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Preface

The fluctuation that has occurred worldwide economically and politically has caused organizations to adjust to new global and environmental challenges. Likewise, the field of organization development (OD) has had to adapt at an increasingly rapid rate. With resources being challenged, the question is raised as to whether OD interventions show value. This question is being asked repeatedly and increasingly. To understand what it means to apply measurement to organization development, OD practitioners need to develop both a base of measurement skills and an understanding of critical elements foundational to aligning interventions with what matters most.

This book came from seeing a gap in our field. We have interacted with a number of OD practitioners and have noted several consistent themes from those conversations:

- The way we approach business is changing at a rate we are unaccustomed to.
- OD interventions are pointedly lacking in measurement and evaluation.
- Paradoxically, OD practitioners are increasingly being asked to measure and evaluate, showing the value of their work.
- OD practitioners lack the necessary knowledge and skills to measure results in a consistent and credible way.

There are literally thousands of books on improving organizations and leadership. There are also many books on measurement and evaluation, yet in our research, we have found very few that marry the topics of OD and evaluation in a credible and easy-to-use manner. This book addresses that gap. Our work in applying the ROI Methodology has set the stage for clear and practical implementation. This is not a book about quick fixes; it is embedded in reality, in everyday practice and application. It is not written for theory’s sake; it is written to bring about long-term and sustainable change in the workplace, while raising the bar of accountability. Measuring the Success of Organization Development is written with C-suite, stakeholders, leaders, OD practitioners, HR professionals, and evaluators in mind.

We aren’t claiming that this book has everything, but we do believe that it lays a strong foundation for implementing the ROI Methodology to OD interventions. This book contains real examples with real challenges and real answers. Our goal is to help today’s professional align interventions with what is most important, to conduct
diagnostics and needs assessment with the end in mind, and to use a simple 10-step model to showcase results.

We have attempted to write a book that is both interesting and user-friendly. There are a number of examples throughout the book, illustrating the use of the ROI Methodology to OD interventions. Three case studies (chapters 8, 9, and 10) demonstrate the application of the ROI process to OD interventions.

We see the field of OD and ROI as fertile ground, rich with potential. What we hope to see is that others take the challenge, apply the methodology to different types of OD interventions, and then turn around and share their successes and lessons learned. The OD community, in this regard, grows as a learning entity, deepening its knowledge and skills, while continuing to contribute to its body of knowledge.

**HOW THIS BOOK IS ORGANIZED**

This book plots a course to bring accountability to OD. It shows how to measure the effectiveness in ways that all involved in OD interventions will recognize, appreciate, and ultimately need. The first chapter sets the stage by defining terms and identifying common pitfalls, presenting challenges for the OD field and a forecast of what’s in store for OD. The next chapter is about organization culture and building a measurement culture. In this chapter, the ROI Methodology is introduced and its connection to OD is established. The issues of business alignment and planning for measurement and evaluation are explored next. One of the key issues is connecting OD directly to the organization before, during, and after the interventions take place. The next few chapters represent the heart of the ROI Methodology, showing how data are collected, analyzed, and reported to various audiences. Following that, the book details the ways in which this methodology can be sustained over a long period of time. Finally, the book concludes with three case studies, illustrating how the ROI process is used with OD interventions.

As always, we welcome your comments and feedback. Please contact us via email at info@roiinstitute.net.

Patti Phillips, PhD  
Jack Phillips, PhD  
Lizette Zuniga, PhD
Part I

ROI Methodology

A Credible Approach to Evaluating Your OD Interventions
Organization Development: 
The Basics

There are no secrets to success. It is the result of preparation, hard work, and learning from failure.

—Colin Powell

The discovery of the New World by Christopher Columbus in 1492 is a classic example of the clash between two different cultures. The two groups of people were of completely different backgrounds, and yet they found a way to communicate with each other by exchanging food and gifts. In his diary, Columbus classified the Native Americans as Neolithic and primitive; whereas the Spaniards, in his mind, represented the latest in progress and civilization. Columbus planned to return to Spain and give a report to the king and queen. Before leaving, he built a fortress on the island and left behind 43 sailors to demonstrate the intent to conquer and dominate the land. When Columbus returned to the island from Spain, he discovered that the 43 men he left behind were now dead. He also found out that the Spaniards he left behind had taken the Native American women by force, which led to retaliation from the Native Americans, by taking the lives of the Spaniards. Neither group of people really understood each other or their motives. Minimal effort was made to understand each other’s values or ways of living. Columbus and his group of Spaniards were motivated by power and conquest, and the Native Americans responded with fear and protectiveness.

The story of Christopher Columbus discovering America has been told many different ways, providing evidence of the impact of culture and change. For our purposes in understanding organizational development (OD), this story illustrates the complexities of groups of people, different perspectives, and the messiness associated with change. Change is the hallmark of OD. An OD practitioner knows that change does not happen all of a sudden. There is usually someone or a group of people planning and driving the change. Often, organizational change happens by mistake, in the midst of day-to-day business; but it can result in strong reactions, defensiveness, and clashes between different groups of people. The results are sometimes quite different than expected. The practitioner has the challenge of planning the change, selecting the right method to evoke change, looking for ways to make change stick and then, determining whether the intervention is effective. Many resources are available that describe how to plan and evoke change; and even more in sustaining processes that help us
manage. This book focuses on the latter—measuring the effectiveness of change initiatives and the extent to which they drive results, reaping a positive return on investment (ROI). But before we get into the content on measurement, it is important to build a foundation.

WHAT IS OD?

Organization development, abbreviated as OD, is a planned intervention of change focused on groups of people, teams, departments, or organizations with the purpose of organization improvement, drawing from disciplines of applied behavioral science, industrial/organization psychology, anthropology, and social systems. Bennis (1969) defines organization development this way:

_A response to change, a complex educational strategy intended to change the beliefs, attitudes, values, and structure of organizations so that they can better adapt to new technologies, markets, and challenges at the dizzying rate of change itself._

OD is a field of practice that focuses on individual development, team or group development, as well as development of the organization itself. By focusing on the group, and its unique characteristics, this effort often leads to affecting the organization. Usually, the topic of OD includes a discussion of organization culture as a critical component to the practice of OD. Organization culture is briefly defined later in this chapter and will be explored in more depth in chapter 2, particularly as it relates to measurement and evaluation.

Types of organization development interventions include the following:

- change management
- leadership development
- team development
- coaching
- 360-degree feedback
- strategic planning
- organization design and structure
- succession planning
- mentoring
- performance management
- merger cultural integration
- individual, team, or organization assessment
- training and learning.
Making the Business Case for OD

Organizations are changing at an increasing rate. Among other things, the economy and technology are driving serious change in the workplace. Regardless of the type of organization, industry, product, service, or customers it serves, innovation and organization agility are requirements for survival in today’s marketplace. Leaders must function differently and organizations must be set up distinctly to maximize their business efforts and adapt to change more readily.

The 2012 Annual Global CEO Survey, conducted by PricewaterhouseCoopers International, revealed relevant findings for making the business case for OD:

- Of the CEOs responding, 56 percent indicated they plan to have new business models.
- Also, 55 percent indicated they plan to change existing products and services.
- One in three responded they were concerned about skills shortages that will affect their company’s ability to innovate effectively.
- Productivity and labor costs were identified as critical measures, yet CEOs indicated they need more information on the effectiveness of their investments in talent.

Ongoing concerns for CEOs include workforces being effective and productive. Indicators of increasing importance are morale, job satisfaction, process improvement, and quality of work. To this end, OD plays a significant role in navigating change in organizations, developing leadership, and structuring organizations to be more flexible for the changing needs of the marketplace.

In consideration of best practices, most of the Fortune 500 organizations have OD teams or departments. The OD function helps organizations assess themselves and their work environments, identify strategic priorities, and get back on track when needed. OD diagnoses the areas where help is most needed; and in large-scale change projects, it paves the way for change management. Ultimately, OD is the vehicle for organizations to be flexible and pliable to the ever-changing needs of the market.

The OD Process

Action research is the hallmark of the OD process. In the 1950s, Kurt Lewin described the process in which data were used to drive change in terms of planning, action, and measuring results. These steps were repeated until the desired change took place. Lewin’s three main steps are:

1. Unfreezing: the step where motivation for change is created and awareness for the need for change is identified. Whether it’s an individual, group, or organization, there is usually some sort of gap between the current state and the ideal state. Without tapping into motivation and need for change, receptivity to
change will not be present. Resistance to change must be addressed.

**Case in Point**
360-degree feedback shows that frontline supervisors need to develop more business acumen to be poised for promotion within their organization. The unfreezing phase in this example shows the business acumen gap and lays a strong foundation for why the change is needed.

2. **Changing or Movement**: diagnosis is made, solutions are identified, and new behavior is tested to make changes toward an ideal state.

**Case in Point**
Using the same example, the frontline supervisors engage in activities to increase business acumen. The supervisors enroll in a twofold initiative; one is an online learning module and the other is mentoring. The idea is that they actively participate in the change process and increase their business acumen.

3. **Refreezing**: change happens in this step with behaviors implemented and reinforced until they become habitual. Something needs to happen in the organization for the change to take hold. Unfortunately, this step is often overlooked. Just because change is introduced does not mean that the change is permanent. To refreeze implies that the OD practitioner identifies and builds into the change management plans how change will be sustained.

**Case in Point**
Continuing with our frontline supervisor example, the frontline supervisors not only increase their business acumen but they begin to show knowledge in their jobs. They begin to work on projects where they are called upon to use said business acumen.

The phases that Lewin identified were foundational for the field of OD. Of course, the process is broken down into more specific steps. While OD practitioners use variations of steps followed, Table 1-1 illustrates a common set of steps involved in the OD process.
Table 1-1. OD Process

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preliminary assessment</td>
<td>This step involves conducting a mini-assessment identifying initial concerns, observed dynamics, etc. This phase leads to the formation of a hypothesis. It normally takes place in the initial meeting with the client, when the OD practitioner assesses the readiness for change, as well as a preliminary analysis around what it will take to foster change.</td>
</tr>
<tr>
<td>Data gathering</td>
<td>The next step tests the hypothesis through the process of collecting data. This usually leads to understanding the deeper issues and diagnosing the main problems. This step generally employs the use of interviews, questionnaires, organization records, focus groups, and other types of data collection methods.</td>
</tr>
<tr>
<td>Feedback of findings</td>
<td>Once data are gathered, analysis proceeds. This step is focused on providing feedback. Emphasis is on sharing findings in a non-threatening atmosphere and engaging the leaders/clients through a collaborative discussion of the findings.</td>
</tr>
<tr>
<td>Joint action planning</td>
<td>This is the step in which awareness is raised and problems are identified. As problems are acknowledged, solutions are explored. The OD practitioner actively works with the client/client group and together they decide the best course of action to take.</td>
</tr>
<tr>
<td>OD intervention</td>
<td>The OD intervention is implemented. The OD practitioner may be directly involved in facilitating the intervention or may involve others to intervene.</td>
</tr>
<tr>
<td>Preliminary evaluation</td>
<td>This step is to understand whether the intervention is working or needs modification.</td>
</tr>
<tr>
<td>Modification</td>
<td>If the preliminary evaluation shows that modification is needed, then this step is included.</td>
</tr>
<tr>
<td>Measuring results</td>
<td>This step is aimed at determining whether the intervention is yielding the desired results, or the ideal state.</td>
</tr>
</tbody>
</table>

The steps outlined in Table 1-1 show how the OD process is data driven. Action research emphasizes collecting data and using data to drive diagnosis and interventions. Data are used to facilitate discussions with clients, to raise awareness of the greatest needs, and to measure the results of the intervention.
Case in Point
An OD practitioner uses the outcomes from an organizational culture assessment to measure domains of planning, leadership, values, decision making, and structure to help understand the culture and to prioritize the needs in the organization. In this case, the instrument is used to help understand and diagnose problem areas. The organization scores lower in the planning domain, revealing the absence of planning and prioritizing what was important for the business. So the OD practitioner takes this input and holds discussions with key stakeholders and together, they decide the best step to take is to hold strategic planning sessions, which will help the organization not only determine short- and long-term plans, but will also help prioritize for employees what is most important. To determine whether the strategic planning sessions made the difference for the organization, measures are put into place to determine whether the gap is closed.

Most fields have their own language and OD is no exception. In the next section, we provide some of the common words that make up the work of OD practitioners along with some definitions and examples.

GLOSSARY OF OD TERMS
The increasing body of literature in the field of OD shows there is not unanimous agreement on the meaning of all of the terms; however, there is a need to provide general definitions. These descriptions, along with key features, will provide understanding and context as we apply measurement and evaluation to OD.

Organization Effectiveness
Historically, organization effectiveness was defined by how well an organization performed on a variety of metrics, examining different parts of the organization, and measuring indicators connected with productivity and internal processes. Examples of these measures are:

- how quickly products were brought to market
- whether an organization was a place of best practice
- attracting the right talent
- how they stacked up against competition.

Today, organization effectiveness theorists have expanded criteria for measuring the effectiveness of an organization to include other aspects of organization
characteristics. These include flexibility, open communication, retention, creativity, growth, satisfaction, and efficiencies.

The idea here is that assessing organization effectiveness means understanding and measuring organizational goals and strategies. Why does the organization exist? What does the organization plan to achieve? Organization effectiveness has become increasingly important, as there is a more explicit focus on business impact and bottom-line results.

Change Management

James Belasco, in his book *Teaching the Elephant to Dance* (1990), uses the metaphor of young elephants being trained through the use of heavy shackles so when they are older, they will stay in place. Of course, when they are older, they are powerful and could easily break loose, but because of their conditioning, they stay put. This metaphor is relevant for the subject of change management because organizations have learned to do things a certain way and to unlearn habits is a slow and arduous process.

The simplest definition for change is *doing things differently or doing different things*. When someone wants to lose weight, they usually eat less (doing something differently), and they may also start an exercise program (doing different things). The change effort has a plan in place based on specific objectives, which are derived from diagnostics or a needs assessment. What is the desired state? Recognizing the desired state, understanding the current state, and defining the gap leads to developing specific objectives.

Research from Prosci in 2007 showed that when the change management component of a project was rated as excellent, 88 percent of projects met or exceeded objectives. Conversely, when change management was rated as poor, 83 percent of projects failed to meet objectives and deadlines (*The Portland Business Journal*, 2008).

Case in Point

A cellular phone company based in the United States had plans to implement a new software system to help manage and expedite billing and accounting. The organization developed a very tedious and complex plan to migrate to the new software system. IT consultants were brought on board and additional staff was hired to help with the process. Unfortunately, the plan did not include change management and consequently, the system implementation resulted in increased customer complaints and losses of more than $2 million from billing inaccuracies in the first six months.
Similar to Lewin, Prosci (1996) outlines three phases to manage change.

1. **Prepare for change:** This phase is about getting ready for change and raising awareness about what is involved to achieve change goals. Included in this phase are defining the strategy for change management, preparing the members of the change management team, and developing a sponsorship model.

2. **Manage change:** The main emphasis of this phase is to create plans to execute the change management project. This phase involves developing change management plans and taking actions to implement plans.

3. **Reinforce change:** The focus of this phase is sustaining the change. Steps are taken to collect and analyze feedback, diagnose the gaps, manage resistance, and implement corrective actions along the way while celebrating successes.

In what ways do organizations need to adapt and learn? What new skills and knowledge does an organization need to continue to grow and improve? In what ways does an organization need to create processes to share information so employees can do their jobs better? In what ways does an organization benefit from sharing lessons learned? These types of questions lead us to our next term: **organization learning**.

**Organization Learning**

The term *organization learning* was first coined by Cyart and March (1963) and became popular almost immediately in the business world. The process of organization learning enables organizations to manage change and share knowledge in order to achieve strategic goals. Organization learning allows the right hand to know what the left hand is doing, so to speak. Clarity and connecting the dots are part of this process.

It’s hard to talk about organization learning without mentioning the term *learning organization*, which was made popular by Peter Senge (1990). In *The Fifth Discipline*, Senge defines learning organizations as those organizations where people continually expand their capacity to achieve desired results, where innovative thoughts are reinforced, and where groups within the organization continually learn and grow. Senge was describing an ideal organization. In a learning organization, mistakes are shared for the benefit of lessons learned. This can sometimes lead to something better than what would have been, had the mistake not been made.

At the core of organization learning is how an organization thinks and reacts. Organization learning goes hand in hand with our next term, *organization culture*.

**Organization Culture**

It’s hard to use words sparingly when describing organization culture. This is a complicated term that has not been easy to define. Schein himself admitted this complexity (2010). Organization culture has layers and depth involving what is apparent and
obvious as well as unseen and subtle. It’s more about the how than the what; the focus is on how work is approached rather than what is produced.

**Case in Point**

The story of Post-it® notes illustrates this concept very well. Spencer Silver was working in the 3M research labs in the 1970s and was trying to find a strong adhesive. Instead, the one he created was weaker than the one they had. No one knew what to do with the product, but still, they decided not to ditch it. Four years went by when another scientist, Arthur Fry, was singing in his church choir and wanted placeholders in his hymnal. He remembered the product made by Silver. By 1980, the unplanned product, Post-it notes, were available for distribution. The 3M company had a 15 percent rule that allowed employees to spend 15 percent of their time on exploring and developing new ideas and fostering innovation. The glue on the back of the paper was a “mistake”; but instead of canning it, the organization decided to see the mistake through to the end. Today, this unplanned product is one of the most popular office products available.

There are various domains that have been included when understanding and measuring organization culture. Beard and Zuniga (2006) included domains of leadership, planning, and decision making in their instrument, “Capstone Organization Culture Survey.” Dennison, in his “Organization Culture Survey,” measures aspects of leadership and planning as well as other factors. While chapter 2 of this book is dedicated to this subject in more depth, we recognize it as part of the OD glossary and offer a definition written by Goffee and Jones (1998):

*Culture comes down to a common way of thinking, which derives a common way of acting on the job, or producing a product in a factory. Usually these shared assumptions, beliefs, and values are unspoken, implicit.*

Culture in this sense is not to be confused with national culture. While national culture plays a role in influencing the way business is conducted, the focus of organization culture is on the organization itself.

Up to this point, we have used the term *OD practitioners* but we have not fully described this professional, or the required competence to be an OD practitioner; that is described next.
Case in Point
For example, the way Southwest Airlines approaches their work stems from the way the original CEO, Herb Kelleher, set into motion a relaxed atmosphere that places high value on its employees and encourages them to have fun at work. CEO Gary Kelly, who viewed the people as the airline’s “greatest competitive weapon,” further reinforced this environment. They may fly the same Boeing model, hand out the same type of snack, and follow the same FAA regulations as their competitors, but the culture is unique to Southwest when compared to some of the airlines that are categorically more traditional. Southwest has enjoyed its profitability for 35 consecutive years and has grown into the world’s third largest airline. While revenues have slowed recently, they have maintained their focus on the workforce.

OD Practitioners
While there is a mix of backgrounds among OD practitioners, by and large, OD professionals are those who carry out the OD function. Some are internal to their organizations and some are external consultants; in either case, they provide OD services to organizations. OD practitioners are primarily responsible for changing existing patterns to obtain more effective performance and outcomes. While training may be in their bag of tricks, the OD practitioner knows that training is not the solution for every problem. Since the beginning of OD, the practice has had a strong emphasis on groups of individuals or teams as the main conduit for change within an organization. A survey administered to OD practitioners supports this notion. The study found that change management in the form of team development and team building encompassed over one-third of the OD practitioner’s time (Waclawski and Church, 2001).

Like other professions, OD practitioners have competencies. And while there are several variations of the competencies needed, we have selected a set of six that were derived from a research study conducted by the University of Michigan Ross School of Business and the RBI Group to share. In this study, data were collected from HR executives representing more than 400 organizations. While they are labeled HR competencies, these six competencies are more aligned with the OD practitioner and, in a sense the case is made for HR and OD professions to come together. The competencies are comprised of both people skills and business acumen, and are outlined in Table 1-2.

Stakeholders
Many stakeholders are involved in OD as well as measurement and evaluation. A stakeholder is defined as any individual or group interested in or affected by the OD intervention. Below are definitions of various stakeholders that may be involved in the OD process.
### Table 1-2. OD Competencies

<table>
<thead>
<tr>
<th>Competency</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The Credible Activist:</strong></td>
<td>With the focus on forming relationships, the practitioner is well respected, offering input, challenging assumptions, and challenging underlying beliefs when needed.</td>
</tr>
<tr>
<td><strong>The Operational Executor:</strong></td>
<td>With the focus on systems and processes, the practitioner offers impeccable execution of operations while managing people.</td>
</tr>
<tr>
<td><strong>The Business Ally:</strong></td>
<td>With the focus on systems and processes, possesses business acumen, and understands how business is organized and how it makes money.</td>
</tr>
<tr>
<td><strong>The Talent Manager/Organization Designer:</strong></td>
<td>With organizational capabilities, masters both research and practice in talent management and organization design.</td>
</tr>
<tr>
<td><strong>The Strategy Architect:</strong></td>
<td>With organization capabilities, has understanding of how the organization can succeed; actively influences the strategy to fulfill this vision.</td>
</tr>
<tr>
<td><strong>The Culture and Change Steward:</strong></td>
<td>With organization capabilities, identifies, communicates, and shapes organization culture; and facilitates change to keep business aligned with the most critical needs.</td>
</tr>
</tbody>
</table>

**Clients** are those individuals who sponsor or fund the OD project. In organizations, the client is usually representative of senior management, executive team, or C-suite. This person may also be a champion behind the success of the project.

**Managers** immediately supervise individuals involved or affected by the OD intervention. They can be found at any level of management within the organization. They are often a conduit for providing opportunity to implement intervention and make changes.

**OD Recipient Stakeholders** are those individuals who make up the team or group affected by the OD intervention. They also may be referred to as organization members, team members, group members, participants, stakeholders, or employees.

**The Organization** is the unit in which the OD intervention is taking place and being evaluated. Organizations may be private or public, for-profit or not-for-profit, government or non-government, academic, or professional associations.

### COMMON PITFALLS OF OD PROJECTS: LESSONS LEARNED

The OD literature is copious with reports of failed interventions (Schultz, 2003; Eddy, D’Abate, Tannenbaum, Givens-Skeaton, & Robinson, 2006; Kahnweiler, 2010). With an estimated investment of $156 billion spent on people development (ASTD, 2012), the question is, why do OD efforts fail? This section explores 10 reasons that OD projects fail, either in part or entirely. The “build it, they will come” or “one size fits all” mentality is explored in this context. Lighthearted comparisons are made for each
pitfall, and pitfalls turn into lessons learned in each of the 10 reasons for failure; hence, the comment made by the late CEO of Coca Cola, Cuban-born Roberto Goizueta, is relevant as we consider lessons learned: “The moment avoiding failure becomes your motivation, you’re down a path of inactivity. You stumble only if you’re moving” (Gilbert, 2013).

**Pitfall #1: Lack of Business Alignment**

This is like building a large shopping mall in a town with a population of eight! Based on our research, the number one reason for lack of business results from OD is that interventions have not been aligned to what’s most important. Many OD projects are based on external research (what other companies are implementing), with little consideration of the unique organizational landscape and challenges. The old adage “build it, they will come” needs to be challenged as well as the “one size fits all.” The assumption that executive coaching or personality testing will change behavior and affect the business is one that warrants questioning. A clearer path is needed between an investment in the organization and the business impact.

**Case in Point**

For example, one Midwestern organization developed and launched a large leadership program, which cost more than $2 million in its first year. The team that launched the program was asked to evaluate its impact and ROI. This program had already been launched, and because of the financial investment, the question was raised about its impact on the business, and monetary benefit. There was no setting the stage or up-front planning before the program was implemented. The challenge was in understanding why the program was launched to begin with and what business measures it was intended to influence. The project became a fact-finding mission, as the team sought program sponsors who could fill in the gap on the specific business drivers. Four weeks later, the team realized that the program was not adequately aligned to the business, which left major gaps in the evaluation report.

There must be a connection to the business if there is a desire and need to evaluate at the impact level. The principle is a simple one: If the intervention is designed to drive business results and there is a critical reason to measure at this level, the project needs to be aligned to the business measure from the beginning. This process is accomplished by best practice organizations on a routine basis. It is possible to connect OD to a true business need up front.
Too often, OD interventions are based on popular assessment tools, a particular model, or the competencies used in another organization. That does not mean that these tools are never necessary, but OD solutions should address the needs of the organization, in a way that is clear. The selection of a specific intervention should be made by asking, “What is needed in this particular situation?” Understanding what is most critical to the business and aligning OD resources and projects to what matters most, leads to the first lesson learned:

**Lesson Learned #1: Align the intervention to business needs in the beginning of the project.**

**Pitfall #2: Not Conducting Comprehensive Diagnostics**

This is like volunteering for a root canal without a dentist’s recommendation! Conducting a diagnosis of an organization’s needs is the process where an OD practitioner determines the problems, how well the organization functions, and then selects the right intervention. This process usually involves collecting data, which leads to the decision that there are problems that must be addressed. It is important to approach diagnostics from a comprehensive manner, so the solutions prescribed are not superficial or failing to take in the whole picture. Weisbord’s (1978) six-box model in approaching diagnostics is outlined here:

1. **Purpose**: Are the mission and goals of the organization clearly understood? Is there agreement and commitment to the organization’s mission and goals among the organization’s members?
2. **Structure**: Does the organization structure fit the purpose and strategy?
3. **Relationships**: What is the nature of work relationships? How is conflict handled? Is there a healthy interdependence? Are there extremes such as enmeshment or disengagement?
4. **Rewards**: What is rewarded and what is punished in the organization?
5. **Leadership**: How do the leaders lead? What is their style of leadership? Is there congruence between what is said and what is done?
6. **Helpful mechanisms**: Are mechanisms put into place that help performance toward organization goals?

We fold these critical elements into the ROI Methodology by starting with business needs and then, based on the client’s input, asking what behaviors, performance, and learning issues are relevant to the business needs. For example, let’s assume that during the diagnostic phase, two findings emerge: a decrease in employee satisfaction and a decrease in productivity. This is where the diagnostic phase moves to making inquiry about what behaviors and learning issues may be contributing to the decreased employee satisfaction and productivity. In this case, we discover that inadequate leadership skills and lack of planning are factors contributing to the decreased satisfaction
and productivity. This line of questioning and approach to diagnostics not only help identify the right solution, but also set into motion relevant goals and measures. Two key questions follow: 1) What is the ideal or desired state? 2) What is the current state?

These two questions will help to define the gap that exists. For example, a man by the name of Glenn wants to lose weight. He currently weighs 245 pounds and has confirmed with his doctor that he should weigh 195. His weight problem is further complicated by high blood pressure, for which he has been prescribed medication. His doctor has advised him that by losing weight, his blood pressure is likely to decrease. Glenn now has a quantifiable gap, which he has turned into a measurable goal: to lose 50 pounds to decrease blood pressure, and hopefully eliminate the need for medicine. His next step is to identify in what ways his behavior has led to the weight gain. Glenn decides to see a nutritionist and creates a change plan, identifying what behaviors he will change during the week to meet his goals. In his plan, he incorporates exercise four times a week and eating 1800 calories per day. This is quite a change for Glenn, as he has not been exercising or tracking calories. His plan incorporates rewards along the way. For every 10 pounds lost, Glenn can buy either a book he had wanted to read or can go to see a movie. He wasn’t factoring in that every time he went to the movies, upon entering the theater, he was overwhelmed by the waft of buttery popcorn. So, his plan needed modification. And eventually, several modifications later, Glenn reached his two goals: 50 pounds of weight loss and stabilized blood pressure. Without collecting the right data (how much weight loss was required), careful planning (deciding on a daily calorie intake and exercise routine), and modifications (changing the rewards), Glenn would not have been on track for a successful change. This leads us to our second lesson learned:

**Lesson Learned #2: Conduct thorough organization diagnostics.**

**Pitfall #3: Not Setting the Stage for Change Management**

This is like a dad surprising the family with a newly adopted baby hippo! Change is difficult. Unless there is sense of urgency to change, initiatives move to the back burner. Kotter, in his article “Leading Change: Why Transformations Efforts Fail” (1998), identifies this reason at the top of the list when it comes to understanding why OD initiatives fail. We can confirm that this has been our experience. In his book *Sense of Urgency* (2008), Kotter clarifies that frantic behavior is not the same thing as urgency. This type of approach eventually kills true urgency. True urgency is not fear-based; rather, it is passionately determined to bring about change. Assessment and data are useful tools to create expectation for real change and positive results.

IT projects have a reputation for yielding mixed results. With over 60 percent of IT projects failing, some experts believe that the most significant challenge when implementing IT projects is change management (Teoh, 2010). Not considering the change
factor, resistance to change, and people’s attitudes can bring a project to a screeching halt. Fundamentally, IT projects fail because they do not articulate the changes that will occur in the business and therefore fail to prepare an organization for delivery. “It’s rare that in implementing a project that the technology does not work; invariably the failure comes from lack of a definition of the way the new business process will work or the fact that people have not been trained to work in a different way. It’s change management” (Teoh, 2010). Maybe this is why 79 percent of CEOs responding to a PriceWaterhouseCoopers survey indicated they intend to increase investment on how to manage people through change. For this reason, we listed our third lesson learned as follows:

**Lesson Learned #3: Set the stage for change management.**

**Case in Point**

*The Government Executive* documents a case in point illustrating the need for understanding organization culture. Harmon Davidson, Director of Headquarters Management at Department of Technical Services (DTS), was tasked with conducting a six-month comprehensive survey of headquarter management structure and processes. The results were to be given to the White House as the basis for management reform. Davidson inherited a team from his predecessor. The team was led by Al Pitcher, and comprised of five individuals. Mr. Pitcher’s perception of DTS was that their management practices were outdated. To DTS, he came across as “the expert” and seemed uninterested in their history or culture. One week into the survey launch, Davidson received heavy criticism. One staff member in particular voiced her opinion: “Your folks have managed to upset my whole supervisory staff with comments about how we’ll have to change our organization and methods. I thought you were going through a fact-finding study. This guy Pitcher sounds like he wants to remake DTS headquarters overnight. Who does he think he is?” This case raises the question of whether DTS headquarters had been properly prepared for the survey, if they understood the context in which it was being administered, and if the survey team understood the organization (Hornesday, 1998).

**Pitfall #4: Not Understanding Organization Culture**

This is like a North American female wearing a miniskirt in Saudi Arabia! It is estimated that approximately 75 percent of mergers and acquisitions fail because too little effort is focused on culture during integration. Differences in corporate culture have been identified as the major cause for failure to meet shareholder expectations.
Chapter 1

Case in Point
For example, in 2005, Sprint and Nextel merged. On paper, the relationship looked like a good fit. Sprint specialized in personal cell phones, long distance, and local phone connections, while Nextel had business infrastructure selling its press-to-talk feature to its loyal customer base from taxi companies, construction crews, and like businesses. The deal went down for a whopping $35 billion, but problems started immediately, such as facing competitors AT&T and Verizon, as well as technology problems. In fact, in almost every aspect of business, they clashed. Nextel employees were accustomed to having a great deal of latitude in offering perks to keep customers loyal, operating in a more entrepreneurial environment. On the other hand, Sprint played customer service by the book, functioning in a more bureaucratic atmosphere. The result was a work environment with declining morale, customer loss, and high turnover. Soon after, Nextel executives began to leave the newly blended family, reporting the two cultures did not mesh well together. Sprint/Nextel started laying off personnel while its stock took a nosedive. It has been described as the “deal from hell” in the Wall Street Journal (Moore, February, 2008).

There are countless stories of failed mergers pointing to the two companies not playing well together in the same sandbox. The merger between AOL and Time Warner failed so substantially that it is frequently discussed in business schools. Two very different cultures and ways of doing business merged together. One had a very formal work environment, was focused on Wall Street, with a hierarchical organization that slowed down the decision-making process; whereas the other had a younger workforce, a more entrepreneurial work environment, focused on organic growth. There was no synergy and no meeting of the minds. The $360 billion merger eventually ended in dissolution. Organization culture matters. This leads to the fourth lesson learned:

Lesson Learned #4: Factor organization culture in the OD project plan.

Pitfall #5: Failure to Identify Behavior
This is like planning to lose weight without going on a diet or setting goals! While learning objectives are a requirement for most learning initiatives, it is less common to have behavior change and impact objectives (detailing the business consequences of the organizational behavior change). Writing clear, precise objectives, particularly for behavior and impact levels, is foundational for measurement and evaluation.
Case in Point
A not-for-profit organization anticipated a large segment of their leadership, being Baby Boomers, to retire. The OD group set out to work with the senior leadership team to identify the next generation of leaders. They identified seven leadership behaviors that contributed most to job performance and the organization’s strategic objectives. With the behavior change and impact objectives as their guide, the OD group began developing a leadership development program for the next generation of leaders.

Unfortunately, OD practitioners do not always write clear and measurable objectives. The progress made is often delivered by clients asking for the value of the organization development. The good news is that developing objectives can be an easy part of the process. We recommend that at least 50 to 70 percent of OD programs have multi-level objectives, including behavior and impact objectives, although a much smaller number may actually be evaluated at these levels. The fifth lesson learned is simple:

Lesson Learned #5: Establish behavior and impact objectives for OD projects.

Pitfall #6: Not Including the Right People
This is like diluting cough medicine with water and wondering why you still have a cough! OD may have popular initiatives, and several factors cause individuals to want to pursue involvement. If top executives are pushing a particular OD initiative and encouraging participation, there is a tendency for wide-range interest. Some OD interventions, particularly those aimed at executive and leadership development, are often expensive and prominent. Just as students feel proud for being admitted into an honor society, there is a similar pride in being associated with leadership development initiatives. This may cause some individuals who probably do not need to be involved to sign up. Also, when the intended participation group is not well defined, it opens the door for “anyone interested” to attend. This can dilute behavioral and impact outcomes, which affect ROI results. The sixth lesson learned is straightforward:

Lesson Learned #6: Involve the right people at the right time.
Case in Point

The OD group in a Fortune 500 company identified the intended audience for a leadership development program. When the program was launched, the target audience was not consistent and because the company had spent an excess of $1 million on the initiative, they desperately needed attendees to participate. Registration was extended to those who were not leaders but had interest in the subject areas. When the OD group went to measure the effectiveness of the program, the results were negative.

Pitfall #7: Lack of Management Support

Lack of management support is like taking Dad’s new car out for a spin without getting permission! Lori Antineau, VP of HR for Talecris Biotherapeutics, said it well: “Once leadership understands that your focus is the same as theirs, it leads to better support to obtain your goals.” Lack of management support can impede full implementation of an OD project. While this may not be expected with OD, it is an issue. Imagine if a frontline supervisor participated in a 360-degree assessment and her immediate manager says nothing at all about the assessment. Why was nothing said? Sometimes what is not said is almost as important as what is said. This manager’s behavior may undermine the focus of the assessment and the anticipated changes. Warren Bennis (2009) said, “Failing organizations are usually over-managed and under-led.” Some would argue that leaders should be more accountable than direct reports, actively engaged and leading, and they should accept the responsibility to reinforce change efforts. This leads to lesson learned number seven:

Lesson Learned #7: Establish supportive partnerships with key managers.

Pitfall #8: Not Building Data Collection Into the Process

Not building data collection into the process is like accepting an online date without first seeing a photo! Perhaps one of the greatest problems with evaluating OD is not being able to secure the appropriate amount and quality of data. The challenge often involves building data collection into the project and positioning data collection as an application tool. In OD, one of the best methods to measure the change and impact, and collect data necessary for the ROI evaluation, is to use an action planning process. This is consistent with OD’s foundation of action research. This process provides an opportunity to identify specific actions that will be taken to improve a selected business impact measure. It also allows for processing resistance to change and identifying ways to overcome resistance. Plans are developed during the session and are positioned as application tools to chart the success of implementation. It provides a way
to chart changes made and see the results achieved in terms of business impact and even monetary value. The data collection becomes a much easier task when this is properly built in, and participation, completion, and return rates of the action plans can be greatly enhanced. A sample action plan can be seen in chapter 4.

A variety of techniques must be used to secure an appropriate response rate. At least 25 techniques used to improve response rates will be presented in chapter 4. The important point is that data collection needs to be built in to the process, as summarized in the eighth lesson learned:

**Lesson Learned #8: Build data collection into the process as a positioned change management tool.**

**Pitfall #9: Not Isolating the Effects**
This is like feeling sick to your stomach and wondering whether it was the pound of cookie dough or the pan of brownies that did it! A key component of the business impact and ROI process is to isolate the effects of the intervention. For example, let us assume that in addition to strategic planning sessions, there are two initiatives: 360-degree assessments and leadership development programs, both occurring simultaneously. Any of these initiatives could contribute to improving the business measures. There are a variety of techniques to isolate the effects including control group comparison, trend-line analysis, and forecasting. These will be described in further detail in chapter 5. The choice of technique will be based on several influences. Whatever the case, it is imperative to build the step of isolation into the process of measuring the effectiveness of OD. The ninth lesson learned is critical to producing a credible study:

**Lesson Learned #9: Always isolate the effects of the intervention on impact data.**

**Pitfall #10: Not Using the Data Routinely for Process Improvement**
This is like ignoring the strange smell from the refrigerator! With the ROI Methodology, data are collected along a chain of impact (see Figure 1-1) that must exist for the intervention to add value. If data are collected, adjustments are made. At Levels 1 and 2, when dissatisfaction or learning does not take place as desired, adjustments are made. At Level 3, change indicators may suggest that the team or organization is not making necessary changes. Again, adjustments must be made. At Level 4, business impact, where the business measures are monitored, data are collected to determine what should be adjusted, if necessary. Return on investment is then calculated and the results should be reported to key stakeholders.
This reporting is critical to provide recognition, improve processes, show contributions, build support, increase influence, and initiate a variety of other actions needed as data are collected and reported. Collecting data and not using them to drive improvement, or to build credibility and influence, is like planting seeds and not watering them. The result will not be as great.

Any evaluation of OD should be conducted in the spirit of process improvement, not performance evaluation for the team. An entire chapter is devoted to communicating results to the right audience (see chapter 6). The last lesson learned, the 10th, is just as important as the first.

**Lesson Learned #10: Use the data collected at different levels to make adjustments and improvements.**

**Summary of Why OD Projects Fail**

Table 1-3 summarizes the 10 reasons for OD project failures.

The lessons learned for organization development have been presented throughout the chapter. The factors are developed from our experience as well as from other research. Not all of the lessons learned need to be addressed. Usually, three to six items are missing for any given project, and these are often critical enough to inhibit the results.
### Table 1-3. 10 Reasons OD Projects Fail

<table>
<thead>
<tr>
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<th>Reason</th>
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<tbody>
<tr>
<td>1</td>
<td>Lack of business alignment.</td>
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<tr>
<td>2</td>
<td>Not conducting comprehensive diagnostics.</td>
</tr>
<tr>
<td>3</td>
<td>Not establishing urgency for change.</td>
</tr>
<tr>
<td>4</td>
<td>Organization culture is not understood.</td>
</tr>
<tr>
<td>5</td>
<td>Failure to identify behavior and impact objectives.</td>
</tr>
<tr>
<td>6</td>
<td>Not including the right people.</td>
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<tr>
<td>7</td>
<td>Lack of management support.</td>
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<tr>
<td>8</td>
<td>Not building data collection into the process.</td>
</tr>
<tr>
<td>9</td>
<td>Not isolating the effects of the intervention.</td>
</tr>
<tr>
<td>10</td>
<td>Not using the data routinely for process improvement.</td>
</tr>
</tbody>
</table>

To be safe, it is helpful to focus on all of these factors. They represent a solid design for increased accountability, particularly when the impact and ROI are desired. The next chapter discusses the role of organizational culture as it relates to measurement and building a measurement culture.

### CURRENT CHALLENGES FOR OD

There are a number of challenges for the field of OD, probably too many to list. We have selected what we believe to be the most significant in this section here:

- Staying in sync with change is one of the biggest challenges. Because the pace of change is at an all-time high, organizations must anticipate and respond to the changing global, technological, and economical demands.
- Building strategic alignment between OD and organization’s strategies.
- Having a clear understanding of the needs to drive performance.
- Managing change among worldwide, geographically dispersed populations.
- Obtaining senior leadership understanding and buy-in for OD initiatives.
- Having an overriding guide or plan to address OD needs in a comprehensive and strategic way.
- Misunderstanding from HR and Learning Communities about what OD is and how it functions.
- Perception that OD is too “touchy feely” or ineffective. This was confirmed in a research study by Korten, et al. (2010) that concluded: *OD should discontinue the one-sided emphasis on the soft (social–scientific) side of organizations, and seek a balance with the harder (strategic/business) side.*
Perception that organization development initiatives are difficult to measure and their outcomes are entirely intangible.

Lack of evaluation of organization development initiatives that demonstrate impact on the business. Research conducted by Golembiewski and Sun (1990) supported the notion that evaluation of OD was seriously lacking.

Forecast: What’s in Store for OD?
Globalization is changing the market and work environments as well as the way organizations function in general. With this large-scale change brings new—and in some cases, even more exaggerated—challenges for OD practitioners. The research field of OD has been changing in the past decade and continues to change in the issues and areas of concerns for OD practitioners. More research is needed in many areas, but particularly in the area of applying the OD practice to international or cross-cultural settings, as well as implementing systematic ways to measure the effectiveness of OD. We don’t have a crystal ball, but our forecast is based on research, understanding general needs of organizations today, and patterns we have observed in the context of OD:

- In the PricewaterhouseCoopers survey, 68 percent of CEOs said they intend to increase investment in leadership and talent development as a result of the global recession, suggesting that existing practices did not support businesses when the global recession hit. This is prime information for OD.
- Globalization has brought about a more global workplace and diverse workforce, causing OD efforts to be effective in cross-cultural settings. OD practitioners will need the necessary international/cross-cultural competence to work with an increasingly diverse and international workforce.
- Information technology (IT) is redefining how work is done, bringing about a new business model altogether. Today, organizations collect, store, and transmit data in ways that increase productivity and lower costs in innovative ways. According to Marketing Forecasts (2011), e-commerce is projected to grow in double digits. IT has allowed for organizations to increase the knowledge base as well as reduce the workforce. This has a tremendous impact on the field of OD, not only in accelerating learning to the changing needs of business and e-commerce, but also in being a conduit for change for rapidly changing work environments. This has relevant implications for OD practitioners in assisting with organization design and structure, business processes, and managing change.
- Projected growth in e-commerce also has implications for the OD practitioner to match its delivery mode of interventions with the use of technology itself. This growth forces us to raise the bar for OD and its use of technology to help support and deliver OD initiatives. Of course, a benefit of using technology in OD work is
that it will reduce the time it takes to effectively complete the effort. In addition, the role of social media is becoming a viable avenue for OD practitioners to network, promote, and market their business. OD practitioners will likely increase their use of social media in their businesses in the coming years.

- The need for demonstrating alignment to strategy and outcomes of OD efforts is evident. OD has reached a critical juncture in showing how it aligns with what’s important for the organization and in showing meaningful outcomes that measure results. This is not expected to decrease—just the opposite. More and more, we should expect to show alignment with the business.
- There will always be a special place in the OD field for innovation. One of the strengths OD brings to the table is helping to identify creative solutions to old problems. In the past decade, innovation has increased in OD practitioners offering services, demonstrating that the trend will continue in the future.

**FINAL THOUGHTS**

This chapter set the stage for the book by defining key OD terms and relevant examples of OD practice to make these definitions practical. These terms are followed by lessons learned for OD project implementation. Finally, challenges in the field of OD are explored while a forecast of what’s in store for OD are identified.