

# The Rich Grow Richer

## Results of Studies Relating Development Readiness to Business Success

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The "rich grow richer" adage is by no means limited to the fellow born with the silver spoon. Business firms as well men differ widely in how well they achieve productivity and profit goals. Both individual development approaches and Organization Development are designed to aid businessmen or their companies to achieve these goals. Individual development is aimed at making a firm more fit by increasing the know-how of the businessman. Organization Development is aimed at making a firm more fit by setting and clarifying its goals and raising standards of performance of all of its members.

Among both companies and men, special characteristics can be found that appear to be related to readiness to use these development approaches. Two studies were made, one to evaluate corporate development readiness, the second to evaluate development readiness of individuals. The same hypothesis was tested in each case. It

is: the more effective a corporation or person, the greater the readiness to engage in development activities.

Confirmation of the hypothesis would suggest that those firms and persons least likely to seek development are the very ones who need it most. The "fittest" and "richest" thus increase the likelihood of their survival by using development to become more fit while the "poor," disregarding development opportunities, let their capacities to survive drain away.

### Corporate Effectiveness and Readiness for Development

Seventy of the more than three hundred corporations whose members have taken part in Grid sessions have been compared and evaluated for their effectiveness by Standard and Poor's.<sup>1</sup> These seventy firms provided data for the corporate readiness study.

*Index of Corporate Effectiveness.* The Index of Corporate Effectiveness, Standard and Poor's rating of corpora-

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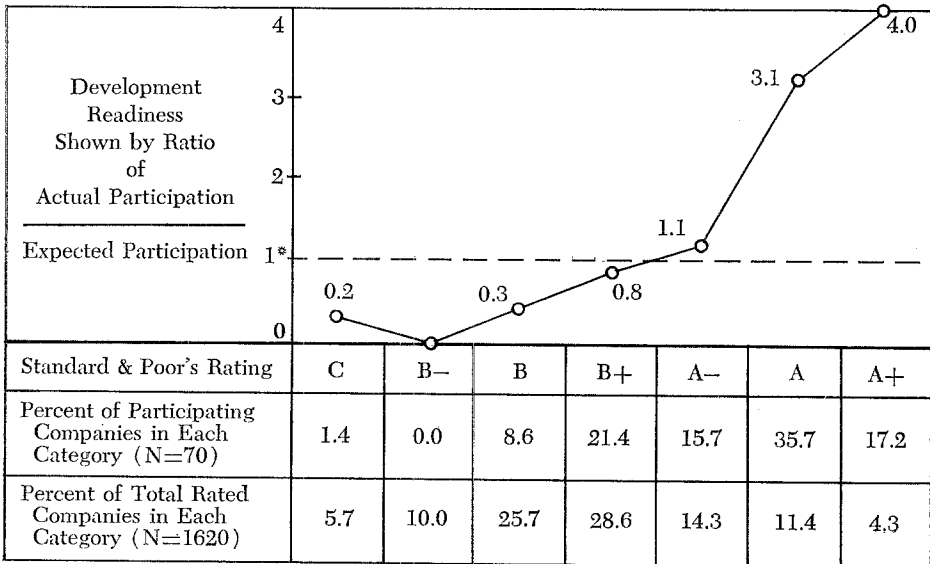
1. Listed Common Stocks (Excluding Insurance and Bank Stocks). Standard and Poor's Stocks Summary, Standard and Poor's Corporation. July 1, 1965.

tions, evaluates companies in a graded series from A+ through C. A+ companies are those judged to have the most sound financial structures and performance. Evidence is found in records on capitalization, earnings, and continuity of dividend payments over a period of time. At the opposite extreme, C companies are least sound financially by the same performance standards. Corporate effectiveness at achieving objectives is assumed to decrease as the Standard and Poor's rating moves from A+ to C. A+ companies, therefore, are seen as more fit for survival in a free enterprise economy than companies rated C.

*Index of Corporate Development Readiness.* There are many educational approaches to development—university programs, laboratory approaches such as the NTL sponsored sessions, Grid Seminars, and others.

Grid Seminars have been conducted on a public basis since 1961. They are in wide use in the United States and abroad as Phase 1 of Grid Organization Development. They have proved useful within both industry and government.<sup>2</sup> Participants in Grid Seminars study personal team and organization behavior and the related behavioral factors important in achieving production through people. The par-

Exhibit I. Corporation Effectiveness and Development Readiness



*The difference between actual participation and that expected based on frequency in the population by category yields a  $X^2$  of 47.6 significant far beyond the .01 level.*

*\*Were there no relationship between Corporation Effectiveness and Development Readiness, the ratio in each category would equal 1.*

2. Information about Grid Seminars can be obtained from the authors.

ticipants come from many different corporations. It appears that corporations whose members have attended Grid Seminars are more ready to investigate a new approach to development than would be companies from whom no members have participated. The expense of participation is borne by the company and the decision to send participants thus reflects an organization's attitude toward development. Grid Seminar attendance, therefore, provides an Index of Corporate Development Readiness to investigate an approach to development.

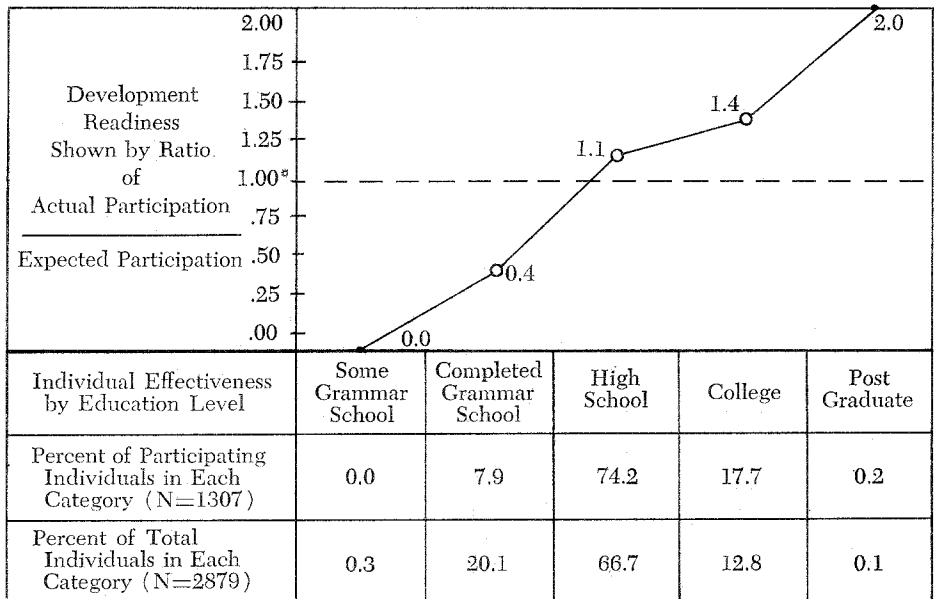
### Results

Corporations rated in the Standard and Poor's Stock Summary were ex-

amined to determine the proportion falling into each category from A+ to C. The proportion of corporations in each category from which at least one manager had attended a Grid Seminar was established. If there were no relationship between corporate effectiveness and corporate development readiness, the proportion of companies represented in Grid Seminars in each category would not vary significantly. The horizontal line across Exhibit 1 is the relationship expected if corporate effectiveness and development readiness were not associated.

A significant relationship is shown in Exhibit 1 between Standard and Poor's ratings and the Index of Development Readiness, confirming the

Exhibit 2. Individual Effectiveness and Development Readiness



The difference between actual participation and that expected based on frequency in the population by category yields a  $X^2$  of 250.1, significant far beyond the .01 level.

\*Were there no relationship between Individual Effectiveness and Development Readiness, the ratio in each category would equal 1.

hypothesis that the more effective a corporation, the greater its development readiness.

### **Individual Effectiveness and Readiness for Development**

A company employing 2,879 wage and non-exempt salary personnel extended an organizationwide invitation to its members to participate voluntarily in Grid Seminars. Reactions to the invitation were studied to test the hypothesis that the more effective a person, the greater his development readiness.

*Index of Individual Effectiveness.* The Index of Individual Effectiveness, a man's degree of education, is based on the assumption that, all else being equal, the more a man is educated, the greater his effectiveness. That is, the more highly educated businessman is more likely to be fit for survival than his less well educated colleagues.

*Index of Individual Development Readiness.* At the time the study was conducted, 1,307 out of the 2,879 personnel had volunteered for a Grid Seminar and participated in one. The decision to participate provided an Index of Individual Development Readiness.

### **Results**

The proportion of personnel in each educational level was determined and studied against the proportion that had engaged in Grid sessions. Results are shown in Exhibit 2. If there were no relationship between personal effectiveness and development readiness, about the same number of persons from each educational category would have participated in the Grid Seminars. The horizontal line represents

the relationship expected if individual effectiveness and development readiness were not associated. Findings shown in Exhibit 2 confirm the effectiveness-readiness hypothesis by demonstrating that the higher a man's educational level, the greater the readiness to engage in a development activity.

### **Summary and Implications**

This study, representing an investigation of the relationship between effectiveness and development readiness at both corporate and individual levels, showed that the more effective a corporation, the greater its readiness to investigate a possibility for its development. The same holds true for a person. The more effective a person, the greater his readiness to engage in development activities through voluntarily attending educational courses. It thus seems that more effective corporations and more effective persons are more ready to further their effectiveness.

As a result of the operation of this principle, it can be predicted that differences in effectiveness between the most and the least effective corporations will gradually become greater. By the same token, differences in effectiveness between more effective and less effective persons will also become greater as time goes on.

Thus, the rich men, and corporations as well, grow richer while the poor grow poorer. Those who appear to want development the least seem to need it the most. Darwin's "survival of the fittest" theory is consistent with these results. Corporations and individuals alike might well review their attitudes toward development in the light of Darwinian thought.