

## The Significance and History of Organization Development – in Hungary and International Relations

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### **Abstract**

*Because of the standardization of world economy, the speeding up of technical development and the sharpening market competition there is more and more responsibility on managers, whose primary duties are to make sure the efficient and successful work of the organizations. More and more of them realize that the quality (structure, culture, attitude etc.) of the organization can be counted as one of those features that determine success and advantage in contest most. Organization development, which applies structural and behavioral changes to improve both the output of the organization and its members' general feeling (personal development and well-being), intends to assist them in this respect.*

*By this time the concept of organization development has become more or less known among Hungarian theoretical and practical experts as well. The foundations of organization development were put down in America in the fifties and sixties while carrying out group dynamic surveys at several organizations and summing up the observations. Therefore Americans are called the pioneers of organization development, but most of kind researches are still made.*

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## **1. The definition and the characteristic features of organization development**

Although a wide range of experts work with organization development (OD) by now (Kieser, 1995), its border-lines have not been defined yet.

The most well-known experts dealing with organization development are Bradford, Beckhard, Benne, Bennis, Shepard, Gibb, McGregor, Marrow, Watson, Blake, Gordon and Lippitt. Several of them gave a definition of organization development.

We can make a list about Hungarian sciences, who tried to limit the field of organization development. For example: Imre Lóvey, Gyula Bakacsi, Iván Antal, Zoltán Antal-Mokos, János Szeicz, Károly Varga, Zsadány Vécsey, etc.

Totally nearly fifty definitions covering more or less one another have been born so far but there are lots of differences among them as well (Trebesch, 2000).

According to various definitions organization development involves the improvement of:

- The functions (purposes, aims) and characteristics (qualities, abilities) of the organization's constituent parts,
- The connections among the parts,
- The structure of the organization and
- The methods (techniques, procedures).

According to my definition organization development is a designed interference affecting the whole organization and using scientific behavioral methods it aims at improving the health and output of the organization.

Consequently, organization development is an approach which tries to advance the intended organizational changes and prepare the members of the organization for them in such a way that these could serve both the increase of organizational output, both the organization members' personal improvement and well-being (Beckhard, 1974). It is a long-distant, designed process the goal of which is to better and help the effectiveness and performance of the organization.

We emphasize only some more major characteristics to illustrate his significances:

- The formation of organization development as a discipline is also important because it has eliminated misunderstandings in the organization. Misunderstandings could and can appear because a certain situation is seen differently by the financial, the research and development, the production and the personnel department.
- Organization development can also be considered as a system the goal of which is to show the possibilities of other ways of thinking and the chance for receiving further information, to teach how to handle conflicts and to introduce new methods if necessary.

- In a really effective organization separate interests can also come to the surface, they are listened to and there are suitable mechanisms to handle them.
- The ability of the organizations to change and be powerful depends on the ability to operate and is based on the harmony of the organizational elements and activities. Harmony is essential because the productivity of the organization always depends on its weakest element. Consequently, it is not expedient to analyze and develop each element separately, during organization development surveys it is much more advisable to examine the data and output of the organization as a whole. The most crucial viewpoint is how the given external or internal challenges and arising difficulties can be faced in a way that the organization can complexly profit from the possibilities of each element.
- Organization development aims at perfecting the problem-solving and renewing processes in the given organization, it examines how effectively the organization can operate and what processes should be altered in order to increase its output. The areas of organization development are extremely far-reaching depending on what they are directed towards. The organization development process may be directed towards:
  - Rethinking the structure of the organization,
  - Reshaping the structure of the organization,
  - Forming an attitude that is important from the organization's point of view,
  - Changing attitude or behavior,
  - Acquiring or training certain methods at a level of proficiency.

Among the characteristic features of organization development we can find that it reaches its goals by integrating organizational and personal aims and introducing positive organizational changes, it is structure and behaviour oriented and its results can be directly measured and proved.

In spite of OD's beneficial characteristics, people care about it and only some companies use this possibility. The reason could be the following, the characteristic features of organization development (Budai, 2002):

- A designed programme – Where changes and formations affect the whole organization.
- Committed managers – The managers of the organization are aware of the plan of the improvement, they feel committed to it and take the responsibilities for it.
- It is related to the aims of the organization – The goal of organization development is to enhance effectiveness by creating appropriate opportunities to realize the aims.
- Long-term efforts – Organization development intends to realize long-term aims (minimum 2-3 years).
- Costs – It is relatively high, so not every company can afford to use it.

- Action oriented activities – Organization development creates such relations and activities following them that serve or yield later actions.
- It rests on experience-based learning – Changing the aims and behaviours brings different results in each situation and following it with attention helps to work out the appropriate method for improvement.
- It affects teams mainly – The changes within the organization affect teams mainly (the individual changes also have their influences but conclusions can always be drawn from the changes of the teams).

## **2. International History of Organization Development**

The organization development as an applied behavioural (sociological and psychological) discipline is come from America. Its principle is the organizational culture, attitude and behavior, problem-solving and framing improvement by targeted action.

It is identified relatively new field of sciences, which development has four important distinct sections:

1. The beginning of organization development was in the forties, when Kurt Lewin realized with his T-group experiments that “a special learning opportunity resides in, if a group puts itself into the center of the learning” (Gyulai, 1994). The first executed T-group in a small group training with behavioural scientists and researchers’ participation was in Bethel in 1947 where they could get experiences about the feedback of the collective interactions. This behavioural based training supported the basis model of the so-called experiential learning (learning by experiences) (Lövey, 1989).
2. The next formation of organization development was the attendance of feedback surveys, where the company would be able to know more about itself with using questionnaire survey and the results and it would be motivated itself to make organization change.
3. The third important step is the engagement of the action research method, which due to the collaboration of social scientists and employees was included organizational diagnosis, analysis of diagnosis’ data, exhibition of organizational problems’ reasons, proposals to change and examination of obtained results. Under this process the decision on changes would be improved, commitment for changes and effectiveness of implementation process would be increased.
4. The fourth section is the aspect of Quality of Worklife in fifties. It engages in alternate monitoring of organizations’ technical and human side, inter-dependence and integrity. Effect of this movement would be later the self-control groups,

quality circles<sup>1</sup> and TQM<sup>2</sup>. Enlargement of scope activities and teamwork receive more significance.

In 1957 the Union Carbide was founded in America that made various trainings in the following years at several organizations. In fifties T-group, movement of laboratory learning and action research feedback methodologies have been developed sufficiently to enable to fuse with special claims of society – such as organizational culture, changes in values and lifestyle of workforce, mobility, increasing the level of skills, decreasing organization loyalty and dependence, permutation of authority, renewable challenge against management, and cooperative roles – and the behavioural method grounded researches to come into existence from them: the organization development (Gazdag, 1994).

In seventies there was many organization development' definitions in more German and English-language literature, as well as in some related tests. For example in 1974 Richard Beckhard and Gebert, in 1975 Glasl and Houssaye, in 1977 Sievers keep up the writings of the new approaches. In this period development was practically divided into two part and a German and an American direction was evolved.

General respect of organization development was primarily caused in Germans by an increasing claim of organization's members for self-realization and participation.

Difference between these two views is that the Europeans were interested in macroscopic, structural points from whole problems, and the Americans dealt with microscopic issues of behavior. Other side, in Europe the organization as a complex and the organization as a system had been the focus of attention in relation to external social environment. Until they proceeded from extended demands of self-realization and participation, and sociological interrogation, in America employees' needs, attitudes, internal process of organization as system were examined. So a psychological or social-psychological approach was used rather (Kassem, 1976).

The spread of organization development in America was also helped with several factors, such as:

- The organization development was evolved in an economic environment where the goal was to improve business efficiency and management.

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<sup>1</sup> Quality circle is a group of employees at a company, who undertakes quality improvement or the role of growth' engine in some process or area of company's life. At the Kaizen philosophy based on the Japanese method the members regularly collect, analyze local problems and seek variant solutions to them. Its result is relevant to satisfaction and commitment because it provides creative atmosphere, activates colleagues and gives a practical method with that work culture, quality approach and creativity can be improved.

<sup>2</sup> Total Quality Management leadership method was formulated in the middle of eighties in the USA. TQM is a top-down management philosophy and corporate practices which clasps functions of the whole organization and utilizes disposal human and material resources in the most efficient way in behalf of organization's aims. The emphasis is on the customer satisfaction and the continuous development of organizational function.

- Organization built the achievements of social science researches in his everyday activity.
- Human values got more importance than a finance in the period of students' and hippie's movements in sixties.

Today the situation has changed and the boundaries of two lines are combined. The companies' size are grown which cross national borders. Some firms are merged and they broaden their scope of activities, employ multicultural people, produce to international markets, use modern communication and telecommunication tools etc.

The office's role is increasingly taken over the network (sending e-mail, faxes, video conferences etc.), under which e-work, telecommuting, and outsourcing would be appeared – although it has only a small proportion in our country. The latter is a popular way of competitiveness enhancement, efficiencies indicators' improvement and cost reductions.

### **3. The History of Organization Development in Hungary**

Historically, economic transactions in Hungary worked through bureaucracy and the various state ministries rather than through market. There was limited competition and dysfunctional organizational politics were pervasive. Key positions in companies were tightly monitored by the Party and by state bureaucracy, and management was no regarded as profession. Managers were instructed by the Party to combine on-person leadership with collective leadership (Pearce, 1991).

Hungary first encountered organization development at the end of the 1970s, when the United Nations Industrial Development Organization<sup>3</sup> and the Institute for Building Economy and Organization held jointly a one-year training for consultants. Fifteen participants become trainer-consultants, led by Manohar S. Nadkarni (Lövey, 1983) and organized into a closed group by Károly Varga.

At the time of political transformation in Hungary, privatization and the changes of the market environment brought the questions of corporate efficiency and competitiveness to the foreground. For the companies the key question of increasing importance was no longer that problem of survival, but rather the ways of maintaining their competitive advantage, and so the significance of OD, offering yet unused possibilities in connection to human resources, was revived (Szatmáriné, 2001).

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<sup>3</sup> UNIDO was founded by the UN in 1965 with the purpose of supporting and accelerating industrial development in the countries of developing and transforming economies. In 2004, the organization had 171 member states (Lövey, 1992).

In Hungary, several factors influenced the propagation of OD (Lövey, 1992):

- Independence of the organization – The given organization must feel responsible for its own fate. Their operation is not determined by ministries, but economic controlling factors, such as the manager's decision making ability or financial interests associated with organizational efficiency.
- External pressure – It may be generated by market competition, but it may develop within a given organization as well, where the external factor can be the economics of shortage or economic reform (when the hitherto monopolistic position of the company or government support ceases). The emergence of competitors producing better quality products at lower price or operating with better employees is deemed an internal cause.
- Social sciences – OD relies on theories and techniques of behavioural science used, that is why it is essential for a country or economy to have high levels of social sciences, such as sociology, psychology, social psychology.
- Human values – The existence of fundamental human values, such as democracy, tolerance, openness, trust and participation may materially influence the given organization, and even the mindset of the entire country.

In Hungary the one-party political and power system collapsed at the end of the 1980s, and the first free parliamentary election, held in May 1990, was a form of plebiscite on the communist past. A rapid transition from centralized state control and national economic planning to free market, globally competitive capitalism is unprecedented in the history of mankind. The difficult political and economic process has a number of basic elements, of which four major changes should be highlighted in respect of human resources at the macro-economic level:

- The New Labor Law – It was implemented in Hungary in 1992 and covers all aspects of employment.
- Ending of the egalitarian pay structure – It has been a priority during the early years of socialism.
- End of the era of workers' permanent job contract with their work sectors.
- Restructuring of the social welfare system.

In the 90s, in parallel with the economic and social changes OD also experienced a change, the processes accelerated: the need arose for trainings and preparations, and more and more organization development companies were established (Kalmár, 2003). In this period, anyone could claim to be an organization developer, if he/she had the talent, affinity and communication skills. On the customer side, the companies formed two large groups in this period:

- The ones that knew what they wanted – They were mainly professional, multinational corporations.
- And the others, who knew that some kind of a change was needed, but did not know what exactly – Such as the large Hungarian companies with entrepreneurial spirit.

The situation changed again from 1995, as the business characteristic of OD began to gain ground, and the consultant market got settled.

Currently organizational concepts are emphasized, which expect organization development efficiency from the implementation of different change strategies and methods. Such an organizational change process: Reengineering, Business Process Reengineering, Management by Objectives, Quality of Worklife Programs, Collateral Organizations, Organization Learning, TQM and Just-in time management.

Now, that is following the political transformation, multinational companies emerge in increasing numbers, and as a result, business life is becoming internationalized, the concentration of capital is increasing, and at the same time the Hungarian organizational culture is also undergoing changes in Hungary. Consequently, more and more organizations resort to some or all of the change processes. Thereby, the companies expect the reduction of conflicts, the safeguarding of their uniqueness, the development of organization and the maintaining of competitiveness, relying either on external or internal resources.

The increasing focuses on human resources management (HRM) systems and strategy suggests a bright future for HR in Hungary in future years. Both past actions and future plans are generally consistent with sound HR practices, and, in fact, many of the practices reported mirror. Undoubtedly, strategy oriented HRM gained ground in Hungary.

Today, organization development is poised to respond to yet new challenges and arising problems, therefore more emphasis is laid on professional training and ongoing education of people, and the participants try to build on not only Hungarian, but also on international experience. An example for this is the international OD conference: IODA organized in the Autumn of 1997 and then in August 2010 in Hungary, again with the ODWS title.

#### **4. Organization Development Trainings in Hungary**

In the 80s the primary aim of organizations was to increase performance and instead of achieving efficiency. Also in Hungary, the wave of dramatic change and transformation in the political, legal, social and economic systems created many opportunities for business, but is also posed many challenges. The changes in products and precaution technologies are likely to be associated with relatively more continuity in enterprises production structure in comparison to radical reshaping of ownership, management and market environments. In order to meet challenges, Hungarian companies were required to adopt new methods, systems, policies and expertise. One of them was change management which is a structured approach to organizational change based on preventing mechanisms towards stress and development of action measures. It applies partial solutions, where aims are not always clear and in addition, it focuses on diagnostic and analytical work.

Today, change management is considered as a separated unit within the area of organization development, despite all organization development effort means generating a change.

Changes follow each other quicker in life of companies and traditional change management is unable to cope with this situation. Changes should be implemented as efficiently as possible and management should be ready to wait for next step. So, a secondary role on human resources came to the front. Until this time, human resources were essential in the process of changing or fighting down resistance. Today, however, it is proven that there is not any successful changing without reviewing human resources.

Organization development presumes the cooperation and participation of the individuals and the teams, the continuous self-improvement and at the same time it endeavours to develop them more. Because of this, organization development is characterized by the fact that the same people identify, define and solve the problems, and the procedure formed this way usually relies on the methodical data-collectings and analyses of the individual or team behavioural permutations. At the same time organization development considers the cooperation and participation of the individuals and the teams as well as the continuous self-improvement as a fundamental condition and it aims at their further improvement.

As a result of separating organization development and change management there was appeared more trainings in Hungary, although only self-training was pursued in this time period, where the players of economy and tertiary education with entrepreneurial spirit continued this trend. This is because there were some companies, ministries and universities that supported organization development and made it possible for the professionals to experiment, practice and accomplish their work.

The Soros Foundation<sup>4</sup>, as a catalyst of political change supported the grant-applications of 40 thousand organizations in the fields of culture and contemporary arts – in the social, health, public and tertiary education sectors. The next organization development training, organized by János Szeicz, and led by Imre Lövey and Manohar Nadkarni at Medicor was realized in the mid eighties relying on such a grant (second UNIDO program).

Thanks to the two UNIDO programs realized as an organization development branch of management consulting nearly two dozens of organization developers established ÓDIUM in 1986 (SZMT, 2010), which was regarded as a loose professional association. Later on, the active members founded SZMT (Association of Hungarian Organization Developers) in 1992 in order to co-ordinate the

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<sup>4</sup> The Foundation established by George Soros was founded as the largest independent support organization, with a total of USD 150 million. The foundation gradually narrowed down its activities by 2004, in line with the intentions of the founder. No more programs were launched starting from 2005, and then the office was closed on 31 December 2007 ([www.soros.hu](http://www.soros.hu))

profession (distinguishing themselves from the consultants who arbitrarily named themselves organization developers) and to provide an appropriate professional background and trademark<sup>5</sup>.

The number of institutions and organizations, the activities of which include organization developer training, has increased since the 90s. They include for instance the postgraduate "Organization development consultant and trainer course"<sup>6</sup> of the Big Five ([www.bigfive.hu](http://www.bigfive.hu)) that has operated here in Hungary for the past 15 years, the "OD – organization development specialized consultant" training offered by the Budapest Communication and Business College, the "Organization development" course of the CEO Business School or the SZEVA training organized by SZIE (Saint Stephen University), with the co-operation of several consulting firms, etc.

## 5. General Fields of Organization Development

During the training course, the three basic areas organization development includes are the following (French – Bell, 1995):

- Reshaping the organization – It is important that first we deal with matters concerning the whole organization, such as:
  - Analyzing the structure,
  - Defining and (if necessary) reducing the organizational and management levels,
  - Mapping the system of relations among the organizational parts and increasing its effectiveness,
  - Forming a comprehensible and relatively simple structure.
- Personnel audit – By this we mean the things that concern the organization as a system and the employees:
  - Defining and auditing the appropriate number of employees, carrying out the cutting down and qualitative changes,
  - Performing an over-organizational cost analysis and cost cutting opportunities,
  - Analyzing the income system.
- Establishing personnel systems – On the basis of the previous comments this involves:

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<sup>5</sup> Unfortunately, the Association could not achieve its fundamental objectives, and cannot be regarded as a trademark of the profession. Thus for instance, we could make a lengthy list of the names of those organizations that are engaged in organization development trainings, in other words there is no standard, accepted training system even within the profession. Various events and programs are designed and operated within the auspices of SZMT, and these are open to all those interested.

<sup>6</sup> In addition to this, various methods and trainings are offered to support human resources management.

- Forming the whole personnel system or reshaping, updating the existing one,
- Forming certain personnel subsystems if necessary.

According to the claims the applicable method is selected during the development process.

## 6. The Methods of Organization Development

The most important methods of organization development are at least as far-reaching than the areas of this process. Among the most substantial methods we can mention the following: preparing a diagnosis, team-improvement, bettering the intergroup connections, teaching and training, Blake-Mouton 'management screen', T-teams, sensitivity trainings and self-improvement methods, structure-improving activities, conciliatory meetings (with the assistance of a skilled third party), etc (Brown – Covey, 1987).

- Training programs: typically, manager leave their training seminars in a euphoric haze – having at last brought into the open the real problems of the organization, and 'levelled' with each other. While the choice of strategy must depend on situations, and while most of the possible permutations have been used with some success, the strategy, which provides for radical review yet maintains group independence is that in which stranger group training precedes on-the-job applications, using a checklist. If such a strategy is chosen the training phase must be designed strictly in line with the total strategy and the goals of the program, e.g.
- Management development is primarily a tool of top management concerning itself with the supply and effectiveness of managers. In addition, it will take into account many other parameters, such as the expectations of the individual, the social responsibility of the organization, the way in which people are used and services provided, but will focus on the availability of effective human resources to achieve goals and objectives.
- Diagnosing is that individual training and development needs so that more precise prescriptions of training and development actions can be made. The result is more effective training and more effective expenditure.
- Preparing a diagnosis is based on personal trainings and improvements which require a regulation consisting of several points for the training and improvement processes. It results in a bigger number of effective trainings and applications.
- T-Groups take man's emotional life as its central issue and seek to ascertain how these emotions affect the individual's relationships with others. In other words, besides being possibly traumatic for some individuals, it runs the risk of setting up defence mechanisms and its value could be seen, in some cases, to be questionable.

- The Blake-Mouton Managerial Grid concept is another approach used effectively in OD and based on behavioural science. Stemming basically from concepts of team learning, to form a link between individual learning and total OD. The Managerial Grid identifies five theories of management behaviour, based on two key variables – concern for people, and concern for production. The grid revolves about two axes, which are scaled from 1 to 9, thus, the x-axis indicates concern for production, and an individual manager can be scaled anywhere along the 9-point axis. On the y-axis concern for people is measurable.

## 7. Conclusion

Organization development and the science of management itself can use only that knowledge and ideas which can be alloyed with the results of other sciences and which can be well applied in organizational practice as well. Depending on sociological and other behaviourist bases this means that new recognitions create an agreement between the different scientific fields influencing the operation of the organization and their ways of application. If it works perfectly and the sciences are balanced or in optimum conditions, a maximum output can be taken out of the organization.

The organization development processes and their methods offer the organization numerous possibilities for improvement and change. There are processes affecting only some people, changing only some people's characteristics – possibly in a positive way; and there are others that aim at a group or groups or maybe the whole organization.

Due to surveys in connection with people, in the United States they tried to work out a system that applied different motivations to enhance people's productivity. They continued to improve these views later, which methods are still being formed.

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The significance and history of Organization Development – in Hungary and international relations

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