

Fact Brief

Evolution of the Organizational Development Function

Profiled Institution	Industry	Employees	Budget Size/Revenue
A	Government	Less than 5,000	Less than \$2 billion
B		10,000 – 20,000	\$2 billion - \$10 billion
C*		20,000 – 50,000	\$2 billion - \$10 billion
D*		20,000 – 50,000	Less than \$2 billion
E	Media	Less than 10,000	Less than \$2 billion
F	Telecommunications	20,000 – 50,000	\$10 billion - \$20 billion
G	Telecommunications	More than 50,000	More than \$20 billion
H	Financial Services	More than 50,000	More than \$20 billion
I	Pharmaceuticals	More than 50,000	More than \$20 billion

*Parent organization information.

Key Questions:

How has the organizational development function evolved, if at all, within the last decade? What have been the drivers behind such changes?

What is the current role of internal organizational development consultants vis-à-vis external consultants?

What are the near-term prospects for the organizational function (e.g., in terms of staffing, work type, structure)?

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Issue Overview: The Increasing Value of Organizational Development

Literature reveals that given the changing dynamic of workforce management issues—such as talent recruitment, retention, and leadership development—and these issues' impact on overall organizational success, the strategic importance of HR has firmly implanted itself on executives' agendas. As a result, HR leaders are being called upon to actively steward an organization's strategy by serving in roles such as that of a strategic consultant and change agent and by addressing issues such as change management.¹

In particular, an HR function whose responsibilities include examining macro-level strategic initiatives, such as change management, is that of the organizational development (OD) function. By definition, OD focuses on overarching group needs and offers assistance to help organizations achieve greater effectiveness; among OD's distinguishing characteristics are the following:²

- Involves the creation and reinforcement of change
- Encompasses strategy, structure, and process changes
- Oriented toward improving organization effectiveness

Indeed, literature reveals that OD has become increasingly prominent within organizations and has taken upon a wider range of responsibilities that involve strategic issues.³ Given the enhanced importance of OD, as a means of providing organizations with a comprehensive overview of OD's changing role and function, this report examines how OD has evolved over the past decade, as well as evaluates its current and possible future roles, at nine profiled organizations from both the private and public sectors.

EXECUTIVE SUMMARY

As a means of providing organizations with an overview on the changing role and function of organizational development, which has increased in prominence throughout the past several years, this brief examines the evolution of OD at nine profiled organizations from both the public and private sectors.

I. UNDERSTANDING THE HISTORY OF THE OD FUNCTION	II. EVALUATING THE CURRENT ROLE OF THE OD FUNCTION	III. ENVISIONING THE FUTURE OF THE OD FUNCTION
<p>All profiled organizations' respective OD functions have experienced change throughout the past decade. The method by which OD evolved into its current state varied by organizations, however; these methods are listed below:</p> <p>Change type #1: Formalization from disparate sources</p> <p>At Agency B, the OD function became a fully-institutionalized group in 1997, after leadership recognized the need to systemize OD-related work that was previously conducted by dispersed staff on an <i>ad hoc</i> basis.</p> <p>Change type #2: Outgrowth from existing function</p> <p>At Agencies A and D, and Company H, the OD function evolved as a natural outgrowth of an existing function.</p> <p>For Agency D and Company H, OD was previously conducted out of, or housed in, the training and development group.</p> <p>Change type #3: Creation following trigger event</p> <p>For Agency C and Companies E, F, G, and I, OD was created as a standalone function in response to a particular trigger event (e.g., merger, downsizing).</p> <p>Change type #4: Evolution precipitated by multiple drivers</p> <p>At Agency A and Company H, the OD function has evolved multiple times since 1993, first as a natural outgrowth of existing functions, and second, as the result of an internal debate over the allocation of resources and a merger with another company, respectively.</p> <p>Change type #5: Transition from formal function to HR generalist model</p> <p>Company G, rather than conducting OD-related work out of a centralized function, relies on a model whereby HR generalists serve as change agents for internal clients. The model enables HR to become business partners with internal clients while serving as functional experts and change agents.</p>	<p>OD Function Ownership</p> <p>Key finding #1—HR ownership At most profiled organizations, the OD function is owned by, or reports into, Human Resources.</p> <p>OD Responsibilities</p> <p>Key finding #2—Expanded focus on strategic issues Over the past decade, the type of work for which OD is responsible at profiled organizations has expanded to include a greater, if not sole, focus on strategic issues.</p> <p>Key finding #3—Distinct OD responsibilities Profiled OD functions are responsible for similar initiatives and project types, including the following:</p> <ul style="list-style-type: none"> • Change management • Performance optimization • Process improvement <p>OD Competencies and Career Paths</p> <p>Key finding #4—Required competencies Interviewed individuals at profiled organizations emphasize the importance of hiring OD professionals who have prior experience or a background in OD.</p> <p>Key finding #5—Lack of formal career path At most profiled organizations—with the exception of Companies H and I—there exists no defined career path for OD practitioners.</p> <p>Utilization of External Resources</p> <p>Key finding #6—Variation in degree of outsourcing The majority of profiled organizations outsource some of their OD-related work to external consultants. In the near-term, interviewed individuals foresee little to no changes in the use of external resources over the next five years.</p> <p>Key finding #7—Drivers behind outsourcing decision The decision to outsource for profiled organizations is largely dependent a number of common factors, including the following:</p> <ul style="list-style-type: none"> • Client needs • Lack of internal expertise • Time constraints 	<p>Expected Changes for the OD Function</p> <p>Key finding #8—No significant changes in OD staffing or structure In general, interviewed individuals at profiled organizations do not expect significant changes in OD staffing or structure.</p> <p>Key finding #9—Possible changes for the near-term In general, interviewed individuals expressed a difficulty in trying to predict changes in organizational goals or objectives, and therein, OD's work responsibilities.</p> <p>However, the following were offered as possible and/or desirable changes to take place over the next five years:</p> <ul style="list-style-type: none"> • Examination of OD structure in business units • Greater reliance on business partners and HR generalists • Increase in OD-related requests • Integration of OD with other HR groups • Reliance on smaller number of staff with higher qualified professionals <p>Key finding #10—Balancing increased workload with limited resources As interviewed individuals reveal little to no changes in terms of OD staffing or resources for the near-term, yet project increases in workload, organizations may consider the following to address this challenge:</p> <ul style="list-style-type: none"> • Increase reliance on HR generalists • Utilize external resources

Understanding the History of OD	Evaluating the Current Role of OD	Envisioning the Future Role of OD
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Change Type #1: Formalization from Disparate Sources

All profiled organizations' formal OD functions were established within the last decade and each has undergone at least one structural change. While all profiled OD functions have evolved to some extent in the past, the method by which they changed (or were created) vary among profiled organizations. These methods will be highlighted in the following section.

CHANGE TYPE #1: FORMALIZATION FROM DISPARATE SOURCES

✓ Key Finding:

Formalizing OD Beyond an *ad hoc* Function to Further Capture Value

After several years during which OD-related work was conducted on an *ad hoc* basis by individuals dispersed throughout the organization, agency leaders recognized the need for, and value of, systematizing OD into an institutionalized form.

The OD function at Agency B became a fully-recognized unit in approximately 1997. Prior to that point, the OD function was not an institutionalized unit, although individuals within the organization were available to conduct OD-related work. Detailed below is the process by which an OD function became formalized from disparate sources at Agency B:

CASE EXAMPLE: TRANSITION FROM <i>AD HOC</i> TO FORMAL OD FUNCTION AT AGENCY B	
Agency B	Industry: Government Employees: 10,000 – 20,000 Budget size: \$2 billion - \$10 billion
<p><i>Detailed below are characteristics of Agency B's OD function in its current capacity and role:</i></p> <p>Ownership: Agency B sponsors an OD function that resides within its learning and training organization, which is based in its headquarters and focuses on national training programs. As Agency B is decentralized, the OD function therefore primarily caters to clients housed at headquarters.</p> <p>Number of staff: 1 (part-time)</p> <p><i>Illustrated below is the process by which the OD function evolved into its current capacity and role:</i></p>	
Evolution of the OD Function (1993-2003)	
<div style="display: flex; flex-direction: column; align-items: center;"> <div style="margin-bottom: 10px;">↑</div> <div style="margin-bottom: 10px;">1993</div> <div style="margin-bottom: 10px;">1996/7</div> <div style="margin-bottom: 10px;">↓</div> <div style="margin-bottom: 10px;">1997-2003</div> <div style="margin-bottom: 10px;">↓</div> <div style="margin-bottom: 10px;">2003</div> <div style="margin-bottom: 10px;">↓</div> </div>	<div style="background-color: #eee; padding: 2px; margin-bottom: 5px;">Functioning of ad hoc OD group</div> <p>In 1993, while there were some individuals within the organization available to conduct OD-related work, OD was not institutionalized in any form. Rather, OD functioned on more of an <i>ad hoc</i> basis.</p> <div style="background-color: #eee; padding: 2px; margin-bottom: 5px;">Creation of a formal OD entity</div> <p>In 1996/1997, recognizing the value of the <i>ad hoc</i> OD function's work and realizing a need to systemize OD, a formal OD team was established and initially housed in Human Resources.</p> <p>The OD group evolved to become a sub-set of the national training organization, which itself reports to HR. At its peak, five OD practitioners were part of this team.</p> <div style="background-color: #eee; padding: 2px; margin-bottom: 5px;">Uncertain future</div> <p>In early 2003, the OD group experienced several staff departures (e.g., due to retirement), reducing the function to one part-time OD practitioner. However, this individual will also retire in early 2004 and, given that there are no imminent plans to hire additional staff, the future of the OD function is uncertain at the moment.</p>

Understanding the History of OD	Evaluating the Current Role of OD	Envisioning the Future Role of OD
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Change Type #2: Outgrowth of Existing Function

CHANGE TYPE #2: OUTGROWTH OF EXISTING FUNCTION

√ **Key Finding:**

Increased Recognition of OD's Value as a Driver of Change

According to the Senior OD Consultant at Company H, as the company's OD consultants (known as "Senior Training and Development Consultants" prior to OD's formalization), began to demonstrate the value of that function, increased recognition and demand followed, ultimately leading to the creation of a formal function:

"Over a period of 1993 to 1995, [we] started getting a lot of requests on restructuring, reengineering, process redesign, [and other] efficiency-oriented projects, and in a number of cases, the senior T&D consultants were brought in on line-oriented projects early [such as a corporate finance function reengineering in 1995]. [This allowed] OD to show that it was more than training.

In a number of cases, the senior T&D consultants were brought into projects early as part of project leadership, which increased the visibility of the function. As a result of the success of these projects, clients started to ask for more dedicated OD support."

At Agency A, Agency D, and Company H, the OD function was formed as a natural outgrowth of an existing function. Detailed below are the functions in which OD work was conducted, or out of which the current OD function grew, prior to its institutionalization as a distinct group:

- OD was **performed in two different departments**, that of quality improvement and continuing education (Agency A)
- OD was a **natural outgrowth of the training and development (T&D) group** as the organization experienced a shift in focus from T&D to more strategic issues (Agency D)
- OD was **previously performed within the T&D department**, but eventually was recognized and formalized as its own standalone function (Company H)

Similar to Agency A and Company H, Agency D's OD function became a formal unit as the overall organization recognized the increasing value of OD in addressing overarching strategic issues. Highlighted below is the process by which Agency D's OD function was formed as an outgrowth of an existing entity:

CASE EXAMPLE: OUTGROWTH OF OD FROM TRAINING FUNCTION AT AGENCY D	
Agency D	Industry: Government Employees: 20,000 – 50,000 Budget size: Less than \$2 billion
<p><i>Detailed below are characteristics of Agency D's OD function in its current capacity and role:</i></p> <p>Ownership: Agency D, similar to the other units within its overarching parent organization, houses its OD function within Human Resources. Specifically, Agency D's staff of OD practitioners serves a staff of approximately 1,300 individuals within its unit.</p> <p>Number of staff: 3</p> <p><i>Illustrated below is the process by which the OD function evolved into its current capacity and role over the past decade:</i></p>	
Evolution of the OD Function (1993-2003)	
↑	Focus on training and development
1993-1995	Ten years ago, Agency D sponsored a formal training and development group; there was no institutionalized OD function.
↓	Transition to strategic focus
1995	Although Agency D housed a T&D unit, the agency recognized that training costs were becoming increasingly expensive while the function had shifted to a more consultative role.
↓	As a result, training was outsourced to external vendors, with managers focusing on as-needed training. In turn, the former T&D function transitioned to a more strategic role in the vein of OD, focusing on initiatives such as plan change.
↓	Ongoing efforts to clarify the role of OD
1995-2003	In transitioning to a focus on OD, Agency D has conducted intense marketing and communication efforts to educate clients about the differences between a pure training function and OD. These include the following methods:
↓	<ul style="list-style-type: none"> • Brochures • Intranet sites • Meetings with managers

Understanding the History of OD	Evaluating the Current Role of OD	Envisioning the Future Role of OD
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Change Type #3: Triggered by Specific Events

CHANGE TYPE #3: TRIGGERED BY SPECIFIC EVENTS

In addition to evolving naturally as a function (either as an outgrowth of an existing function or from disparate pockets within an organization), the formalization of, or changes in, OD functions at profiled organizations were also triggered by specific events or organizational changes, as detailed below:

√ **Key Finding:**

Continual Demonstration of OD's Value Beyond Initial Trigger Event

Although the OD function was initially created as a result of a specific trigger event at these organizations, OD has been able to sustain its success and build additional support and recognition beyond the response to an initial trigger event.

At Company E, for example, the amount of recognition and requests that the group has received has steadily increased since its creation. According to the Director of Organizational Development and Effectiveness,

“Demand increases further as people become more self-aware and sophisticated. [The demand] doesn't stop. It will go on and on. Since this is a top-down process, leaders come back from development programs and want to do the same for their staff. [Thus] the more you do, there's a multiplier effect.”

- Triggered by **need to address downsizing** and subsequently, by need to address integration of one agency unit with another (Agency C)
- Triggered by CEO-recognized **need to create a stronger leadership bench strength** within the organization (Company E)
- Triggered by a merger that precipitated the **need to focus on the overall internal employee experience** (Company F)
- Triggered by **overall structural changes within organization** and subsequent structural changes within Human Resources (Company G)
- Triggered by **new HR leadership's vision** for a redesigned talent management organization (Company I)

Highlighted in the case example below is the process by which a merger with another company, and consequently, the need to focus on a unified employee experience at the newly integrated organization, served as the trigger event behind the formation and gradual evolution of Company F's OD function:

CASE EXAMPLE: FORMATION OF OD AS TRIGGERED BY MERGER AT COMPANY F	
Company F	Industry: Telecommunications Employees: 20,000 – 50,000 Budget size: \$10 billion - \$20 billion
<p><i>Detailed below are characteristics of Company F's OD function in its current capacity and role:</i></p> <p>Ownership: Company F's OD function is housed within the HR organization; the OD group reports directly to the vice president of workforce development, who reports in turn to the SVP of Human Resources.</p> <p>Number of staff: 2</p> <p><i>Illustrated below is the process by which the OD function evolved into its current capacity and role over the past several years:</i></p>	
<p>Evolution of the OD Function (2000-2003)</p>	
<p>↑</p> <p>2000</p>	<p style="background-color: #e0e0e0;">Merger between two companies</p> <p>In 2000, Company F was formed as a result of a merger between two companies. Recognizing a need to address issues related to the newly integrated organization, an OD function was established at the company's inception.</p>
<p>↓</p> <p>2000-2002</p>	<p style="background-color: #e0e0e0;">Focus on change management issues</p> <p>For approximately 18 months following the merger, Company F's OD function was tasked primarily for two major organization-wide initiatives:</p> <ul style="list-style-type: none"> • Building, messaging, and delivering an internal brand • Merging five different performance management systems into one common platform
<p>↓</p> <p>2002-2003</p> <p>↓</p>	<p style="background-color: #e0e0e0;">Transition to strategic focus</p> <p>Upon delivering on the above two change management initiatives, Company F turned its focus to analyzing the overall health of the organization by, through research and assessment, pinpointing areas of systemic problems and issues (e.g., turnover).</p> <p>As a result of this assessment, and in response or organizational priorities, in 2002, OD focused on a nine-month long project critical to the company as a whole. Similarly, in 2003, OD will be focusing on two new large-scale projects with organization-wide impact (e.g., employee engagement).</p>

Understanding the History of OD	Evaluating the Current Role of OD	Envisioning the Future Role of OD
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Change Type #4: Driven by Multiple Sources

CHANGE TYPE #4: DRIVEN BY MULTIPLE SOURCES

While all profiled OD functions have evolved over the past decade, several organizations' respective functions have undergone multiple changes as the result of a variety of factors. Although the OD functions at both Agency A and Company H were both formalized in approximately 1997 as the result of a natural outgrowth from existing functions, both experienced additional restructuring change thereafter, including the following:

- Internal debate over **allocation of resources** (Agency A)
- **Merger** with another company (Company H)

Described below is the evolution of Company H's OD function and details on the events and circumstances that precipitated such changes:

√ Key Finding:

Integrating OD Functions Following an M&A

Following a merger with another company in 2001, Company H worked to integrate the two OD functions, each of which had unique attributes, into one overarching group that would be able to benefit from the strengths of both functions, as illustrated below:

Whereas the acquiring company's OD function...

Focused on broad organizational issues, such as process consultation change management, and reengineering efforts,

The legacy of the acquired company's OD function...

Focused on the development and implementation of HR tools, systems, and process,

Leading to the merger of one overarching OD function that...

Is composed of one group specializing in the development, validation, and use of competency models and tools, another group that, in engaging in process consultation, is able to deploy the tools and processes developed by the first group, and a third group that specifically addresses supporting diversity culture change.

CASE EXAMPLE: EVOLUTION IN OD AS DRIVEN BY MULTIPLE TRIGGER EVENTS AT COMPANY H	
Company H	Industry: Financial Services Employees: More than 50,000 Budget size: More than \$20 billion
<p><i>Detailed below are characteristics of Company H's OD function in its current capacity and role:</i></p> <p>Ownership: Company H's OD function resides within the company's performance and leadership consulting group, which reports to the EVP of Human Resources. Currently, there are three groups that work with OD: one that specializes in integrated performance consulting, one that focuses on process consultation, and a third that focuses on diversity strategy.</p> <p>Number of staff: 20</p> <p><i>Illustrated below is the process by which the OD function evolved into its current capacity and role over the past several years:</i></p>	
Evolution of the OD Function (1993-2003)	
↑	Functioning with T&D
1993-1996/7	<p>In 1993, Company H's OD group was housed in T&D. As many of the requests for T&D related to process or relationship issues (leadership team development, executive coaching) staff members were classified as "T&D consultants" who allotted a certain percentage of their time to corporate training initiatives.</p> <p>Between 1993 and 1995, T&D consultants received significantly more requests on restructuring and other efficiency-oriented projects; as a result, the work of these consultants became increasingly valued and recognizable as more than training.</p>
↑	Recognition of the value of OD
1997-2001	<p>By 1997, therefore, as a result of a change in clients' view of OD (as it was then known), as well as a result of organizational change, a structural change took place that allowed OD to become a distinct function called Organizational Effectiveness.</p>
↑	Merger expands breadth of OD
2001-2003	<p>Following a merger in 2001, the OE function evolved once more into an expanded function with greater breadth and reach. While the focus of OD remained the same (tools and processes which facilitate organizational effectiveness and change), there are now three groups with distinct roles and responsibilities that provide OD consulting, as detailed below:</p> <ul style="list-style-type: none"> • Group 1: Integrated performance consulting (team that designs, develops, and evaluates organizational systems, tools, and processes to support a diverse high-performing culture) • Group 2: Organizational and executive consulting (change management, leadership support, process consultation, etc.) • Group 3: Office of diversity (strategic planning, process development and capacity building to support diversity culture change)
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Understanding the History of OD	Evaluating the Current Role of OD	Envisioning the Future Role of OD
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Change Type #5: Transition to HR Generalist Model

CHANGE TYPE #5: TRANSITION TO HR GENERALIST MODEL

Although the overall trend among profiled organizations has been an increase in the recognition of OD and therein, a formal institutionalization of the function (either within HR or elsewhere), the evolution of Company G's OD function presents a special case.

√ **Key Finding:**
HR Generalist Model to Facilitate Partnerships with Internal Clients

At Company G, OD-related work is primarily handled by HR generalists, who may receive support from staff with OD credentials and expertise when such experts are needed and available.

The HR generalist model is aimed at executing HR's focus on becoming business partners with internal clients while also serving as functional experts and change agents.

In the mid- to late 1990s, similar to Agency B, OD-related work at Company G was conducted by staff with OD-type roles who were dispersed throughout the organization. In 2000, a formal OD group was established, but was disbanded less than one year later. After a series of corporate and HR reorganizations, currently, Company G relies on a model whereby HR generalists serve as change agents for internal clients. This evolution is explained in further detail below:

CASE EXAMPLE: TRANSITION TO AN HR GENERALIST MODEL AT COMPANY G	
Company G	Industry: Telecommunications Employees: More than 50,000 Budget size: More than \$20 billion
<p><i>Detailed below are characteristics of Company G's OD function in its current capacity and role:</i></p> <p>Ownership: Currently, Company G does not maintain a formalized OD function. Rather, the company relies on HR generalists to conduct OD-related work; there are, however, individuals throughout the company with OD experience or OD credentials who, if available, can be called upon to assist on certain projects.</p> <p><i>Illustrated below is the process by which the OD function evolved into its current capacity and role over the past several years:</i></p>	
Evolution of the OD Function (1997-2003)	
↑ 1997-2000	<p>Decentralized OD Approximately six years ago, in 1997, OD-related work was being conducted on a decentralized basis by individuals dispersed throughout Company G's various business units.</p>
 2000	<p>Creation of OD function In 2000, Company G established a formal OD group based out of corporate Human Resources. Within nine months, however, this function was dissolved and corporate staff members moved into other roles (e.g., HR generalist).</p>
 2001-2002	<p>Corporate reorganizations and restructuring Over the next two to three years, Company G underwent several corporate and HR reorganizations, each of which impacted the role of remaining OD consultants.</p> <p>The latest reorganization took place in late 2002 and resulted in a title change for staff that still had formal OD titles; a number of these individuals are still conducting OD-type work, although many of their titles have changed (e.g., to "leadership development," "management development.")</p>
 2003 ↓	<p>HR generalist model Currently, Company G relies on an HR generalist model whereby HR generalists within the business unit and in corporate HR serve as change agents for internal clients. This model is a manifestation of HR's focus on becoming business partners with internal clients while serving as both HR functional experts and change agents.</p>



Ownership and Responsibilities of the OD Function

As all profiled organizations' respective OD functions experienced change throughout the past decade and evolved through a variety of routes, OD's ownership structure and responsibilities also changed. Examined below are descriptions in the changes behind organizations' OD function ownership and responsibilities.

OWNERSHIP OF THE OD FUNCTION

√ **Key Finding:**
HR Ownership of OD

At the majority of profiled organizations, OD is owned by the greater Human Resources function. In some organizations, OD reports directly to HR, while in others, OD reports to various sub-groups, who then in turn, report to top HR leadership.

Given the changes in the structure, role, and functioning of OD at profiled organizations, ownership over the group shifted as well. Summarized in the table below is the ownership structure of OD at profiled organizations:

Owner	Organization
Human Resources	Agencies A, C, and D Companies E and G*
Sub-group of Human Resources	Company F—Workforce Development Group Company H—Performance and Leadership Consulting Group Company I—Talent Management and Organizational Effectiveness
Training Institute	Agency B

*HR generalists

EVOLUTION IN OD RESPONSIBILITIES

Invariably, interviewed individuals at all profiled organizations reveal a change in the type of work for which OD is responsible. Primarily, such changes relate to an expanded focus on strategic, macro-level issues that influence the entire organization. Descriptions of the shift in focus on the various types of work for which OD was responsible are detailed in the table below:

Type of change	Company examples
Description of changes in focus	<i>Shifting focus towards strategic needs</i> At Agency A, OD has been increasingly called upon to intervene with respect to larger, strategic organizational change issues in the past several years. However, OD continues to address the same issues of focus as it did prior to its formalization as a function—primarily team-oriented strategy, such as team effectiveness.
	<i>Expanded focus on strategic needs</i> The focus of Company I's OD function is shifting to more strategically integrate OD with the business as a talent management strategy is being developed to more significantly integrate HR processes with the business.
Driver behind changes in focus	<i>Shift in focus according to interests and expertise of OD staff</i> Since its inception three years ago, Company F's OD function has primarily responded to and addressed issues that are organizational priorities. In the past three years, OD has worked on a select number of large-scale projects with wide organizational influence.
	<i>Shift in focus given continual changes in leadership</i> At Agency C, the majority of the work that OD focuses on is largely dependent on the priorities and needs of leadership (e.g., political appointees), which changes every 1-2 years. Approximately 30 percent of OD's work is client-requested, whereas 70 percent is driven by the pro-active interests of OD staff.

Ownership and Responsibilities of the OD Function (continued)

CURRENT OD RESPONSIBILITIES

While the nature of profiled organizations' OD functions has assumed an enhanced focus on strategically-oriented initiatives and projects, profiled functions continue to address traditional OD-focused responsibilities, either in response to client needs or on a pro-active basis. Listed below are specific responsibilities undertaken by profiled OD functions:

DISTINGUISHING BETWEEN OD AND TRAINING

Literature reveals that while OD may be marked by a series of different terms such as "change management," "re-engineering," and life-planning," one clear distinction is that OD does not equate to training and development (T&D). The key differences between the role and responsibilities of OD as compared to T&D are as follows:⁴

Characteristics of T&D:

- Focuses on individual needs
- Involves the facilitation of learning
- Refers to teaching skills that apply to an employee's current job (training) and for any future responsibilities (development)

Characteristics of OD:

- Focuses on group needs
- Involves use of behavioral science knowledge and practices
- Revolves around implementing changes to the total system or organization

TABLE 3: RESPONSIBILITIES OF PROFILED ORGANIZATIONS' OD FUNCTIONS	
<ul style="list-style-type: none"> • Change/culture management • Coaching • Diversity • Employee engagement and morale • Facilitation • Internal employee experience 	<ul style="list-style-type: none"> • Leadership development • Mentoring • Performance management • Performance optimization • Process restructuring and/or process re-engineering • Team effectiveness

Based on the types of projects and larger issues for which OD is responsible, OD's value as a facilitator of change throughout the organization is widespread. Highlighted in the figures below is an example of one of Company H's cultural change interventions that underscores OD's distinct role within an organization:

CASE EXAMPLE: DIVERSITY AS A CULTURAL CHANGE INITIATIVE AT COMPANY H	
Company H	Industry: Financial Services Employees: More than 50,000 Budget size: More than \$20 billion
Background	
<p>At Company H, the two groups affiliated with OD—the integrated performance consulting (IPC) group and the organizational and executive consulting (OEC) group—are housed within a centralized performance and leadership consulting unit that also includes the Office of Diversity.</p> <p>The Office of Diversity was originally created in 1999, at which point Organizational Effectiveness (as it was then known before the 2001 merger) was asked to partner with the newly formed group to serve in a consulting role to the business units on diversity strategy.</p>	
Action	
<p>Driven primarily by the line, Company H has chosen to address the issue of diversity in the workplace less as an initiative (e.g., training programs), and more so as an underlying cultural change initiative. In order to accomplish this, Company H focuses on educating leaders and employees on understanding the dynamics of group memberships, regardless of gender, race, or sexual orientation.</p>	
Result	
<p>According to the Senior OD Consultant, Company H's effort at examining diversity from this angle has had a strong impact on all of its processes; in her words,</p> <p style="text-align: center;"><i>"Once people realize the fact that diversity doesn't have to be a lot of finger-pointing at individuals, but is about looking at patterns of behavior at the group and systems levels, it gives them the freedom to be more candid about certain issues they've seen [and] to have more effective conversations."</i></p>	



OD Competencies and Skill Sets

Given the wide range of activities and initiatives for which OD is responsible, literature reveals that OD consultants and other practitioners must possess a special set of competencies or skills in order to execute their roles effectively. Described on the following page, therefore, are the unique skills and/or credentials that are sought by profiled OD functions.

COMPETENCIES AND SKILL SETS

SKILL AND EXPERIENCE REQUIREMENTS FOR OD CONSULTANTS

Detailed below is a possible combination of skills that OD may require in hiring talent to serve in a consultative role within the function:⁵

Background:

- HR professionals with experience in organizational development and change management

Skill set:

- Communications planning
- Leadership development
- Skill set identification
- Skill training
- Team facilitation

While there is no one common skill or competency set among profiled organizations, all interviewed individuals stress the importance of hiring OD staff that possess either a background (e.g., academic background or certified OD credentials) in organizational behavior or industrial psychology, or else experience in OD. Listed below are additional competencies revealed by interviewed individuals:

TABLE 4: OD CONSULTANT COMPETENCIES AT PROFILED ORGANIZATIONS

- | | |
|---|--|
| • Be effective change agents | • Have facilitation skills |
| • Be solution-oriented | • Have pro-active vision |
| • Be knowledgeable of external trends and best practices | • Have OD experience or OD credentials |
| • Be able to understand the theory behind the practice and vice versa | • Have self-awareness and reflection |
| • Have consulting skills | • Understand the alignment between HR and strategy |
| | • Understand technical elements |

While there is a certain set of expectations regarding OD professionals' competencies and skill sets, for several profiled organizations, the types of skills and experience required by potential candidates have changed with their respective evolutions. Such changes at Agency D are detailed below:

CASE EXAMPLE: CHANGES IN REQUIRED SKILLS FOR OD PROFESSIONALS AT AGENCY D

Agency D	Industry: Government Employees: 20,000 – 50,000 Budget size: Less than \$2 billion				
<p>At Agency D, the interviewed individual stresses that the qualifications and credentials sought in any potential new OD hire have changed since the formalization of their respective organizations' OD functions. These differences are detailed below:</p> <table border="0" style="width: 100%;"> <tr> <td style="text-align: center; background-color: #D3D3D3;">Before</td> <td style="text-align: center; background-color: #D3D3D3;">After (current and future)</td> </tr> <tr> <td> <ul style="list-style-type: none"> • New hire would have been hired at an entry-level or professional level • Industrial design or training background • Would acquire additional skills and experience on the job </td> <td> <ul style="list-style-type: none"> • New hire in current OD organization must have significant experience and/or credentials (e.g., doctorate in industrial psychology) in OD </td> </tr> </table>		Before	After (current and future)	<ul style="list-style-type: none"> • New hire would have been hired at an entry-level or professional level • Industrial design or training background • Would acquire additional skills and experience on the job 	<ul style="list-style-type: none"> • New hire in current OD organization must have significant experience and/or credentials (e.g., doctorate in industrial psychology) in OD
Before	After (current and future)				
<ul style="list-style-type: none"> • New hire would have been hired at an entry-level or professional level • Industrial design or training background • Would acquire additional skills and experience on the job 	<ul style="list-style-type: none"> • New hire in current OD organization must have significant experience and/or credentials (e.g., doctorate in industrial psychology) in OD 				

Career Pathing for OD Consultants

While interviewed individuals at all profiled organizations reveal an increasing awareness and recognition of the value of their respective OD functions, with the exception of two organizations, there exist no clearly defined career paths for OD consultants.

CAREER OPPORTUNITIES FOR OD PRACTITIONERS

With the exception of Company I, and to some extent, Company H, interviews reveal a lack of a coherent and clearly defined career path among all other profiled organizations. Described below is the career path that exists for OD practitioners at Company I:

TRAINING STRATEGIES FOR OD CONSULTANTS

As a means of providing OD consultants with opportunities to further develop OD-specific skill sets, organizations may offer a series of informal and formal training sessions or programs. Detailed below are training initiatives for OD consultants at one pharmaceutical company:⁷

Training type #1: Lunch and Learns

- Informal opportunities for internal OD colleagues to share knowledge.

Training type #2: External programs

- OD-related seminars or programs offered by universities that are specific to the industry.

Training type #3: OD boot camp

- One-week training session that will help to ensure that all OD consultants are using the same methods when working with clients. Includes presentations by external speakers who discuss topics such as negotiation, consulting, and organizational design.

CASE EXAMPLE: CAREER PATHING OPPORTUNITIES AT COMPANY I

Company I

Industry: Pharmaceuticals
Employees: More than 50,000
Budget size: More than \$20 billion

Background

Company I currently has an OD staff of 16 individuals, most of whom report to the Corporate OD function. Career paths for OD practitioners at Company I include:

- **Career path for internal OD staff.** An OD practitioner may move up a career ladder within the OD organization itself. This path is described in further detail below.
- **Career path for HR generalists.** An HR generalist conducting OD work in the division may move into the OD organization to increase their OD expertise.

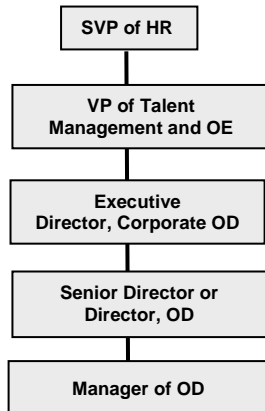
Possible Career Moves in the OD Function

Individuals at Company I may follow a defined career path within the OD function itself, either by working in different groups within OD or by working at different levels within such groups. The overall OD reporting structure at Company I, as well as these career pathing options, are highlighted below:

Option #1: By OD group—OD professionals may work in any one of three distinct groups within the overall OD function, as listed below:

- Talent Management Group
- OD Capabilities Group
- Division OD Group

Option #2: By level within OD function—Within OD, OD professionals may move between OD groups from manager to director or senior director of OD (the latter two of whom report to the Executive Director, Corporate OD), as detailed in the figure below:



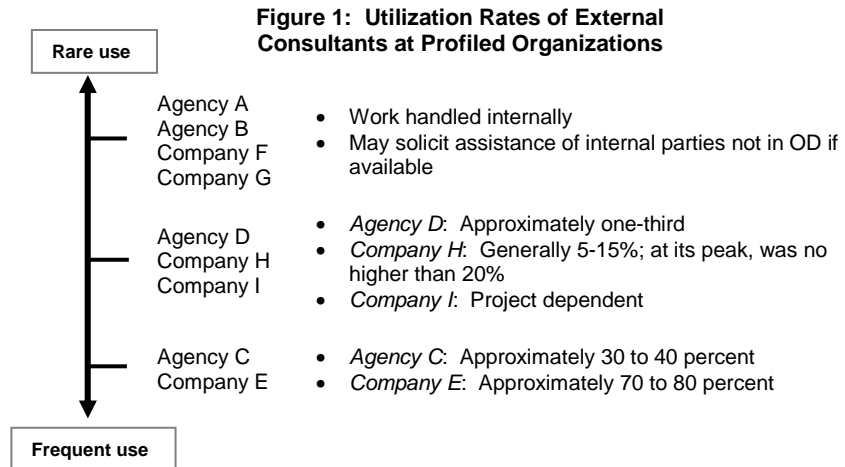
Within OD, internal OD practitioners may follow a career ladder from manager to director or senior director.

Utilization of External Resources

Although profiled organizations' OD functions have gained greater recognition and prominence by both employees and leaders alike and are therein focusing on an increasing number of strategically-oriented projects and initiatives, interviews reveal that organizations also rely on external vendors and consultants to assist in conducting OD work.

USE OF EXTERNAL VERSUS INTERNAL CONSULTANTS

Among profiled organizations, there are three general categories that illustrate the degree of reliance on or use of external consultants. These classifications, along with company-specific data, are detailed in the table below:

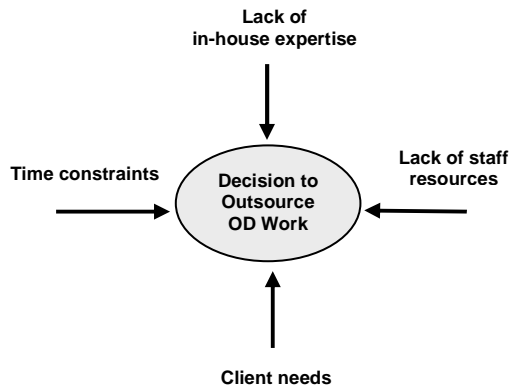


PROCESSES FOR DETERMINING USE OF EXTERNAL CONSULTANTS

Outsourcing as a resource and project-dependent decision

For those profiled organizations that do rely on external consultants either on a regular or frequent basis, the process by which the decision is made to outsource a project is dependent on internal OD expertise, time, and staff, as well as specific client needs. The figure below illustrates the various drivers behind any decision to outsource OD projects.

Figure 2: Drivers Behind Decision to Outsource OD



√ **Key Finding:**
Common Drivers Behind Decision to Outsource

All profiled OD functions that outsource on a regular or frequent basis decide to do so based on several common factors, including the following:

- Client needs
- Lack of in-house expertise
- Lack of staff resources
- Time constraints



Utilization of External Resources (continued)

PROCESSES FOR DETERMINING USE OF EXTERNAL CONSULTANTS (CONTINUED)

Role of OD in brokering outsourcing decisions

THE VALUE OF EXTERNAL OPINION AND EXPERTISE

Although the retention of an in-house consulting function in the form of an OD group has proved valuable for organizations, Council research suggests that in some cases, objective, third-party consultants are not only necessary, but desirable.⁸

Indeed, the Director of Organizational Development and Effectiveness at Company E reveals that while her organization will rely more on internal sources in the near future, the company will always use an external consultant:

“[We] will always use external consultants, no matter what staffing levels [we] have. OD is such a big field [that] you can’t have expertise in every single area. [Therefore] if you need something specific and you are committed to having the best person do the work, [you will] always have to go outside.”

Upon determining whether a certain project is to be outsourced, the role of OD is to examine various options that may undertake such an initiative. At Company E, for example, given the proportion of activities that are outsourced, one of the Director of Organizational Development’s primary responsibilities is to scope internal client needs and to broker external vendor relationships for such requests, rather than to deliver specific services.

Detailed below are the guidelines which OD at one financial services company profiled in previous Council research relies upon in choosing which external tools or vendors to utilize:⁹

CASE EXAMPLE: GUIDELINES FOR CHOOSING EXTERNAL VENDORS AT ALPHA COMPANY	
Alpha Company*	Industry: Financial Services Employees: 50,000 – 100,000 Revenues: More than \$10 billion
Background	
Once a decision has been made to outsource an OD-related project or enlist the assistance of an external party, Alpha Company will follow the three guidelines below to reach a decision on which vendor or tool to utilize:	
<ul style="list-style-type: none"> • Guideline #1: <i>Past experience</i>—consider past experience with vendors that have resulted in positive outcomes • Guideline #2: <i>Procurement list</i>—examine Procurement’s list of recommended vendors • Guideline #3: <i>Referrals</i>—consider referrals from business units 	

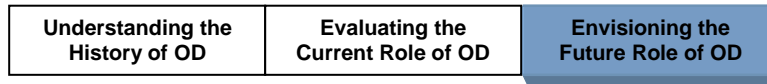
*Pseudonym

Competitive sourcing requirements in the federal government

As part of his Presidential Management agenda, President Bush is requiring that federal agencies consider private outsourcing or contracting options. The policy, known as “competitive sourcing,” is intended to reduce overall costs by contracting out work conducted by federal employees to private companies at a lower cost.

For profiled federal agencies, however, this policy is not expected to have a significant impact on their respective OD functions. According to the Organizational Effectiveness consultant at Agency A:

“The Bush mandate is not a problem [for us]. [We have] looked at the numbers on a number of occasions [most recently in 2001/2002] and there is no way that [we] can outsource what [we] do for lower costs.”



Predicting Future Changes

Given that for some organizations, OD's responsibility is primarily client-driven and thus dependent on changing business strategic needs or market conditions, interviewed individuals express a certain level of difficulty in predicting changes for the OD function in the next five years. Nevertheless, interviewed individuals were able to share some thoughts on possible and/or desirable changes for their respective organizations' OD functions, as described in the following section.

PROJECTED CHANGES FOR THE OD FUNCTION IN THE NEAR-TERM

√ **Key Finding:**

No significant changes predicted in OD staffing or structure

In general, interviewed individuals at profiled organizations do not expect significant changes in OD staffing levels or OD function structure for the near-term.

In general, interviewed individuals at profiled organizations do not expect significant changes or alterations in staffing or structure for their respective functions, nor any major foreseeable changes with respect to organizational needs.

Several interviewed individuals, however, caution that it is difficult to forecast future needs as market conditions and organizational objectives constantly change. Described in the table below, are some possible changes directly to the function, or changes in OD responsibilities among profiled organizations:

TABLE 5: POTENTIAL CHANGES FOR PROFILED ORGANIZATIONS' OD FUNCTIONS

Examination of OD structure in business units	As Company E currently relies on two different OD structure models in its four business units—two units have a dedicated OD consultant, while the two other units rely on the work of generalists—in time, the company will further examine them to reconcile which model will be used.
Greater reliance on HR generalists	Given the shift in the focus in Company I's OD function in strategically integrating with the business, the company is increasing the OD capabilities of the HR generalists. In turn, this greater reliance on HR generalists will enable increased OD capability in the company as corporate OD will be able to provide leadership for major change and strategic initiatives.
Increase in OD work	As OD gains further prominence and recognition among employees and leaders about its value, profiled organizations, such as Agency A and Company D, foresee an increase in workload.
Integration with other HR organization groups	In order to provide clients with a more holistic approach to talent management, Company F is in the process of discussing the integration of various HR sub-groups, which include staffing, learning services, leadership, and OD.
Reliance on smaller staff of qualified OD professionals	While Agency D is just beginning to assess its OD function (e.g., staffing ratios, salary level), the Director of HR reveals that if nothing else, OD will likely have a smaller staff of more highly qualified OD professionals who have a wide background in OD.
Stable levels of outsourcing	<p>Interviewed individuals at the majority of profiled organizations indicate little to no changes (or a decrease) in the level of outsourcing.</p> <p>For Agency A, however, given a projected increase in OD workload, the interviewed individual reveals that a greater proportion of OD-related projects may be outsourced to external consultants.</p>

Understanding the History of OD	Evaluating the Current Role of OD	Envisioning the Future Role of OD
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Predicting Future Changes (continued)

ADDRESSING POTENTIAL CHANGES IN OD WORK ALLOCATION

Given that interviewed individuals at all profiled organizations reveal stable or increased levels of demand in OD-related work, yet little to no changes in OD staffing levels, a potential challenge for organizations in the near-term may be the issue of balancing staff resources with project requests. Described in further detail below are methods that organizations may consider in responding to such a challenge.

√ **Key Finding:**

Balancing Increased Workload with Limited Internal Resources

Although the value of OD has been increasingly recognized by stakeholders and clients within profiled organizations, and have been receiving a greater number of OD-specific requests, interviewed individuals reveal little to no changes in terms of OD staffing or resources for the near-term.

In order to address the challenge of increasing workload with limited staff resources, organizations may consider the following:

- Increase reliance on HR generalists
- Utilize external resources

Increase reliance on HR generalists

One possible response in managing a greater number of OD-related requests is to shift some of the work to HR generalists, a model towards which Company I is transitioning and upon which Company G currently relies. In order to upskill HR generalists on OD capabilities, a task force at Company G worked to create an OD tool kit, as highlighted below:

CASE EXAMPLE: TOOLKIT TO SHARE OD KNOWLEDGE AT COMPANY G	
Company G	Industry: Telecommunications Employees: More than 50,000 Revenues: More than \$20 billion
Background	
As OD-type work at Company G is now handled by HR generalists who may not necessarily have the proper background, experience or credentials in OD, a special task force worked to develop a customized OD tool kit. Details on the toolkit are listed below:	
<ul style="list-style-type: none"> • The kit contains 40-45 tools related to different functional areas of OD (e.g., "developing individuals," "developing teams"). • The tools are categorized into beginner, intermediate, and advanced levels. • Each tool includes descriptions of each tool and tips on when and how to use it. • Contact information for experienced or certified individuals within the company is included for all advanced tools (e.g., Myers-Briggs) and some intermediate tools. 	

Use external resources

Interviewed individuals at Agency A and Agency B indicate a possible increased reliance on external consultants to help appropriately manage client requests. For the majority of profiled organizations, however, interviewed individuals speculate no changes in the level of OD outsourcing, as detailed in the following table:

Projected change	Organization	Example of rationale behind plans
Increase	<ul style="list-style-type: none"> • Agency A • Agency B 	Given that the amount of work that OD at Agency A receives is likely to increase in the future, outsourcing may be a more viable option than hiring new staff.
No change	<ul style="list-style-type: none"> • Agency C • Agency D • Company F • Company G • Company H 	Agency D will most likely not experience a change in its outsourcing ratio of 30 percent (to 70 percent internal); from a cost perspective, if anything, this proportion may in fact decrease.
Decrease	<ul style="list-style-type: none"> • Company E • Company I 	Company I is building internal HR OD capabilities that ultimately will reduce the involvement of external consultants.

THE RESEARCH PROCESS IN BRIEF

Research
Methodology

The Corporate Leadership Council conducted a comprehensive search of published materials regarding the role and function of the organizational development function, drawn from previous Corporate Executive Board research, trade press journals, other research organizations, and the Internet. Council staff then interviewed human resources professionals at nine public and private sector organizations. These individuals discussed the evolution of the organizational development function at their respective organizations. This report represents the findings from these secondary and primary sources.

Project
Aims

1. Please provide an overview as to how the OD function has evolved within your organization over the past 10 years.
 - a. How has the work evolved?
 - b. How are the clients different?
 - c. How have the clients' needs changed?
 - d. How has the structure evolved? Please describe (e.g., Where does OD sit in the organization? What is the hierarchy of the OD function?)
2. What drove this evolution (e.g., restructuring, changing client needs, staff changes)? Why did these changes come about within the organization?
3. What is the usage ratio of internal OD consultants to external consultants (e.g., 90 percent of OD-related work handled by external consultants)?
 - a. How do you anticipate that ratio changing, if at all?
 - b. How do you determine whether to use in-house OD resources or outsource client requests?
 - c. Are external consultant services brokered through the OD function?
4. What is the career path for an OD consultant in your organization?
 - a. What skills/education are necessary?
 - b. Is this likely to change in the next five years?
5. What changes do you anticipate for the OD function in your organization over the next five years?
 - a. How will the work change?
 - b. How will staffing change?
 - c. How will organizational needs change?
 - d. How will the structure of the function change?

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Professional Services Note

The Corporate Leadership Council has worked to ensure the accuracy of the information it provides to its members. This project relies upon data obtained from many sources, however, and the Council cannot guarantee the accuracy of the information or its analysis in all cases. Further, the Council is not engaged in rendering legal, accounting or other professional services. Its projects should not be construed as professional advice on any particular set of facts or circumstances. Members requiring such services are advised to consult an appropriate professional. Neither Corporate Executive Board nor its programs is responsible for any claims or losses that may arise from any errors or omissions in their reports, whether caused by Corporate Executive Board or its sources.

¹ Corporate Leadership Council, *The New HR Executive: Leveraging the First 100 Days*, Washington: Corporate Executive Board (September 2000).

² Brian G. Costello, *et al.*, "The Role of the Human Resource Manager as an OD Practitioner," *SHRM White Paper* (July 1996; Reviewed July 2002). (Obtained through www.shrm.org/hrresources/whitepapers_published/CMS-000431.asp). [Accessed 16 May 2003].

³ Andrew C. Sammut, "HR & OD Turfwar: Highlighting the Need to Establish a Clear Definition of OD," *Organization Development Journal* (Summer 2001). (Obtained through ProQuest).

⁴ Brian G. Costello, *et al.*, "The Role of the Human Resource Manager as an OD Practitioner."

⁵ Corporate Leadership Council, *Consulting on Corporate Performance: Tactic #15--Integrated Internal Consultancy*, Washington: Corporate Executive Board (1996).

⁶ Brian G. Costello, *et al.*, "The Role of the Human Resource Manager as an OD Practitioner."

⁷ Corporate Leadership Council, *Organizational Development Responsibilities and Partnerships*, Washington: Corporate Executive Board (November 2002).

⁸ Corporate Leadership Council, *Consulting on Corporate Performance: Tactic #15--Integrated Internal Consultancy*.

⁹ Corporate Leadership Council, *Organizational Development Responsibilities and Partnerships*.