe National Transportation Systems Center

Abstract

This study identifies several related, emerging OD trends that signal expanded use of organizational development interventions. Whole system change, partnerships and alliances, and continuous learning enter the picture to help organizations maneuver for success. The observations are based on a recent yearlong study involving literature search, interviews, and surveys of executives, managers, and consultants.

Background

OD practitioners face a busy future, full of opportunities and learning challenges. In a recent research project (Mozenter, 1999), I explored the current and future impact of several interrelated macro forces and their implications for the future of OD. As a result of today's macro forces, several trends are emerging. These trends signal compelling opportunities for OD practitioners and their clients to partner in building successful 21st century businesses. Some are expected and obvious; others reach into relatively new territory. These new trends include:

- Expanded use of OD as organizations meet the challenges of today's macro forces
- New convergence of OD skills and business competencies
- New approaches that embrace whole system change
- OD as a catalyst for profitable partnerships and alliances
- Continuous learning as a prerequisite for success in the 21st century

Methodology

The data in this study came from interviews, surveys, and library research. I involved four categories of professionals (line managers, external OD consultants, internal OD consultants, and other professionals including management consultants and business professors) to ensure multiple perspectives. (See Appendix A.) Informal conversations with OD practitioners, conferences, and electronic topic-specific discussion groups provided additional qualitative data.

Quantitative surveys and interviews compared the use of OD interventions with effects of specific macro forces today and three years into the future. The survey questions were custom designed, based on extensive library research.

The quantitative survey, measured on a Likert scale of one to five, where 1 = no effect and 5 huge effect, focused on two areas:

- The effect of six specific macro forces on organizations today vs. their perceived effect in three years.
- Use of 27 specific OD interventions today vs. three years from now. The interventions ranged from 360 Feedback to Mentoring to Team Building.

Qualitative surveys asked open-ended questions about current and future organizational challenges and macro-force effects:

- Current organizational challenges vs. perceived challenges in three years.
- Current effects of the macro trends on the organization vs. effects in three years.

The open-ended qualitative questions focused on how each of the macro trends was affecting current work, what types of OD interventions the respondent's customer used, what will be the biggest challenges in three years, and what interventions will be needed.

Two-thirds of the quantitative surveys were completed in conjunction with the qualitative interviews. The rest were completed independently. A different form of the qualitative survey was used for each professional group. For the quantitative survey, two forms were used: one for those with an external perspective on organizations (external OD practitioners and other business minds) and one for those with an internal perspective of organizations (line mangers and internal OD practitioners).

The responses were gathered and coded, then analyzed using a one-tail t-test with a 95% confidence level to determine if perceived changes in the use of specific OD interventions were significant. This analysis also explored currently used OD interventions to determine emerging trends. The research revealed that

the most common OD interventions used today include, but are not limited to, mission and vision statement creation, strategic planning, reward and recognition, change management, leadership, team building, and facilitation.

Five Macro Forces —Their Current and Future Impact

After extensive library research, I selected the following macro forces because of their frequency of citations and their apparent impact on organizational strategies and future survivability.

Technology

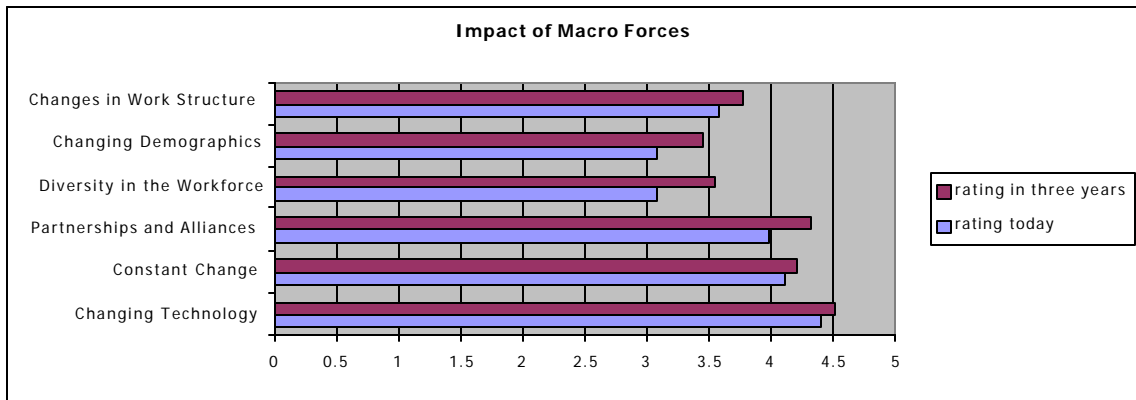
Technology continues to exert the biggest current and future impact on organizations, survey respondents said. The average for all interviewees was 4.4 now and 4.52 in three years. External practitioners predicted the biggest impact, given the formation of new industries, companies, relationships, markets, and distribution channels. At the same time the Internet and intranets are changing the way employees interact with customers and each other. Changing technology, they noted, requires new competencies—computer and communication skills, customer friendliness, fast reaction, and acceptance of change.

Technology continues to exert the biggest current and future impact on organizations, . . .

Constant change

Constant change is a way of life. Respondents observed that as technology blurs geographic boundaries and enables increased global competition, their organizations must continually adapt organizational design, products, and services to meet evolving customer needs. Quantitatively, the average ratings for change were 4.12 now and 4.21 in the future. Again, external practitioners saw stronger influences of today's constant change.

Table 1
Macro Forces



Qualitatively, they noted several factors: Companies merge or acquire one another. Employees move from project to project. Collaboration and competition converge as companies form temporary relationships to manage value-chain stages more efficiently and profitably.

Partnerships

Partnerships and Alliances are increasing as companies realize it is not always desirable to manage all stages of the value chain. Many research respondents, answering the open-ended questions, said they were currently involved in or thinking about partnering with others. Average quantitative ratings, 3.98 now and 4.32 in three years, reflect the expectations of growth in this area. Organizational culture integration, domestic or international, was mentioned most often as the biggest challenges for alliances.

Work Structure

Work structure is changing for several reasons, interviewees said. They gave it an average ranking of 3.58 now and 3.77 in three

years, with external practitioners predicting more of an increase than internal practitioners. Many of the respondents were redesigning their processes around information technology, as more employees work from their home, and a growing number of “virtual organizations” have no physical locations, only a scattered work force that relies on telephone, e-mail, fax, and other technologies. Mergers, acquisitions, and downsizing cause radical changes and require still more outsourcing. People work in cross-functional teams. Manufacturing capacity is bought and sold on an open market. Supply chains form around a single project and disassemble when the project ends. All of this is driven by a new customer-centered attitude.

Diversity

Diversity in the workforce has a medium impact today (3.09); however, survey respondents see this trend increasing in the future (3.54) by the largest percentage of the forces studied. Surprisingly, many still see diversity as an affirmative action issue instead of a potential strategic advantage. Most said diversity (countries, languages, and cultures) would become an issue due to globalization.

Changing demographics

Changing demographics would seem to have strong implications for the organizations in this survey; however, respondents to this survey rated it 3.08. They saw the impact growing by 12 percent in three years. This growth is attributed to declining birthrates and

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aging baby boomers moving into leadership positions and retirement (Drucker, 1998). Also, many people delay retirement, working as part-time and contract employees. Baby boomers are more informal leaders than their predecessors. Younger generations embrace different values from those of their predecessors, and

ethnic minorities are rising into leadership positions. New leaders challenge hierarchies and emphasize team-based leadership, shared responsibility, and more frequent communication. Generation Xers often are more independent, less loyal and less respectful of formal authority. (Conger, 1997)

These macro forces will be drivers in the emergence of the emerging trends.

Emerging Trends—Directional Signals for the 21st Century

Survey respondents described strategies and actions their organizations are taking to accommodate these macro forces and the challenges they create. The qualitative and quantitative results reinforced the apparent emergence of the following trends, identified as common themes in the data collected for this study.

Expanded Use of OD to Meet the Challenges of Today's Macro Forces

The easiest trend to predict is a growing reliance on OD as the catalyst for enhancing productivity and profitability. One practitioner commented that, when he began his work at Harvard in the '70s, there were only two or three books a year on OD, and now there are so many OD books he couldn't keep up. More executives are reading these books, and publications such as *Harvard Business Review* are publishing more OD-related articles. Also, MBA curricula include more OD principles. One line manager interviewed hires engineers from Carnegie Mellon, Purdue, and MIT, who have brought in and implemented OD concepts (interview, December 4, 1998).

What does this mean to OD practitioners? Their client companies must become more competent at change management and other OD competencies that enable employees to capture, analyze, and use information to maximize their performance. In the 1999 winter edition of *Leader to Leader*, a study compares returns for low and high users of total quality management, reengineering, and employee involvement. Their data clearly indicate that high use of OD interventions results in high returns to investors. OD practitioners can help in areas such as the following:

- Aligning vision, organizational design, culture, compensation, and strategy
- Creating tools, climate, and processes that induce constant learning
- Helping employees develop strong interpersonal skills to work on teams, network, and manage conflict all along the value chain.

Table 2 highlights data from this study, which supports the trend of increased use of OD.

Table 2
Growing use of OD interventions

Survey responses indicate growing use of the 31 OD interventions selected for this study:

- The use of OD interventions will increase by approximately 20 percent.
- All but one of the interventions depicts an increase in use over a three-year period.
- The only intervention that shows a decrease was reengineering, which was predicted to decrease by 2 percent.
- Nineteen of the OD interventions are perceived to grow by 20 percent or more in three years.
- Only two, vision/mission statement and facilitation, are predicted to grow by less than 9 percent.

The group perceiving the greatest overall growth in OD interventions, 27.72 percent, were line managers who see the day-to-day operations and know an organization's immediate and future needs. They are key decision-makers regarding the use of OD. Internal OD consultants predicted the second biggest increase in growth rate, 24.25 percent. Another indication of OD growth: "60 HR Predictions for 2008" (*Personnel Journal*, 1998) predicted that HR departments will focus on creating collaborative cultures in the workplace, enhancing lifelong learning, evaluating employees by competencies, and focusing on organizational performance.

A survey of 1,700 HR professionals (Charles D. Spenser and Associates, Incorporated, 1997) shows working with senior managers in organizational change and strategy development contributes more to an organization than traditional HR activities.

Asked to name the one skill that has increased most in importance, 26 percent of the HR professionals cited change management skills.

Linking OD Skills and Business Competencies

In today's business world, traditional business competencies and OD must go hand in hand. Business managers are using OD skills such as implementing a mission, vision and value system, managing change, and providing a climate for continuous learning and employee empowerment. At the same time, OD practitioners are beginning to use hard business skills to evaluate their interventions in bottom-line metrics and to align their OD activities with business goals and strategies. In the future, successful company leaders will develop guiding forces—vision, mission, and values—and managers will need new skills to implement them. OD can prepare leaders and managers to do the following:

- Nurture an appropriate culture; model desired behaviors
- View change as an ongoing opportunity for improvement
- Motivate employees to think creatively and to empower them to be leaders
- Access customers and suppliers via e-commerce
- Help employees manage outsourcing relationships; support continuous learning
- Listen to employees and customers

Qualitative data from the surveys showed traditional management consultants are turning to OD competencies as they collaborate with their clients to develop solutions. They're taking a more systemic approach and acting more as coaches and facilitators than experts and presenters.

The linkage works both ways. Several interviewees, including successful OD practitioners and organizational behavior professors, commented that to be effective, OD

practitioners must address business issues. Many considered OD people “soft types” who help people but add little value to an organization, because they don’t know enough about how to make a business run better. OD practitioners need to understand the goals, strategies, metrics, and language associated with business. Ultimately, their goal should be to enhance a company by saving money, making it more efficient, increasing revenues, and using meaningful metrics to prove this success.

The survey respondents indicated OD practitioners also need specific business competencies to sell their services and to manage their own practice. In addition to finances and business operations, they must understand and use appropriate business language, and relate to their clients’ decision-makers. Too many practitioners use terms meaningful only to other practitioners.

Several surveyed practitioners commented on the importance of measurement. A typical

comment was the following: “...Often we use interventions because they ‘feel’ good instead of using interventions with measured effectiveness.” Author Warner Burke (1982) says an evaluation forces clarification of objectives and expected outcomes, and it provides specificity on how procedures and activities will be implemented. Such an evaluation helps signal potential problems and

obstacles in the OD effort, and it facilitates planning next steps for organizational improvement and development.

Research by *Quality Progress* and Metrus Group (Morgan & Schiemann, 1999) showed

that organizations strategically using people metrics realized nearly 50 percent higher five-year rates of return than those who did not, were twice as likely to be industry leaders, and were more likely to link people metrics to customer satisfaction and financial performance measures.

New Roles—Beyond Stopgap Interventions to Whole System Change

Many of the external practitioners in this survey said they were moving from isolated interventions to looking at root causes and changing whole systems, including organizational design and culture. They predicted growth of culture change at 25 percent and growth of organizational design at 14 percent over the next three years. They focus more on understanding the strategic business model of the company and making sure organizational design, culture, and compensation are in alignment. Whole-system change projects take longer and are more expensive, but the results are more effective and longer lasting, they say.

Many issues such as mergers and acquisitions can be dealt with by aligning strategy, organizational design, and culture to enhance an organization’s ability to serve customers and improve its own bottom line. Flexibility, retention, globalization, and empowerment are four new systems companies will need to change to in the near future.

Flexibility. This requires commitment to the individual, superior use of teams, and diversity. Flexible organizations create a core staff with company knowledge and expertise, supported by a body of part-time workers, contract workers, outsourcing, and partnerships. Flexible organizational design constantly reconfigures itself to align with the changing environment.

Retention. Proactive training and development that provides transferable skills enhances retention. Appropriate compensation,

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recognition, and honest communication with employees are also vital for retention. Companies that keep good employees align all employee development programs with company strategy; provide powerful orientation programs to keep the culture from evolving by trial and error; focus on effective teamwork, real-time feedback and coaching; clarify expectations; and measure results, following up with feedback and consequences.

Globalization. Changes in technology, freer international trade laws, expanded competition, and a need for multi-national brand identity are fueling globalization of organizations. The challenge is to take advantage of global economies of scale and synergies while sustaining intimate relations with local customers.

Empowerment. Effective empowerment requires a culture that emphasizes openness and honesty—one that downplays hierarchy. Employees fulfill three roles. First, approximately 90 percent produce goods and services and decide how work is done. Second, 8 percent are integrators, responsible for coordinating people and systems (Bushe, 1998). Finally, the other 2 percent are shapers, developing guiding forces and supporting structures such as clear role definitions and appropriate feedback metrics aligned with the compensation.

Mergers and acquisitions. These succeed when companies are mutually willing to share risk, learn from each other, and leverage each other's strengths for competitive advantage. Unfortunately, research (DeAngeles, 1998) shows 80 percent of mergers and acquisitions do not meet financial goals and 50 percent are outright failures, due to culture incompatibility and poor integration management. Careful planning for the new organizational design and culture can increase odds for success. An OD consultant can help each company map its own culture, then together the companies decide what kind of culture they want and how achievable it would be.

OD as a Catalyst—Ensuring Profitable Partnerships and Alliances

Participants in the research predicted partnerships and alliances would continue to be important to organizations. Since success stems from relationships, culture, communication, and design, OD interventions play a crucial role. Interview data also suggest a large gap between the need for help in this area and the number of OD practitioners sufficiently skilled to deal with the challenge.

In *Alliance Advantage*, Yves L. Doz and Gary Hamel (1998) identify three categories of partnerships—co-option, co-specialization, and learning or internalization—and suggest steps that help make them more effective. Their views, combined with current research results, reveal an outline for successful relationships.

Prepare; set the stage. Identify the organization's vision, core competencies, culture and weaknesses using tools such as appreciative inquiry, cultural assessment, and organizational assessment. Using this knowledge, identify and develop desired traits for the organization's prospective partners.

Build a strong foundation. Define each company's specific contribution, critical success factors, measurement methods, limits (trade secrets it does not want to reveal), expected duration of the project, checkpoints, and exit strategies. Use an outside facilitator to help reach agreement on parameters and the specific type of partnership and alliance to be formed.

Educate. Prepare key executives to track multiple moving targets, to maximize the relationship, and to assure mutual trust. Ensure all involved personnel understand the other

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company's norms and values. Develop informed communication at operational, strategic, and middle manager levels. Create new incentives that align with the rest of company and the goals of the alliance. Be aware of possible gaps in communication, culture, confidence, skill understanding, information, and timing. Foster reciprocal learning. Design appropriate learning systems. Develop mentoring and coaching relationships for teaching skills to the partner's employees. Measure learning.

Make it work. Define effective communication patterns between and within the companies, and consider how counterparts will collaborate most effectively. Develop quick decision-making and effective conflict resolution skills. Pay careful attention to tension points such as existing competition and boundary issues.

Reassess the situation. Constantly track progress to determine if the partnership is worth future involvement. Be willing and able to renegotiate if the balance of power is uneven.

Continuous learning—Prerequisite for Success

At all employee levels, learning helps companies keep pace with evolving customer needs and market dynamics. Because time is at a premium, companies need to enable learning while accomplishing work. Furthermore, companies need to anticipate the future so they are not caught off guard when change occurs. Some call it “just in case” learning. Executives will need the ability to gather and analyze outside data while paying attention to critical knowledge that comes from lower level employees who have key relationships with customers, partners, and suppliers than the top levels (Drucker, 1997, 1998). OD practitioners can enhance learning through a variety of interventions. The challenge will be to know which tools to use as well as when and how to use them.

Knowledge management. Defined as the systematic leveraging of information and expertise to improve organizational innovation, responsiveness, productivity and competency (Wharton, 1998), knowledge management is a critical factor in helping organizations gain competitive advantage and increase profits.

Learning organizations. These are organizations that emphasize system thinking, personal mastery, mental models, shared vision, and team learning. Leaders need to constantly learn from their followers, their mistakes, and their adversaries.

Leadership development. Many organizations use 360-feedback development plans, coaching, mentors, and rotational job assignments. Corporate universities often blend education with real-life business issues, continuous learning and networking to develop leaders. In some exercises, executives work as internal consultants to an unrelated department in the same company and present recommendations. This method provides a real-time business opportunity to apply skills, learn more about the company, solve important problems and develop new relationships.

Communities of practice. A community of practice (Baird, 1998) is a group of employees who share knowledge to better serve their company's customers. OD practitioners can help set up strategic networking opportunities to learn who knows what and to build relationships. For example, a knowledge community is a group of people who share a similar interest but are not directly competing. Participants meet to swap best practices and discuss ideas and problems.

Enhance individual learning. Employees' ability to learn can be improved by helping them avoid defensive routines that prevent them from learning. “Emotional Intelligence”—a set of competencies that helps people manage themselves and their interactions with others—leads to enhanced productivity on an organizational and individual level (Goleman,

1995). With increased self-confidence, people take more risks, learn more, and seize more opportunities to try new things, voice unpopular points of view, and challenge others. Emotional intelligence also improves conflict management skills that help sustain relationships during tense moments.

Diversity. A variety of perspectives for critical thinking enhance learning. In a truly diverse culture, differences are not only tolerated but also appreciated. A diverse workforce avoids the dangers of “groupthink,” attracts diverse customers, and helps expand the customer base. The challenge is figuring out how to attract a diverse workforce. Once a diverse workforce is in place, people in the organization must have excellent conflict resolution and dialoguing skills to turn differences into shared knowledge.

Group reflection. Built into the work process, group reflection is essential for action learning. Organizations should encourage their employees to reflect individually and in groups, not only at the end of projects, but also during them. Reflection provides opportunities to identify and focus on specific learning opportunities, gather data, analyze and code the data to identify and define lessons learned, and develop recommendations for improvements.

Scenario planning. This activity helps employees envision the future, then learn and prepare. Facilitating scenario planning is a valuable skill for OD practitioners. Appropriate issues include flaws in strategies and operations, potential new competitors, possible new substitute products, new technology, and macro events that could help or harm them.

This research supports the assumption that OD practices are driven by organizational challenges brought on by several macro forces, especially by changing technology.

The idea is to understand what could happen so the organization can be mentally prepared if it does occur. Scenario planning can also be used to discover new opportunities.

Conclusion

This research supports the assumption that OD practices are driven by organizational challenges brought on by several macro forces, especially by changing technology. It also indicates from those forces and the challenges they create, OD will be called on to implement knowledge management systems, create cultures for constant learning, design flexible organizational structures, and facilitate change in organizations.

What does all this mean for the future of OD? Propelled by technology advances, today's macro forces will spawn a new way of doing business—whole systems approaches that blend business skills and human skills, create innumerable opportunities for partnerships and alliances, and profit from knowledge management and learning.

Managing in this new arena will be challenging. OD practitioners can build on their existing knowledge and expand their activities from isolated interventions to whole system design and support. Organizations will rely on OD to solve problems, start up new relationships and processes, and sustain cultures that foster productivity. Simply put, OD will become a necessity for organizations seeking competitive edge in our global, constantly changing economy.

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Appendix A

Number of Completed Surveys

Qualitative Survey Information	
<i>Category</i>	<i># Complete</i>
External	18
Internal	7
Line	7
Other	10
Total	42
Quantitative Survey Information	
<i>Category</i>	<i># Complete</i>
External	18
Internal	11
Line	22
Other	10
Total	61

JONATHAN MOZENTER, an Organizational Development Specialist for the Volpe National Transportation Systems Center, is co-founder of the Massachusetts Bay Organizational Development Learning Group (www.learninggroup.org). He has an MBA-OB from Boston University where he wrote the 64 page paper this article is based on, which can be viewed at www.mozenter.org

Contact information:

87 Brighton Avenue #1

Allston, MA 02134

E-mail: jonathan.mozenter.1999@alum.bu.edu

