



Section Two:

The Identification of
Learning, Training and
Development Needs

The Identification of Organizational and Individual Training and Development Needs

Richard Palmer

INTRODUCTION AND LEARNING OBJECTIVES

The third millennium offers fresh challenges to the training professional arising from the dynamic, chaotic, fiercely competitive marketplace which has replaced the relative organizational calm of 25 years ago. Moreover, not only does the de-layered organization of today consist of far fewer employees but also the expectations placed upon these individuals in terms of their effectiveness are much higher. This tighter focus upon individual contribution means that the identification of training and development needs has become a far more critical element in determining the organization's success.

It was Mark Twain (in *Pudd'nhead Wilson's Calendar*) who stated that, 'Training is everything. The peach was once a bitter almond; cauliflower is nothing but cabbage with a college education.' There is no doubt that training is important; the question is, what training and to what level of detail? The answer to this question lies in the critical role that training needs analysis (TNA) plays. In this chapter we shall examine how an organization can identify those training needs which will ensure its continued existence, growth and development through the people it employs.

Having read this chapter you will:

- be able to apply TNA procedures at organizational, departmental, occupational, and individual levels;
- be able to apply various criteria in order to prioritize training and development needs;
- be able to conduct a SWOT analysis; and
- be aware of the application of job analysis techniques to training needs analysis.

DEFINING TRAINING AND DEVELOPMENT

First, we need to define what we mean by training and development. The two terms are often used synonymously. Pepper (1984:9–11) defines training as ‘that organized process concerned with the acquisition of capability, or the maintenance of capability’. He goes on to distinguish the meaning of development:

Where the objective is to acquire a set of capabilities which will equip a person to do a job some time in the predictable future, which is not within his [sic] present ability, that person is often said to undergo a process of development. Of course, straightforward job instruction, or rather job learning, is by this definition a development, but the term has become associated with longer-term and more complex arrangements for learning, often with job moves included in the plan.

For the purposes of this chapter, we shall not be far wrong to consider training as needs against present requirements. Development can be construed as relating to future requirements. For example, this could be preparation for a promotion, or for an organizational development such as the introduction of teamworking. TNA is assumed to include development issues also.

The cultural context

It is important to be discerning and take into account the culture of the organization within which TNA will be used. A horticultural analogy may be useful here. Consider the nature of the employees you are tending and growing. The organization may resemble a field of wheat. It has a large number of semi-skilled employees with a limited range of skill requirements. Alternatively, it may be a mature garden with different arrangements of planting, all requiring special and different attention to be at their best. Conversely, it may be a small, chaotic, developing garden where certain plants are emerging to give a structure.

The culture and environment will therefore dictate whether there needs to be more emphasis on the training or on the development aspects, which of the tools are most appropriate, and where the predominant emphases should be laid.

Learning needs and training needs

Before considering the identification of needs, it is important to make the distinction between learning and training needs. The Cabinet Office (1988: 4) defines a learning need as arising, 'when an individual or a group are required to do things differently, or to do different things'. These events arise all the time throughout any working environment and can be met informally as a part of the daily round. A training need only arises:

when a learning need cannot be met within the normal day-to-day processes or when meeting a learning need in this way will take too long, involve too high a risk/cost, not result in the required standard of performance, and when training is the most cost-effective way of meeting the need. (Cabinet Office, 1988:4)

UNDERTAKING A TNA

It is critical that the training professional, or whoever is carrying out the analysis, has access to the most accurate and relevant information available on the organization's present performance, problems and future plans. As Kenney and Reid (1986:69) point out, 'The quality of the training can be no better than the quality of the analysis permits.' Some sources of data are shown in the subsequent section. Data collection can also take the form of questionnaires, interviews, discussions, brainstorming groups and observation.

For the purposes of this chapter, we shall consider undertaking a TNA throughout a whole organization. The prime difficulty ahead of us is the size and complexity of the task. We therefore need to break the process down into bite-size manageable chunks.

Boydell (1983) has identified three levels of training needs within organizations:

1. organizational;
2. occupational; and
3. individual level.

We shall use these three broad areas as a starting point to break down the process. A fourth area, needs at departmental level, is also a useful consideration when analysing training needs in larger organizations and is included here.

BROADENING THE SCOPE OF TNAs IN NON-GOVERNMENTAL ORGANIZATIONS IN MALI

Activities of non-governmental organizations (NGOs) are playing an important role in the development processes of Mali. These NGOs are often young local organizations without much experience and with small numbers of professionally trained personnel. Many of the NGOs are member organizations of so-called umbrella organizations, eg CCA-ONG has 110 member NGOs. One of its principal objectives is to improve the competency of its member NGOs by training.

There was a progressive feeling of dissatisfaction among member NGOs and the umbrella organization's staff about the results and services of the training department. The general opinion was that training only partly met needs and it was decided that an evaluation of TNAs would be conducted by an external consultant in order to improve the training services.

Research was done among representatives of the most important stakeholders of the organization, ie the member NGOs, financial donor organizations, national administrative organizations and partner organizations. The research revealed that the evaluation and improvement of the TNAs was insufficient to improve and adapt the training services to the needs of the member NGOs. Another urgently felt problem was that most of the stakeholders did not believe that the umbrella organization's training policy reflected their own views, ideas and wishes. These opinions were based on a broader analysis of the general context of the Malian social, political and economic situation. TNAs, as executed by the umbrella organization, did not analyse these important factors.

Malian NGOs are operating in a fast developing social, political and economic context and, consequently, their role in the development process is also swiftly changing. Furthermore, the expectations of professionalism by international partners and donors were increasingly experienced as difficult to meet. Therefore, it was recommended that preceding, and supplementary to, a TNA, the development process and the stakeholders' role should be analysed regularly with all stakeholders and the umbrella organization. This analysis should be followed by a definition of the tasks of the umbrella organization including its role in training. Only after these steps are taken can a regularly executed TNA among member NGOs and other stakeholders be effective.

Research in CCA-ONG has revealed that focusing on the improvement of TNAs without considering external factors is unlikely to resolve the organization's problems, because external developments considerably influence the role of NGOs in the development process. The changing environment has an important impact on training needs. Thus, a regularly performed evaluation of the external circumstances (the development process)

and of the different roles of each stakeholder in this process should be executed next to and supplementary to TNAs. These actions should be taken in close consultation with all stakeholders.

With acknowledgement to Anita Nijsten, SNV, Mali.

NEEDS AT THE ORGANIZATIONAL LEVEL

Business objectives

The starting point for a TNA has to be the corporate plan. Every organization has a plan. This may be bound in a general strategic statement; couched in precise business objectives; or in broad policy guidelines. In some organizations, it may not be in written form, but to survive and move forward, there is somewhere a plan, even if it is only in the head of the Managing Director. This is the starting point for examining training needs.

Most well-run organizations will have a well-defined set of business objectives. Where these exist, they will normally cascade down the organization so that departments, sections and individual managers will have sub-objectives that dovetail into the corporate plan. These are the prime source of information in developing the TNA at this level, for here are the specific, measurable targets that the organization is committed to pursue.

For example, an organization plans to increase sales of Product A by 10 per cent over the next year. To facilitate this, a further Sales Manager is being recruited; telesales effort is being redirected to promote this particular product; and manufacturing is gearing up for the anticipated rise in demand. Furthermore, assemblers from a production cell that makes a product with falling demand are to be transferred to Product A cell, and marketing support are preparing new corporate brochures and materials for all field sales personnel. As a part of this, a PC diskette is being prepared as a mailshot.

The planned increase in sales has already thrown up a myriad of training implications. These include: induction for the new Sales Manager; training implications for telesales; cross-training of assemblers; briefing of marketing support in the objectives of new promotional materials; and training in the production of PC-based materials. There may also be other training implications to consider; for example, the team leaders of the two affected manufacturing departments may require new skills, and there may be further implications for other areas of the organization. Note that this organizational-level objective is causing training needs at an organizational, departmental, occupational and individual level.

Organizational-level objectives may contain very large training implications. For example, the redirection of a corporate culture to new beginnings, take-over, or merger, will

require careful consideration with regard to the associated training needs. These will normally require a detailed analysis and a substantial commitment of training resource before they can be implemented.

As an example, consider an organization that has committed itself to move to a culture of total quality or continuous improvement. A comprehensive strategy is needed, with a phased implementation plan. Such a strategy will typically include improved communications systems, restructuring of job responsibilities, job redesign for supervisors, empowerment issues, improvements to inter-group interfaces, new alliances with suppliers, and development of group and teamworking capability. Such a major programme will generate a whole suite of training courses that may embrace every employee.

These are complex interventions that will call for an organizational development approach. They will possibly stretch over a number of years and require external consultancy expertise. As such, this scale of programme is an ongoing needs analysis in its own right.

New implementations

Another associated way of considering the objectives of the organization is to consider everything new that is proposed in the foreseeable future. Anything that is new will generally have a training implication. The following is a list of considerations:

- new product;
- new process or method;
- new technology;
- new piece of equipment;
- new legislation;
- new/transferred employee;
- new procedures/standards;
- new customer/market.

All new developments involve change and the facility for mistakes or lost opportunities. The smarter organization will be reviewing the training implications before rather than during the implementation of anything new. Having said that, the line manager may not always think this way. It is here that the training professional, in keeping an eye open for new implementations, can make a valuable input to ensure the training need is considered at the right time.

Performance measures

The organization will be measuring itself, not only in terms of traditional financial performance indicators, but also increasingly in other areas. Corporate and departmental measures such as accident rates, customer complaints, warranty costs and quality costs all give leads to where things are going wrong. Training professionals should ensure they are privy to these measures.

There is a need to look beyond the simple figures. Something going wrong does not necessarily indicate a training need. For instance, a shortfall in production in a department may have a training implication. On the other hand, it may simply be down to poor performance of a sub-supplier. In this respect some caution is necessary. A training needs analysis is perhaps better termed a 'needs analysis'. *The needs of the organization are not necessarily training needs.* Very often, there may be process, systems or procedural issues that need addressing.

Problem-solving groups

Many organizations have embraced continuous improvement or total quality philosophies that use quality groups to address operational problems and devise and implement solutions. Such groups can occur at any level within the hierarchy. Such groups can be cross-functional or discreet within a function or department.

These groups are working on critical incidents or failures within the organizational system. As such, they are valuable sources of information on where training needs may be occurring. Very often, these groups are coordinated in their activity via a steering committee, facilitator, or a quality function. The machinery of the continuous improvement methodology is therefore doing some of the training professional's work in identifying where things are failing within the organization.

TNA AND COMPETENCES IN THE PRISON SERVICE

The Prison Service is an Executive Agency of the Home Office, with an annual budget of £1.3 billion and 36,000 directly employed staff. There are 135 prison establishments in England and Wales, holding 65,000 prisoners. The role of the Service is captured in its Statement of Purpose:

Her Majesty's Prison Service serves the public by keeping in custody those committed by the courts. Our duty is to look after them with humanity and help them lead law-abiding and useful lives in custody and after release.

The Prison Service is in a period of enormous change. It is expanding rapidly as it faces unprecedented growth in the prison population at the same time as being required to become more effective, both in custodial and rehabilitative work, and more efficient through a demanding cost-reduction programme. An average prison will, for example, have a budget of £20 million and will employ upwards of 500 staff.

The major impact of developments has been on the Governor of each prison. Running prisons is becoming an increasingly complex and demanding managerial task. The progressive devolution of responsibility for delivery of services, and the management of resources (money, staff, buildings and plant) to deliver those services, has increased significantly the role of the Governor as general manager, in addition to traditional duties.

In light of these changes, a number of high profile prisoner escapes, the White Paper, *Development and Training for Civil Servants*, and a desire to adopt a strategic approach, the Prisons Board commissioned reviews of what competences Governors require and what training and development framework would provide those competences.

The Prison Service, like other Executive Agencies, developed a core competency framework (CCF) in 1996. The CCF was intended to inform the recruitment, selection and development processes of staff. Unlike the Home Office, the Prison Service CCF does not have competences identified for each managerial level but rather is a framework of 12 competences applicable to all staff in the Service. Each of the 12 competences has three overarching sentences attached to describe it, and a number of performance indicators.

Using the CCF a 360-degree (line manager, peer, subordinate, self) profiling of the Governor's job was undertaken in order to create a model, or benchmark, against which Governors could be assessed for promotion, selection and appraisal, and to identify training and development needs. In addition to the behavioural competences, a TNA was undertaken to identify the present and future training and development needs of Governors. This involved questionnaires to all Governors and a number of semi-structured interviews.

What emerged from the TNA was that Governors required both formal and informal development opportunities. Formal elements included training in: general management; prison operational management; incident command and public sector management. The demand was for classroom-based work, together with distance learning material, thematic seminars, project work and secondments. The informal elements consisted of coaching/mentoring, learning sets, broader development opportunities and personal study.

The Prison Service has, as a result, made a major investment in the training and development of Governors. Contracts have been signed with external providers for a Certificate and Diploma in Management, and for a Master's degree in Applied Criminology and Management. A coaching/mentoring scheme has been introduced and thematic seminars have taken place. A Senior Command course has been developed for senior staff, which

they attend prior to becoming a Governor. The Civil Service College is providing the public sector/civil service modules.

A project is underway to assess the organizational impact of the major investment in training and development for Governors. At an individual level, the end-of-training questionnaires indicate that the objectives set have been met, and follow-up questionnaires suggest that people perceive themselves to be more effective having undertaken the activity. Evaluating the impact on the organization continues to be problematic. Directly attributing the improvement in the Prison Service's Key Performance Indicators (such as number of escapes, time out of cell) to the investment in training and development is too simplistic to be defensible. However, the investment in training and development has helped to create a perception that the Prison Service values its senior staff and that in itself is of benefit.

With acknowledgement to Shane Bryans, Head of Management and Specialist Training, HM Prison Service.

Human resource planning

The organization may have a well developed plan, giving detailed projections on the skill levels required over the next few years. Where such a plan is not available, a lot of valuable information can be garnered from personnel statistics and records. A simple analysis of age profiles, qualification levels and labour turnover will start to give shape to the sorts of people and skills that the organization requires in the foreseeable future and hence their training needs.

Some form of succession plan is also required. This can be in a rough-cut format. Detailed plans are very often difficult to produce, owing to the high degree of future uncertainty. However, some format is needed to highlight those within the organization worthy of development. (See also the section on individual needs, below).

NEEDS AT THE DEPARTMENTAL LEVEL

In anything but smaller organizations, a detailed TNA becomes too complex and difficult to be generated centrally. This is where the use of TNAs on a departmental basis can be invaluable. It is doubly valuable as it delegates the responsibility for detailed day-to-day training analysis down to where it should be, with the line manager.

The departmental analysis is performed in exactly the same way as the analysis at organizational level. For instance, reviewing the categories above, the business objectives

should have been cascaded down to a departmental level. In the example given above, the manager of Product A cell is already considering the step-up in production. The manager already has more detailed personal objectives relating to the phased increase in production over the next year. He knows the transferees coming into his department and is already planning the reassignment of duties and who will train the transferees.

Likewise, the consideration of anything new can be effective at departmental level. The arrival of a new piece of equipment in the department has a training need. It is not necessarily a need that could or would be identified or met by a central training facility's analysis of corporate needs.

The department may also have its own set of performance measures. Output, accident rates and absenteeism may all be measured locally and have local training implications. Similarly, there is value in local human resource planning. The manager will know what retirements are forthcoming, absences for maternity or pre-planned medical leave, new entrants, etc.

Departmental problem-solving groups

Where these exist, they can be a useful source of information for training needs at the departmental level. They can provide information on two levels:

1. They will be searching for solutions to departmental problems. Some of these solutions will have training needs.
2. These teams can be directed specifically towards training and people-related issues to identify needs.

An organization may already have trained teams in specific problem-solving techniques. These could brainstorming, Pareto analysis, fishbone diagrams, forcefield analysis, SWOT analysis, or other widely available problem-solving models. These are traditionally considered as useful for the solution of operational problems but there is no reason why the majority cannot be applied to training or human resource-related issues and they are particularly valid at departmental level.

An easily applied tool is the SWOT analysis, which asks the team to consider strengths, weaknesses, opportunities and threats relating to a specific situation. The finishing and packing department of a manufacturing organization has asked its problem-solving team to look at the training implications within the department as a starting point for consideration of next year's training needs. The team has come up with an analysis, shown in Table 7.1.

Such a SWOT analysis provides some useful information to the department. One great value of a SWOT analysis is that it is more than just a snapshot. It is forward-looking in the

Table 7.1 Finishing and Packaging Department – Human Resources SWOT

Strengths	Opportunities
New department manager	Increase in forecast sales
Stable department workforce	Access to PC-based training
Start of multiskilling	New packaging machine next year
Good morale	'Return to learning' scheme available next year
Weaknesses	Threats
Stock shortages causing too much firefighting	Team leader retires next year
Two trainees recruited	Competition establishing factory nearby
Problem-solving team not fully effective	Wage rates uncompetitive

two right-hand quadrants as well as considering the present situation in the two left-hand quadrants, and it examines both positive and negative aspects of a situation.

The above example raises a number of training issues. The new departmental manager faces a number of changes within his department – likely increase in throughput, new machinery and some staff changes. It is also evident that there are a number of issues relating to the spread of skills within the department that will need to be addressed.

He must also consider the motivation and retention of his staff in the immediate future, since there is likely to be increased competition locally for skills. A further issue, relating to stock shortages, does not necessarily have a training implication but is impacting on the people issues within the department and must be taken into consideration. The SWOT analysis therefore gives some useful raw data that can be further refined to analyse the precise needs of the area.

Much of this departmental activity is too detailed to be identified at a corporate level but can be identified locally, formulated into a departmental plan, then integrated into the corporate training plan.

Using analysis at departmental level does in fact provide an alternative method for organization-wide analysis. The role of the training professional in this method is to coordinate and collate all departmental needs, thereby extracting and meeting any common needs that occur.

The skills matrix

A useful instrument that incorporates much of this information locally is a skills or training matrix. This gives the department a snapshot of the current skills status within the department and, by its very nature, shows where training needs exist. An example of a very simple matrix, showing broad competence areas, is given in Table 7.2.

For instance, knowing that a skilled operative, Dal Patel, retires in six months' time, the manager is presently training up a number of operatives in the skills that will be lost. The

Table 7.2 Skills matrix, Product A cell

	Assembly	Drilling	Bending	Fork Lift	Spray	Test	Ship
John Briggs	C	C	C	C	C	C	C
Dal Patel	C	C	C	C	C		C
Jean Phipps	C	C	C	C		C	
Jan Libich	C	C			T	C	
Tony Blitz	C	C	C			T	T
Nadya Smith	C	T					
Ellie Johns		C			C		T

C – Competent; T – Undergoing training

matrix can be enhanced to give more qualitative information on the level of competences using a categorization such as:

1. Can do job only by reference to job instructions or supervisor.
2. Can do job without reference to instructions/supervisor, but not always to agreed output and quality.
3. Can do job to prescribed output and quality levels.
4. Can do all the above and can train others.

The skills matrix provides an invaluable instant picture of where skills are distributed in a department and provides an excellent visual management tool. The matrices can also be integrated centrally to provide a skills inventory.

NEEDS AT OCCUPATIONAL LEVELS

At this level, training needs are expressed as the knowledge, skills and attitudes that are needed to carry out specific duties within a job. They are normally defined through the process of job analysis. Gael (1988:xv) discusses more than 40 different approaches to job analysis. He stated that it:

may be viewed as the hub of virtually all human resources administration and management activities necessary for the successful functioning of organizations. Hardly a program of interest to human resource specialists and other practitioners whose work pertains to organizational personnel does not depend on or cannot benefit from job analysis results. The importance of precise and accurate job information cannot be overemphasized, considering the impact that decisions based upon job information have on individual job applicants and employees and organizations.

Pearn and Kandola (1988) discuss 18 methods of job analysis. These range considerably in their levels of sophistication and the resources required. The spectrum starts with the apparently simple, yet time-consuming technique of observing the job-holder.

Other ways of collecting data are to get the job-holder to record via diaries, logs or self-descriptions the work carried out, or to undertake a job analysis interview with the job-holder. There are also more sophisticated techniques, including the critical incident technique. This method collects information on incidents that are critical or very important in the performance of the job. The range continues through the use of repertory grids, to detailed checklists, inventories, etc. There are, therefore, many techniques available to carry out a job analysis. This chapter does not have the space to discuss all the differing techniques; however, we can review the general principles involved in the process:

- Some common sources of information for a job analysis are the job description, which will list major responsibilities and tasks, and the job specification, which will give indicators on the knowledge, skills and attitudes required by the job.
- The analysis involves breaking down the job into component tasks. The relevant skill and knowledge required to perform each of these tasks are then listed. Attitudes are a difficult area and these are more rarely measured. Analysis will therefore tend to concentrate on knowledge and skills.
- There is now a comprehensive listing of all the skills and knowledge that are required to perform the whole job. Next, the level of competence for the knowledge and skills needs to be defined. This is important, since not all tasks contained within the job will be performed with the same regularity, nor be of equal importance.
- From here the necessary training programmes can be developed to train the job-holder against the required standards. The technique is particularly relevant in defining training needs where new jobs or ranges of jobs are being created. For example, a new factory on a green-field site may find the technique appropriate.

Job analysis is, however, a detailed technique. It therefore lends itself particularly to situations where larger numbers of homogenous jobs exist. To perform a detailed analysis on one-off jobs is a time-consuming process. Indeed, Wellens (1970) points out that job analysis as a means of determining training needs is at its most effective at the lower end of the organization. The discretionary and ever-changing nature of supervisory and managerial jobs means that they cannot be predetermined or prescribed accurately.

Wilson (1997:75) summarizes the debate on the effectiveness of a macro or micro approach to job analysis:

In order to conduct job analysis, there is the danger of concentrating on the individual elements and details of the job and consequently failing to observe the overall picture i.e. failing to see the wood for the trees. Alternatively, viewing the job as an entity or as purely an outcome may result in a failure to recognize important details.

Job analysis, however, remains a very valid technique for the identification of the skills and knowledge required at the occupational or job level.

NEEDS AT THE INDIVIDUAL LEVEL

Spoon feeding in the long run teaches us nothing but the shape of the spoon.
(E M Forster, 1951)

At this level, the organization is seeking to identify any shortfall in the individual's knowledge, skills and attitudes required to perform his or her job. The difference between the desired level of performance and the current level of performance is *the training gap*.

The analysis of needs at this level has two prerequisites. The first is that the performance parameters of the job have been defined. This can be against a job analysis as defined above. Alternatively there may be individual performance measures identified, particularly at management level, where a manager is measured against personal objectives. However, failure to meet a personal objective does not necessarily indicate a training need; for example, the failure of a Production Manager to meet output targets where this is a result of serious plant breakdowns.

The second prerequisite is that some form of review takes place against the performance parameters. This is traditionally the performance appraisal or review. Other techniques include self-assessment, assessment centres, 360-degree feedback, etc. Whatever the technique employed, some form of performance measure is required.

Without these two elements – the required and the actual performance – an analysis cannot take place. Where these are in place, there are still difficulties in evaluating individual training needs. For example, a new receptionist is receiving a six-monthly appraisal. The manager has identified a satisfactory match with the functional skills required to perform the job. These include completion of the visitors' book, issuing security passes, answering incoming calls and routing to the relevant extension, notification of visitors to the relevant recipient, etc.

Here the receptionist is utilizing both the required functional skills and required knowledge to perform the job role. No training gap is perceived. The manager is, however, dissatisfied with the job-holder's attitude towards visitors. It appears cold and does not reflect the company's preferred welcoming style. This leads towards a difficult area of definition. Are the manager's expectations about the receptionist's attitude fair and how can they be measured? And what is a possible training solution? It could be that the job-holder does not possess the warmth the manager expects and the error has been made at the recruitment phase.

ALL I REALLY NEED TO KNOW about how to live and what to do and how to be I learned in kindergarten. Wisdom was not at the top of the graduate school mountain, but there in the sandpile at Sunday School. These are the things I learned:

Share everything.

Play fair.

Don't hit people.

Put things back where you found them.

Clean up your own mess.

Don't take things that aren't yours.

Say sorry when you hurt somebody.

Wash your hands before you eat.

Flush.

Warm cookies and milk are good for you.

Live a balanced life – learn some and think some and draw and paint and sing and dance and play and work every day some.

Take a nap every afternoon.

When you go out into the world, watch out for traffic, hold hands, and stick together.

Be aware of wonder. (Robert Fulghum, 1989:6)

At the individual level, we also need to review development opportunities. Many appraisal and review systems do build in a forward-looking aspect in which employee and manager can together discuss both the individual's and the organization's view of their future. Other sources of information will be succession plans and human resource plans, where these exist.

Development of individual employees is vital to future organizational growth. Bennis (1989:47) states:

Our educational system is really better at training than educating. And that's unfortunate. Training is good for dogs because we require obedience from them. In people, all it does is orient them toward the bottom line.

The valid point here is that it is quite feasible for an organization to place too much emphasis on training to meet current performance and business objectives, meeting the short-term bottom line results, at the expense of developing people for the future.

The degree of development activity will depend upon organizational culture and training policy. Some organizations will invest in the bare minimum of training, perhaps as a result of health and safety legislation. Other organizations encourage learning for its own sake and have well-established personal development programmes. Ford's EDAP is a prime example that enables employees to develop themselves.

FORD MOTOR COMPANY'S EMPLOYEE DEVELOPMENT AND ASSISTANCE PROGRAMME

The UK's Ford Motor Company's EDAP was introduced in 1987 as a part of its national pay negotiations with the trade unions. It is run on a tripartite basis with representatives from hourly and salaried unions and management, both at national and at plant level.

The programme offers sponsorship for voluntary activity or study undertaken outside of working hours and all of Ford's 30,000 UK employees are eligible to apply for assistance.

EDAP offers employees a wide range of opportunities for personal and career development. These can include education, training, retraining or other development activities as well as a variety of services to encourage healthier lifestyles. The programme is not intended to replace the company's job-related training.

The aims of EDAP are:

- to enhance the personal development and well-being of all employees;
- to provide personal educational and training opportunities;
- to provide resources to encourage a healthier lifestyle.

During the first five years of the programme, 100,000 applications were processed, and Ford contributed over £10 million. The range of courses available is very broad, encompassing: Master's degrees, Open University courses, other academic courses such as BTEC and GCSE qualifications, computer literacy, languages, basic literacy and numeracy programmes, crafts such as plumbing and decorating, music, art, cookery, fitness/health programmes, etc.

Many local committees have developed their own on-site facilities such as classrooms, fitness centres and computer rooms. This offers the flexibility to enable shiftworkers to attend programmes.

The concepts of the Ford EDAP have been copied by many organizations, large and small, since its inception. It is difficult to assign measurable bottom-line benefits to such programmes. But they can have strong motivational aspects and positive employee relations implications as well as the obvious benefits of bringing many employees back into the main body of the church of learning.

Programmes such as EDAP allow many employees back into the learning arena and develop their learning skills and enhance their confidence levels. These philosophies also fit well with continuous improvement programmes whereby organizations seek to enhance all employees' contributions to the business, so that untapped and unseen potential can be harnessed. These programmes, whether they be learning a language at a

local college, improving computer skills, or taking a Master's degree, are risky investments. They may have no immediate impact upon company performance nor fulfil any immediate training need. However, issues of leadership, innovation and creativity are becoming more critical to organizational success. Thus, it is these sorts of investments in individual potential which become more valid and sensible.

There is always the danger of assessing training needs solely from the perspective of the organization. Many individual employees rightly have their own agendas and plans concerning their educational and developmental needs. And there are sound business and motivational reasons for organizations to assist employees to fulfil these self-development needs.

As human beings, we all have our own personal struggle to find ourselves and our role in life. There are very few that live solely to work, but because work occupies the lion's share of our waking life, each individual usually seeks to gain fulfilment and satisfaction within the working environment. That self-awareness and self-development are, by definition, broader than the pursuit of organizational objectives. As Handy (1997:90) has said:

We have today the opportunity, which is also the challenge, to shape ourselves, even to reinvent ourselves. Our lives are not completely foreordained, either by science or by our souls. We can make of our lives a masterpiece if we so wish. It is an opportunity that ought to be available to all humans. It could be. It is the fortunate combination of liberal democracy and free market capitalism that gives us this opportunity, as long as we make these two our servants, not our masters.

Developmental training can be more structured, particularly where this is linked into career development programmes. Where succession planning is present, plans may exist for managers to gain experience, for example through secondment to a new function and to develop themselves educationally. These training needs are identified and budgeted for in agreed development plans.

Development needs, specifically those that are initiated by the individual employee, are hard to quantify in terms of cost benefit to the organization. They therefore become harder to justify and to support as a priority need (see below). For this reason, they should be embedded within a corporate policy, as a percentage figure or money/time investment. Otherwise, they are easily trimmed out as an unquantifiable expenditure.

DEFINING THE TRAINING PRIORITIES

Having undertaken an organization-wide TNA, it is likely that the number of training needs identified are much larger than can be met through current resources. It is therefore

imperative to prioritize the needs into some order of importance. The priorities may be self-evident but where this is not the case, the following technique can be applied. It is useful to do this as a group exercise, such as in a training committee:

1. Certain training needs will already be defined through company policy or strategy. For instance, the organization has committed to train three designated managers on an MBA programme. All PC users are to be trained in the new suite of software by the third quarter. Such strategic and policy training decisions are already pre-ordained.
2. A distinction must be made between training needs and training wants, that is, between the essential and the desirable. Where needs are identified against organizational objectives, then the arising needs should be essential to the achievement of those objectives. However, it is probable that in the course of undertaking a TNA, general requests for training will emerge. These may include wants rather than needs. For instance, the Financial Controller considers that line managers have a poor understanding of the financial measures used in the organization. This may be true. While a properly designed course in Finance for Non-Financial Managers may address this issue, will it actually improve the organization's performance? It is a desirable but it is not essential.
3. Pareto analysis can be employed as a technique to define the highest priority training needs among the remaining needs. A cost saving resulting from the proposed training is calculated (estimated savings minus estimated training costs). The cost savings are compared and the best savings become the priority needs. Considering the Pareto principle: 20 per cent of the training input is likely to yield 80 per cent of the savings.

For instance, an organization is having broken merchandise returned due to faulty packing. It emerges that staff in the packing department have not been fully trained in the correct packaging methods for a new product range. Returns are costing the organization £3000 per month. If left unresolved, a substantial cost will accrue. Such a piece of training becomes a high priority against other costed training needs.

Costing of training in softer skills can be trickier. But all that is being attempted here is some rough measure to enable some comparisons to be drawn. Avoid getting drawn into detailed and complex calculations; a rough yardstick is all that may be required.

The three-stage process for prioritizing training needs is summarized below:

1. Include training needs predetermined at policy level.
2. Divide remaining needs into essential and desirable.
3. Cost the essential needs and prioritize via Pareto.

CONCLUSION

We have now reviewed a number of methods for identifying training needs at four levels throughout the organization and seen that:

- The relevance of the various TNA techniques will depend upon the culture and size of the organization.
- Most literature on the subject infers that the identification of training needs is the preserve of the training professional, or at least looks at it from this perspective.
- Trends over the last decade have led to the devolution of responsibility into smaller autonomous units within organizations. Smaller business units, self-directed work teams, teamworking, more local empowerment, all lead to the conclusion that TNA must move closer to the coal face.
- As training becomes more highly recognized as a legitimate business investment, the volume of training is likely to rise accordingly.
- With the devolution of responsibility and the rise in the amount of training, training and the identification of training needs have to become more and more a part of the line manager's and supervisor's people-management responsibility. If they are not, they will become distanced and less relevant to local operating needs.
- The devolution of responsibility for the identification of training needs raises its own training need. Have we, as HRD professionals, shown our managers and supervisors how it is done?

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Performance Management and Human Resource Development

Alan Cattell

INTRODUCTION AND LEARNING OBJECTIVES

Globalization and the need for companies to gain sustainable competitive advantage require new and different approaches to recruiting, training, developing and retaining employees with key skills. Thus, the need for *integrated* methods of performance management has never been greater when downsizing, de-layering and mergers have become the norm worldwide. Within this competitive and rapidly changing environment, people and people management are seen by a growing number of commentators as being the key to business success. Bassi *et al* (1996:28) observe:

Sustainable competitive advantage is no longer based on technology or machinery. Corporate leaders are saying, 'People are our most important advantage.' Even so, corporate America has undergone massive downsizing, restructuring and reorganization.

Similar findings from two major research projects studying leading multinational companies are reported in the UK by Gratton (1997:25):

The sources of sustained competitive advantage have shifted from financial resources to technological resources and now to human capital. This change has a number of profound implications. It requires a fundamental change in organisational timescales from short term

to long term and is predicated by integration and coherence rather than ad-hoc thinking and incoherence. It also means that we must take into account people's aspirations and values and not allow people management to be dominated by tools and techniques.

HR professionals and practitioners have not been exempt from this changing environment. Thus, this chapter provides the opportunity for those involved with HRD to appraise their role within and outside their organizations, and consider their own training and development needs for the future.

Having read this chapter you will:

- understand the role of performance management linked to organizational strategy;
- be able to link appropriate elements of performance management to HRD;
- be aware of some of the approaches to performance management;
- understand the role of trust and the psychological contract; and
- understand the integrated role of appraisal and training.

WHAT IS PERFORMANCE MANAGEMENT?

McBeath (1990:199) suggests that the word 'appraisal' is emotive. Perhaps the phrase 'performance management' is even more emotive, meaning different things to different people, and dependent on which level in the organization they occupy.

Performance management is a broader term than appraisal and, as a concept or philosophy, should ideally be a systematic approach that encompasses:

- motivation of employees to perform;
- vision by employers as to what performance standards they expect of employees;
- ownership of management of performance at a variety of levels within organizations; and
- monitoring and measurement of the performance achieved by employees.

Performance appraisal and derivation of training and development needs at organizational, team and individual levels are an integral part of the performance management process, but there is the potential for conflicting messages as to who plays which part and at what stage.

Edis (1995:1), identifying approaches within the British National Health Service, captures elements of this conflict when he refers to 'a confusing circus display of pay scale acrobatics, trial and error introductions of new performance management systems, and resuscitation of appraisals'.

While there is no single, simple definition of what performance management is, or should be, I will offer a number of 'statements' from which general conclusions can be drawn:

the practices through which work is defined and reviewed; through which capabilities are developed and through which rewards are distributed in an organization. Performance management may involve goal setting, employee selection and placement, compensation, performance appraisals, training and development and career management. (Mohrman and Mohrman, 1995:2)

Performance management is the essential bridge between the strategic goals of the organisation and the day-to-day priorities of teams and individuals. It is also the way in which an organisation can gear its people development strategy to the needs of the business – defining the skills and competencies required for excellent performance and then creating PDPs for individuals. (IPD, 1997a:7)

Performance management is a systematic approach to improving individual and team performance in order to achieve organisational goals. (Hendry *et al*, 1997:20)

Performance management is the process of trying to bring the rewards which *individuals* desire into line with those required by the *organisation*. (Edis, 1995:10)

Performance management is creating a shared vision of the purpose and aims of the organisation, helping each individual employee to understand and recognise their part in contributing to them and thereby managing and enhancing the performance of both individuals and the organisation. (Fletcher, 1997:36)

The common elements linking all these statements are:

- the need for well communicated and commonly understood **strategic goals** within organizations which reflect the needs of the external business and market environment;
- a **shared vision** of the part which each function, team and individual within organizations will play and the benefits to be achieved by doing so;
- a **systematic approach** to performance management which requires a holistic and integrated approach business-wide, rather than one based on functionally driven, short-term and ad hoc 'initiatives'.

Strategic goals: gaining competitive advantage

During the 1980s as a result of long-term scenario planning, Motorola anticipated significant growth in the economy of China during the 1990s. In the absence at the time of a cadre

of highly trained Chinese managers, Motorola devised an East Asian human resources strategy for the region. This included establishing links with Chinese universities, developing the Motorola University in Beijing and providing coaching and mentoring throughout the company, aimed at developing young Chinese managers.

By 1996, the company through its development investment had gained competitive advantage over many other western businesses which were finding it difficult to attract, recruit and retain young Chinese talent (Gratton, 1997:26).

In similar vein, during 1986, Royal Dutch Shell (one of the first widely recognized learning organizations) pioneered the use of scenario planning two years before the oil crisis of 1988. By doing so they anticipated the worldwide drop in oil prices and gained competitive advantage over other oil companies. By using learning-based strategic planning they developed the capacity as an organization to respond to sudden changes in their market environment (Gephart and Boje, 1996:45).

Shared vision

Gratton (1997), reporting on a study of a division of Hewlett Packard, observes links between the highly focused performance management process used by the company, which successfully aligns strategic to individual objectives together with a set of values ('the HP Way'). Among the main features identified by employees surveyed were commitment, pride and trust in the integrity of the company.

A study by the Singapore Institute of Management and Development Dimensions International (1994:61) reports the experiences of five high-performing companies which have won the Singapore National Productivity Award. These companies displayed a number of similarities in their approach to:

- introducing management practices designed to develop self-motivated workers who took pride in their work;
- transferring authority for both tasks and responsibility down the hierarchy to give a sense of ownership;
- regular discussion between managers and employees about performance growth and development.

Included in the benefits highlighted by the companies were lower-than-average turnover rates and employees with strong work values.

Systematic approaches

Within this chapter it is not the intention to examine in detail the myriad performance management approaches. Suffice it to say that there are a profusion (some might say a confusion) of elements that can make up a performance management system. These may include:

- business strategies;
- total-quality management strategies;
- human resources strategies;
- organization development strategies;
- reward strategies;
- communications strategies.

Aligned to these there may be a variety of further elements:

- competence-based recruitment;
- skill mix analysis;
- benchmarking;
- job design;
- job evaluation;
- job restructuring;
- performance-related pay;
- competence-based/related pay;
- group/team-related pay;
- merit-based pay;
- gainsharing;
- individual competences and objectives;
- team competences and objectives;
- ongoing performance review – team and individual;
- performance appraisal/feedback;
- team development plans;
- personal development plans;
- continuing professional development;
- succession plans;
- career development plans.

In essence, performance management owes its origins to management by objectives (MBO) first proposed by Drucker (1954). Fowler (1990) suggests as much by the title of his article 'Performance management – the MBO of the 1990s'. While MBO emphasized the linking of

individual and managerial objectives to organizational goals through an appraisal process, it was perhaps viewed as an HR-driven exercise and therefore lacked ownership by managers.

Performance management differs in the respect that at its best it should link the strategic elements of a business with key managerial tasks including managing people. As will be outlined in later sections of this chapter, *managerial* responsibility for coaching and support and *individual* ownership of performance improvement are at the heart of performance management. A model of a performance management system is shown in Figure 8.1.

However, put simply there is no one best way. Much depends on the present culture (the way we do things round here) or envisaged future culture of the organization and the type of business which it is in. As Hendry *et al* (1997:20) observe, 'We believe that the approach you take should depend on your organisation, its culture, its relationship with employees and the type of jobs they do.'

In terms of culture, what works in the public sector may not work in the private sector. What works in the UK or the USA might not necessarily work in Asia or Eastern Europe. This is particularly worth bearing in mind in our new 'globalized' marketplace. Trompenaars (1995) notes that much of the management literature and practice has been developed and preached by individuals from the Anglo-Saxon world and is potentially laden with cultural assumptions. As such many purportedly 'universal' ideas, approaches and solutions put forward may have little relevance to a large part of the globe.

Of particular relevance to performance management is Trompenaars (1995:25–6) statement that:

In developing pay for performance systems globally, for example, we quickly run into major cultural differences in whether we should recognise and reward individual or group contributions. Individualistic cultures, such as those of the US and Britain, choose the individual and pay the price of impaired teamwork and the tendency to push for personal objectives even when they damage the team as a whole. Collective cultures, such as that of the Japanese, choose the group and often pay the price in a submerging of individual initiative and creativity.

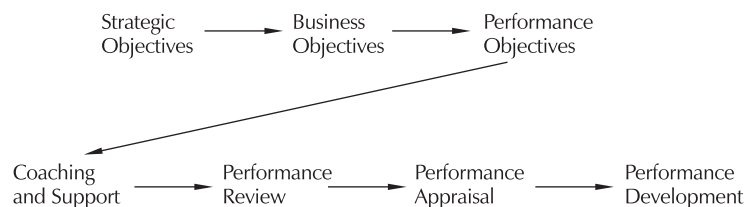


Figure 8.1 A simple model of a performance management system

THE EFFECTIVENESS OF PERFORMANCE MANAGEMENT

In opening this chapter I intentionally used the word ‘integrated’ as a preface to performance management. Any performance management system is only as good as its fit with other key business systems and strategies. It is not something that is *done* to employees but *with* them. At its best it should *add value* (see also Chapter 2) to the business and to relationships within the business. However, in many cases it does not because of its lack of focus or ownership by key stakeholders at a variety of levels.

Added value

There are two dimensions to added value: that of adding value to the business and that of engaging employees in a way that motivates them to perform to standards where they give added value.

For the organization, added value means establishing performance criteria related to key strategic and business objectives and monitoring its own and its employees’ success in performing against these. At managerial level it means alignment to both strategic and business objectives and operationally carrying these out while using time and resources (financial and human) to maximum effect. At team and individual level it means using and developing the skills necessary to secure, retain or enhance employability at an equitable rate of remuneration.

Integrated systems – making the links

In engaging key stakeholders at organizational, managerial, team or individual levels, it could be contended that we have similar objectives but approach them from different directions. The common denominator is based on the profitability of relationships, not the cost of them. This depends on establishing a mutuality of interest.

In terms of establishing direction for our businesses at one level and for ourselves at another, we use a number of similar tools and techniques. As organizations we may use scenario planning or SWOT analysis (strengths, weaknesses, opportunities and threats) to establish future direction. At managerial and individual levels we may use situational analysis to examine:

- Where are we now?
- Where are we going?
- How do we get there?
- How do we know when we’ve got there?

As trainers and developers we may use Kolb *et al*'s learning cycle (1978) as a framework to plan, develop, implement and review training interventions. In essence they are founded on the same principles but used by different people to different timescales and based on different perceptions of the notion of profit and added value.

Hence the need for integrated systems of managing the business, of which performance management is a part. Hence the need for performance management of which performance appraisal is a part. Hence the need for performance appraisal of which training and development needs analysis is a part. Hence the need for individual self-appraisal of which motivation, ownership and self-reflection should be a part.

If such a system of integration is to be achieved, then how do organizations approach the realignment of often disparate parts of the system into a whole? In the article 'A clear path to peak performance', Egan (1995:35) reviews the elements that make up a comprehensive performance management and appraisal system. He suggests that it is made up of three parts:

1. performance improvement involving: objective setting, agreement of delegation parameters, work planning, initial training, managerial facilitation and support, feedback, tracking of progress against key objectives, recognition of accomplishment, and development;
2. performance appraisal;
3. discussion of the compensation consequences of the appraisal.

While a chapter cannot detail the full content or implications of Egan's article there are several points of note:

- Responsibility for performance improvement lies with the line manager in the role of supporting employees to give their best on the assumption that this is what most employees would want to do. The majority of the manager's time should be devoted to the performance improvement stage and if this is done to full effect it requires less time at the appraisal stage.
- If the workings of the day-to-day performance improvement process are good, then the employee being appraised can play a leading and proactive role at the appraisal stage. This is because there are likely to be no new messages and the appraisal therefore becomes a platform for summarizing the messages already heard and building on them. Egan (1995) states, 'Employees who can lead the process should be the rule rather than the exception.' This sentiment was proposed as early as 1954 by McGregor who, in suggesting that conventional approaches to appraisal were outdated proposed that, 'A sounder approach places the responsibility on the subordinate for establishing performance goals and appraising progress towards them.'
- The performance management system should be presented as an added value management system and not a Human Resources system. It is a business system

because it focuses on improved performance and business results. As such it is something that can be used by all managers together with their team members to improve both individual, team and unit productivity.

Motivation

It is one thing to have a systematic approach to managing and evaluating performance in order to achieve organizational performance expectations. It is another to have a congruent process that is capable of motivating people to perform to the standards which may be expected of them. This raises the question, whose expectations?

Exploration of the variety of theories of motivation is likely to reveal a mirror of the economic circumstances pertaining at the time at which the theory was first proposed. For the reader seeking more information, Handy's (1985) text *Understanding Organizations* is a useful guide to tracing the evolution and development of motivational theory.

Perhaps the two concepts that have most relevance to modern performance management are expectancy theory and the notion of the psychological contract.

Expectancy theory

Expectancy theory (Vroom, 1965) maintains that people will make an effort to achieve a standard of performance if they perceive that it will be rewarded by a desirable outcome.

Desirable outcome is essentially a product of individual circumstances and perceptions and is therefore subject to change. At one time, lifelong employment and security of tenure at an equitable level of remuneration may have been the driving force for many employees. Those who have suffered the effects of downsizing and redundancy are now likely to view the world in a different manner, where jobs offering short-term and reasonably remunerated employment prospects are more attractive than no job at all. Similarly, those in employment and those seeking employment are likely to have a positive view of work offering the prospect of development of differentiated and transferable skills, as an investment in their future employability. The consultative document, *Opportunity through People* (Institute of Personnel and Development, 1997c:4) states:

Outsourcing, downsizing, delayering and the casualisation of jobs are all fashionable. These trends affect employees' explicit or implicit relationships with their employer. Similarly, reduced career opportunities, shorter tenure, the need for transferable skills to assist employability and increased use of fixed term contracts weaken the traditional ties of loyalty to their company's destiny – psychologically as well as formally.

The psychological contract

There are two sets of contracts between employer and employee. The first is the legal contractual relationship which defines who is expected to give what, to whom, and for what. The second, or psychological contract (Schein, 1964) is an unwritten and unstated set of expectations of each other. Within this the organization has expectations of the individual related to results or rewards it will award if outcomes are met. The individual similarly has a vision of the results or rewards expected from the organization which will satisfy his or her needs and in return for which he or she will expend energy at an appropriate level.

Much therefore is unwritten or unspoken and is a perception of the employer on one part and the employee on the other. If there is a mismatch in perceptions this may lead to feelings of lack of cooperation and involvement by one party or exploitation by the other. Handy (1985:43–6) proposes that it is possible to categorize organizations according to the type of psychological contract which predominates. These are summarized as follows:

1. *The coercive contract* typified by:

- the contract is not entered into on a voluntary basis by the individual;
- organizational philosophy is command and control;
- power is likely to be in the hands of a small group;
- the task of the individual is to comply and conform;
- blame culture – fear of getting it wrong and being punished;
- stifling of risk-taking, innovation and creativity.

2. *The calculative contract* typified by:

- the contract is voluntary and is prevalent in many organizations;
- there is a commonly understood exchange of goods/money given by the organization for services rendered;
- power to reward is in the control of management and is expressed mainly through management's ability to give desired things in return for a high level of performance;
- desired things can include money, promotion, training and development opportunities or work itself;
- the contract is based on the organization's ability to pay. If it cannot do so and seeks more for less, employees will view it as a coercive contract and adjust their side of the contract accordingly.

3. *The cooperative contract* typified by:

- the individual's tendency to identify with organizational goals and become proactive in the pursuit of those goals;

- as well as receiving rewards, individuals are encouraged to voice opinions in selecting goals and given choice on methods of achieving them;
- management relinquishes much day-to-day operational control but retains overall control through its ability to allocate financial resources and to select people.

The cooperative contract may seem to offer a mutually attractive way forward to organizations and individuals. However, what might seem to be an attractive proposition to some employees may not be as attractive to others. This type of contract assumes that individuals will *want* to take shared responsibility for goals and decisions. It also assumes that employees will be committed to the achievement of organizational goals which, while being attractive to managers, mean little or nothing to the lower levels of the organization.

THE PSYCHOLOGICAL CONTRACT OPERATES IN BOTH DIRECTIONS

Working as a training manager in the engineering sector in the early 1980s I was asked by my CEO to facilitate the setting up of quality circles based on the shop floor. Senior management expressed commitment to the idea, which they observed had proved successful in Japan and had also been introduced successfully by Jaguar in the UK. Shop floor employees took readily to the idea and invested their lunch hour periods and time after normal working hours.

The circles themselves identified a number of production issues that could be improved and suggested solutions to these. Management, however, having first suggested the setting up of quality circles, showed less commitment than the workforce and attended circle meetings on an infrequent basis. This was taken by employees to show a lack of interest. Additionally, when management realized that some of the ideas that showed merit would cost money in the short-term despite long-term savings and improvement, interest in the concept of quality circles dropped dramatically. Commitment and motivation are, after all, a two-way process.

Control or empowerment?

The Egan (1995) model of performance management discussed earlier in this chapter suggests an appropriate framework for empowerment. It requires managers to assume greater responsibility for the softer side of people management as part and parcel of their daily management activity (without relinquishing control). It also requires employees to become more actively involved in the process of performance appraisal, based on a notion

of performance improvement related to development outcomes from which they can benefit and are involved in determining.

Such a process also has direct implications for the HRD practitioner at two levels:

1. in helping to create a climate and structure where managers and individuals take ownership of areas for which they have not traditionally regarded themselves as being responsible;
2. in providing appropriate support and training to assist managers in developing facilitation, coaching and feedback skills and to help individuals in developing appraisee skills.

HR is not about policing the performance management or appraisal system. It is about *enabling* the process to gain maximum potential for organization and employee, whatever level they work at.

Similarly, identification of training needs and personal development plans does not begin with outputs from the appraisal process. It begins with the identification of the inputs, needs and means by which all the parties involved will gain maximum benefit from the process itself.

Pay and rewards

There has been a long-standing debate over whether discussion of pay and rewards should form part of appraisal discussions. Whether part of the discussion or not, the nature of human psychology is that there is an expectation of reward or benefit by one party wherever there is an expectation of improved or enhanced performance by the other. There may also be different interpretations of what actually constitutes a reward.

Pay in itself does not have to be included within a performance management system but more often than not it is. Common elements of motivation theory would suggest two main types of reward in relation to performance management systems:

1. **Rewards-based systems:** offering incentive/explicit reward. Here the assumption is that individuals work harder if given specific rewards for good performance. Rewards are only provided if desired performance and behaviour are attained.
2. **Development-based systems:** involving implicit/intrinsic reward. Here the assumption is that people work best when given a worthwhile job and are allowed to get on with it. Reward will come from the satisfaction derived from the job itself and the opportunity to develop individual abilities through the encouragement of learning.

In a survey carried out by the IPD in the UK, Armstrong (1996:1) reports two notable

trends. The majority of responding companies had introduced performance development plans for their staff which were intended to assist employees in identifying the skills needed for their future careers as well as their current jobs. The survey also showed that companies were emphasizing staff development more than performance-related pay.

Armstrong observes that these trends recognize the need for individuals to develop their future employability and ensure that the workforce has the necessary skills to keep the business competitive as well as helping companies retain valuable staff.

The survey, however, showed staff to be less enthusiastic about the performance management process and its effectiveness, with a number considering it to be time-consuming and bureaucratic. The survey highlights the importance of the need to show individuals how the process will benefit them:

Companies may not be able to offer people jobs for life or dramatic promotional prospects as incentives to perform better. But by focusing on staff skills and development, both employer and employee can get something out of the process. (Armstrong, 1996:1)

Either/or (or an amalgam of both)

One could argue that discussion of pay/compensation/rewards has little relevance within a book on HRD. Within the context of explicit or implicit reward, it cannot be ignored. Nor can it be assumed that it is a simple choice between either option. There is growing evidence that companies are using a combination of both to reward not only individuals but also teams. The bottom line is that if you do not have adequate means of assessing or appraising performance, how can you reward it?

The decision as to what performance rewards are applicable is still in many organizations either directly or indirectly related to appraisal of performance and essentially shapes the form of appraisal which is carried out.

Table 8.1 shows a variety of approaches to the determination of reward. The contents of the table are intended to be a pointer towards approaches, not an exhaustive list.

Even countries and companies renowned for their high performance practices are having to rethink their approach to performance and reward. Summarizing a report from Arthur Anderson (written by Robert Hodkinson) Walsh (1997:16) cites the example of Japanese companies based in the UK which, despite having previously gained competitive advantage through pioneering practices such as TQM and continuous improvement, are finding that this may no longer be sufficient to beat off competition.

The report identifies that Japanese firms are now having to focus on developing and retaining new employees, moving from seniority-based pay to performance-related and locally set pay, and implementing more effective appraisal and communication systems.

But what of other approaches? Where does the notion of competence/competency fit in?

Table 8.1 Approaches to the determination of reward

Type	Features	Advantages	Disadvantages
Merit Pay (Also referred to as Performance Related Pay)	<ul style="list-style-type: none"> Overall pay level is determined by some form of job evaluation Pay increases are variable and directly related linked to individual performance ratings Generally uses some form of comparative performance rating scale Rating uses either a fixed formula or in some cases is left to local management discretion based on identified targets and a fixed budget 	<ul style="list-style-type: none"> Based on a premise that those who perform well will gain the greater benefits Allows the organization to target rewards towards those who are the most effective performers 	<ul style="list-style-type: none"> Depends on the effectiveness of the comparative rating scale Depends on the ability of managers across the organization to equitably apply the rating scale Needs a highly effective performance measurement and appraisal process to make it work
Incremental Pay	<ul style="list-style-type: none"> Job evaluation determines the salary range Links with performance appraisal determine how quickly the individual progresses through the salary range Increment is paid automatically on an annual basis if the individual is judged to have performed satisfactorily 	<ul style="list-style-type: none"> Individual performance is expected to improve over a period of time Is easily understood by all Is perceived as being equitable 	<ul style="list-style-type: none"> Difficult to recognize significant differences between poor, average and excellent performers If the increment is automatic it may be seen as being inequitable because poor performers are rewarded on the same basis as more capable individuals
Gainsharing	<ul style="list-style-type: none"> Employees and organization share in bonus pool created by added value contribution by employees 	<ul style="list-style-type: none"> Encourages collective problem solving and performance improvement 	<ul style="list-style-type: none"> Difficulties in establishing integrated means of assessing where added value has been contributed
Group/Team Reward	<ul style="list-style-type: none"> Based on the achievement of team targets and critical success factors Reward is collective – group, team or department Bonuses or pay increases are linked to group, team or departmental performance <i>or</i> team and individual performance 	<ul style="list-style-type: none"> Reflects the interdependency of collective contribution Acts as a lever for organizational change Encourages flexible working and multi-skilling Helps focus priorities on key areas such as customer service, quality, innovation and cooperative work 	<ul style="list-style-type: none"> Can diminish self-worth Can compel individuals to conform to oppressive group norms Can cause difficulties in developing performance measures which are fair Needs management to effectively audit and monitor costs

Competence and competence-related pay

Competence and competency approaches allied to competence-based assessment and related pay are being used by a growing number of companies. Utilization includes applying national frameworks, such as the Management Charter Initiative in the UK, or internally generated organizational core competences, generic and role-specific competences and behaviourally anchored competences.

An important consideration is where the application of competences fits within the performance management process. Roberts (1997) links competences to the initial stages of the recruitment and selection process, which he contends should be ruthlessly streamlined if it is to be effective. Among suggested approaches he includes:

- Definition of key competencies – personal attributes, knowledge, experience, skills and values – to meet the organization’s long-term needs.
- Combining a range of selection techniques and methods to obtain reliable data on all core competences.
- Feeding the information gained into the induction, appraisal and development of employees.

Roberts (1997:1) maintains that, ‘Neither praise nor pay can motivate people to perform beyond their means, and the best training programme cannot make a silk purse of a sow’s ear.’ This reminds me of my experience as a young first-time training officer in the late 1970s. My manager introduced me to a model of what he considered HRM and HRD to be all about, and which is still with me today; it is shown in Figure 8.2.

In recruiting, if you are going to invest money in salaries and on-costs you need to get the recruitment decision right. If having recruited the right person you then spend money on training/retraining and developing the individual, the bottom line must surely be in retaining the skills and abilities you have invested in. If not, then you have not realized the full potential of your investment. A statement of the obvious perhaps and a simplistic view, but one which could suggest that performance management is a matter of common sense.

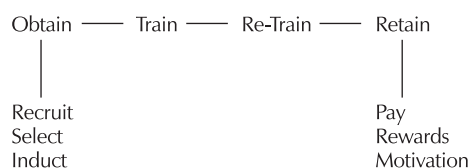


Figure 8.2 Combining HRM and HRD

In their pursuit of integrated performance management systems, are organizations perhaps over-concentrating effort on current employees and their performance, rather than concentrating effort also on a vision of recruiting future employees to identified and understood performance standards?

Extending Roberts' competence approach to recruitment, does the competence approach lend itself to a competence-based model of performance management? Such a model is shown in Figure 8.3.

Honey (1997:33) identifies the pros and cons of such an approach:

Provided that competencies are specific, unambiguous and written down, they are useful in helping everyone know what is expected of their performance. Competencies also have the potential to aid learning and development, *but only if they are integrated into other key processes such as recruitment and selection, feedback and appraisal, coaching and mentoring and (the most contentious) pay.* Without this integration there is a real danger that competencies are related to meaningless lists of words with no real impact.

Competence-based/related pay

Competence-based or related pay is another area of continuing debate. A report by Towers Perrin looking at European reward systems (1996), identifies that interest in competence-related pay is rising. Brown and Armstrong (1997) examined a number of approaches used by firms in the UK, including Glaxo Wellcome, Bass, Volkswagen UK, Guinness, ICL, Thomas Cook, Portsmouth Housing Trust, Triplex Safety Glass, Abbey Life, Scottish Equitable, Derby City General Hospital NHS Trust, The Woolwich, and the Royal Bank of Scotland. Brown and Armstrong conclude that on the basis of their experience, competence-related pay is most appropriate when:

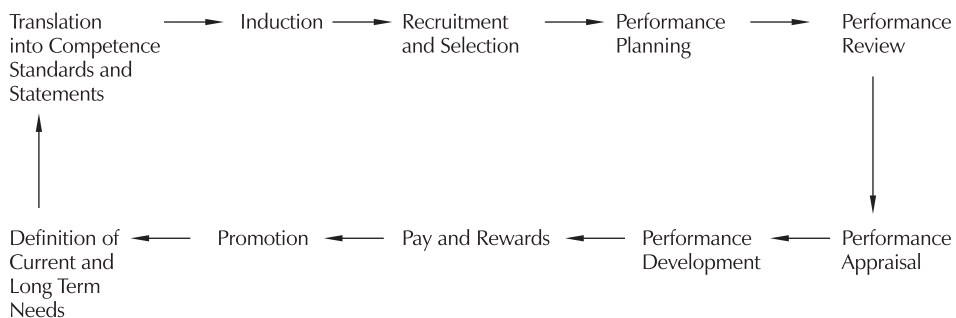


Figure 8.3 Competence-based model of performance management

- competence is the key to competitive advantage;
- competence frameworks align with core business requirements;
- there are effective performance management processes;
- it covers knowledge workers for whom conventional performance-related schemes are often ineffective;
- the organization is flat and emphasis is on continuous and lateral development;
- a broadband pay structure is used.

Brown and Armstrong (1997) also point out that, 'An increasing number of organizations are relating salary increases to competence whilst rewarding exceptional achievements with bonuses.' Perhaps *contribution-related* pay would recognize both competence and performance better than either competence- or performance-related pay.

So, the debate continues. Perhaps the only area of agreement by commentators and within organizations is that pay and rewards should ideally be a separate discussion to that of the appraisal discussion itself.

PERFORMANCE APPRAISAL

The purpose of appraisal

The purpose of performance planning, review and appraisal needs to be clearly articulated if individuals at all levels of the organization are going to play an active and productive part in the process.

Research carried out by the UK Institute of Personnel Management (now the Institute of Personnel and Development) identified a number of key purposes commonly used by organizations (Long, 1986):

- set performance objectives;
- review past performance;
- improve current performance;
- identify training and development needs;
- assist career-planning decisions;
- assess future potential and promotion;
- assess increases/new salary levels.

It is unlikely that the vast majority of organizations will include the full range of purposes within a single appraisal process. The trend would appear to be towards:

- initial planning and agreement of performance objectives;
- interim review of achievement against these (including necessary realignment to take account of changing circumstances);
- full review and appraisal identifying successes and areas of improvement arising from retrospective discussion of performance against objectives;
- planning, discussion and agreement of new objectives;
- identification, discussion and agreement of the support, training and development which will assist performance improvement.

Fletcher (1997:20) suggests that this *results-driven* approach is an extension of the notion of MBO. He also suggests that a growing number of organizations are putting together *results-oriented appraisal* with *competency-based* appraisal. Fletcher (1997:33) states:

This *is* a combination that can work well. It allows the more immediate and legitimate concern for achieving performance targets to co-exist with a focus on developing the appraisee – which in turn is related to the future performance of the organization. It combines the two most motivational elements of appraisal, namely goal setting and personal development. To maximize motivation and performance improvement, this would be the most promising way forward.

It is not the intention of this chapter to explore the aspects of promotion and career development or their relationship to appraisal. Suffice it to say that with the changes in organizations over the past few years and the subsequent de-layering and downsizing, promotion, succession planning and career planning have become much more difficult to predict. For the reader wanting to explore other approaches, Fletcher (1997), Herriot (1992) and Hirsch and Jackson (1995) offer a number of relevant and useful approaches.

APPRAISAL AND TRAINING IN A PRIVATE HOSPITAL

The annual performance appraisal is widely regarded as the platform for identifying training and development needs at the individual level. These needs, once identified, should then be actioned within the forthcoming year and preferably before the next appraisal.

The appraisal system of a medium-sized independent hospital, which is part of a large healthcare group, had been in place for six years and was thought to be functioning well by the management team. However, as a result of feedback from some of the staff, research was undertaken into the effectiveness of the appraisal process. There were five areas that gave rise to doubts about the actioning of training and development plans; these were:

1. The same training and development was identified for individuals for more than three years in succession.
2. Many plans were unrealistic and unachievable.
3. Enthusiasm often waned after the appraisal.
4. The training and development plans were not reviewed once written.
5. Training and development plans bore no relation to the departmental business plans and objectives.

A variety of research methods were used including questionnaire, interviews and a review of training records. The findings were then triangulated to corroborate the conclusions and action was introduced to address the following points:

- Preparation was an issue: only half the responders prepared for the appraisal. This preparation should include reflecting on previous years' work and training, reviewing the previous appraisal notes and preparing bullet point notes to take into the appraisal interview (see Figures 8.4 and 8.5).
- The staff, in some cases, were not given adequate notice of the appraisal date and time. In some instances there was no notice at all. This could affect preparation of both appraiser and appraisee and the formulation of realistic training and development plans.
- The department business plan was ignored, in a lot of cases, when training and development was being identified. The staff were often ignorant of the business goals and there was a lot of opposition to the concept of business planning and its effectiveness in the workplace.
- Training and development interventions were imposed on a significant number of staff. Agreement on any plan formulated between the appraiser and the appraisee is of paramount importance if the appraisee is to be motivated into completing his or her individual plan.
- In most cases the training and development identified was job-related with very little scope for personal development. Personal development is important in a learning environment and often leads to greater willingness to undertake further development.
- Reviews of the plans were very infrequent and lack of time was a major contributor to this issue. Apathy of both appraiser and appraisee was another important reason why the reviews were infrequent.
- The lack of time to perform adequate appraisals and formulate workable and productive training and development plans was seen to be the greatest barrier to achieving a good system. This was noted by both appraisers and appraisees.
- An understanding of business planning and some method of ensuring that all the staff were familiar with the contents of their business plans would greatly improve the situation.

- Lastly, a more participative style of management would certainly solve some of the problems found in the research.

With acknowledgement to Steven R Western, Training Manager, Independent Hospital.

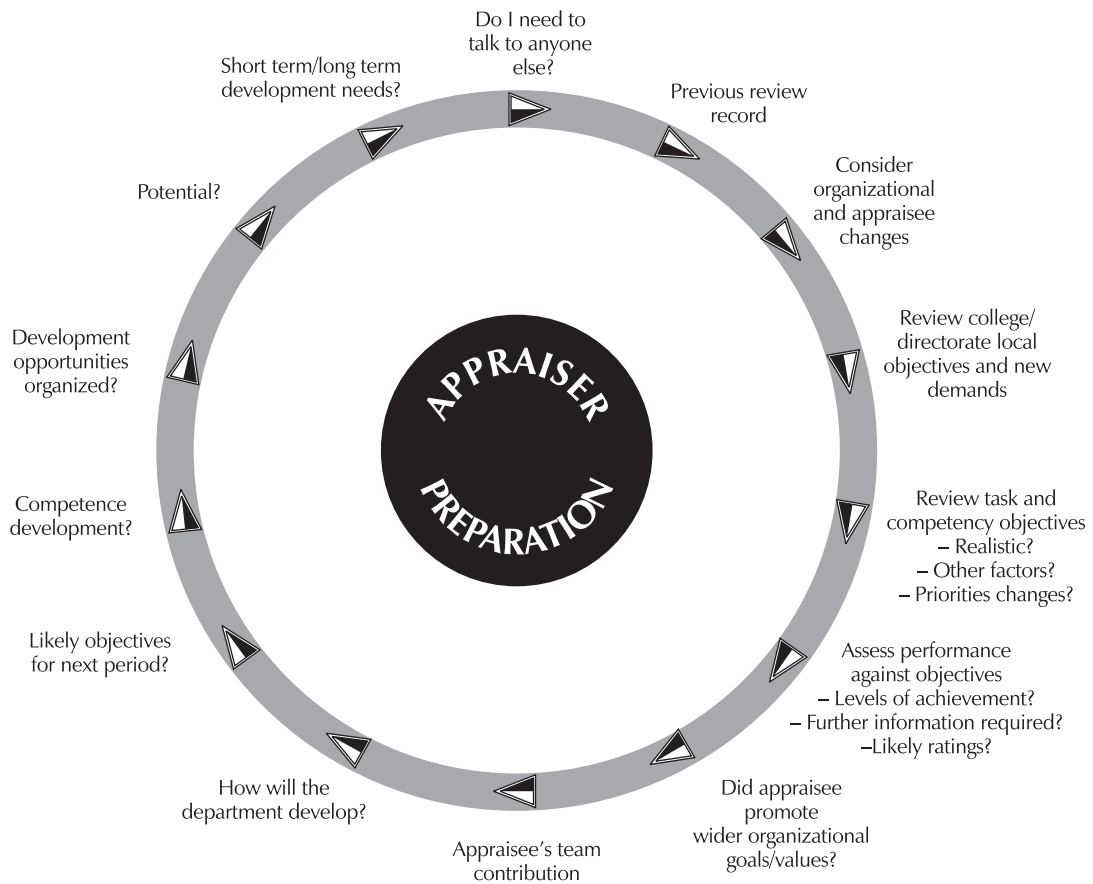


Figure 8.4 Appraiser preparation (from a model originally used by the former Bradford and Airedale College of Health – now the University of Bradford School of Health Studies)

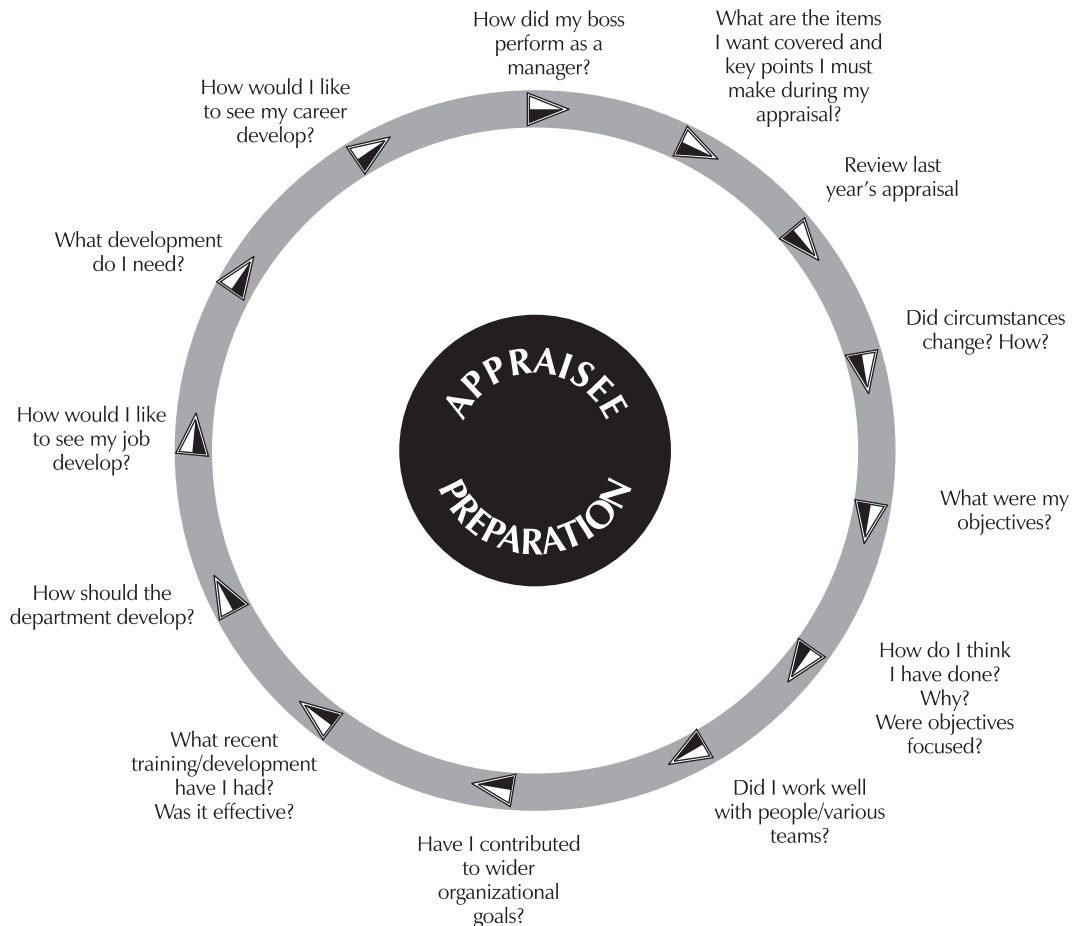


Figure 8.5 Appraiser preparation

Different forms of appraisal

Although different forms of review and appraisal have existed for a number of years, the move towards flexibility, cross-organizational working and self-managed teams has meant that many organizations now use a range of appraisal methods. Traditionally, appraisal has been viewed as a management prerogative in the majority of companies. Additionally, line manager appraisal, rather than being solely manager-led, may also include elements of self-appraisal and upward appraisal by the appraisee. The position of team leader has also been increasingly introduced, whereby a member of the team rather than a manager assumes responsibility for the performance of the team.

There is also increasing evidence of the use of 360-degree feedback to combine aspects of line manager, peer, team, upward and self assessment. Competence review is also increasingly being built into appraisal processes.

Saville and Holdsworth (1997:10), reporting on a survey seeking the views of UK HR professionals, highlight the following points:

- The HR area regarded as most likely to impact on appraisals was corporate culture, with competences becoming a popular method of translating culture into individual performance.
- Even though teamworking was regarded as the second most important initiative impacting on appraisal, less than 40 per cent of responding organizations appeared to set team performance objectives.
- One of the methods regarded as being most useful within performance appraisal was a self-scoreable 360-degree questionnaire providing information on a manager's performance management style.

There are of course a growing range of personality questionnaires and diagnostic instruments that can be used by organizations and individuals to assess personality for self-reflection, assessment and development purposes. Assessment centres and development centres are being used by many organizations for selection and career development purposes. However, this section of the chapter will concentrate on identifying the range of forms of appraisal only.

Appraisal can be carried out in both *formal* and *informal* settings. Neither should be exclusive of the other. Good practice would seem to suggest that regular informal and formal reviews of performance, for example as part of a manager's normal duties, can mean that the formal yearly appraisal becomes less of a chore and more an extension of an ongoing discussion with the appraisee. Table 8.2 details the range of appraisal methods and identifies the features, advantages and disadvantages of each.

Who owns appraisal?

In all its forms, appraisal should be owned by both appraisers and appraisees as part of the psychological contract. Perhaps this is an ideal, but one that in the context of performance management needs to be addressed. HRD professionals have a major part to play in influencing this process and in changing negative perceptions into positive contexts for appraisal. Assisting appraisers in developing feedback skills is an end, not a beginning.

A useful starting point in changing perceptions is the following model of active performance management and appraisal which is focused on:

Table 8.2 Appraisal methods and features

Type	Features	Advantages	Disadvantages
Line Manager Appraisal	<ul style="list-style-type: none"> ● Mechanism to link individual goals and strategic direction ● Focus on objectives and targets ● Can combine regular informal review of performance with formal appraisal to agreed timescales ● May include rating scales for comparison purposes 	<ul style="list-style-type: none"> ● Clarity about what is expected of the individual and the manager ● Identification of performance priorities and agreed actions ● Forum for better understanding between manager and employee ● Potential to promote better understanding of shared objectives ● Can establish appraisal as a two-way process 	<ul style="list-style-type: none"> ● Needs the commitment of both manager and subordinate to spend appropriate time on the process ● Insufficient preparation by either manager or employee ● Failure to follow up on actions agreed ● Misuse of comparative rating scales ● Lack of support and feedback skills by managers
Self-appraisal	<ul style="list-style-type: none"> ● Often used as preparation for the line manager/subordinate appraisal ● Individuals take the lead in reviewing their own performance ● Encourages individuals to think about their performance and development needs in a focused way ● The combination of involvement and responsibility generates commitment to personally taking action ● Appropriate in multi-level or source appraisal settings ● May take place in the context of the subordinate's appraisal 	<ul style="list-style-type: none"> ● Best if individuals compare themselves against their own individual standards rather than others ● Works best when geared towards motivation and development ● Individuals are most aware of their own performance and are generally critically honest ● Less subject to halo effect and is consequently more discriminating 	<ul style="list-style-type: none"> ● Lack of objectivity on the part of the individual ● Can be prone to either excessive or lenient self-assessment ● Individuals may think that they are going to be told about their performance by their manager, so why should they bother
Upward Appraisal	<ul style="list-style-type: none"> ● Appropriate in multi-level or source appraisal settings ● May take place in the context of the subordinate's appraisal 	<ul style="list-style-type: none"> ● Has the potential to establish understanding of shared objectives ● Appraisal seen as a two-way process 	<ul style="list-style-type: none"> ● Subordinates are likely to be reserved in making meaningful comment ● Fear of retaliation if too honest

Table 8.2 *continued*

Type	Features	Advantages	Disadvantages
Peer Appraisal	<ul style="list-style-type: none"> ● Individuals nominate their own appraiser ● Allows choice of peers who are respected for relevant knowledge or professional specialization ● Relevant in a situation where there may be no immediate manager in a position to appraise 	<ul style="list-style-type: none"> ● Peers are likely to be members of the same professional specialization or group ● Appraiser authority comes from expert power not position power ● Peers are knowledgeable about specialist field and the contribution of the individual 	<ul style="list-style-type: none"> ● Needs careful control ● Appraiser may choose a peer friendlier or as a soft touch
Team Review and Appraisal	<ul style="list-style-type: none"> ● Establishing team success and areas for improvement ● Aids the team-building and objective-setting process ● Encourages open and constructive comment among the team ● Encourages cooperation among the team 	<ul style="list-style-type: none"> ● Complementary to individual performance appraisal ● Gives opportunity for the team to discuss issues which may not have been previously debated by boss and subordinate ● Establishes commitment from the individual towards team not just individual objectives 	<ul style="list-style-type: none"> ● Needs the willingness of all team members to participate ● Team may be good at giving positive feedback but less so in giving negative constructive feedback ● Team members may be apprehensive about appraising colleagues
Competency-based Appraisal	<ul style="list-style-type: none"> ● Setting targets for the roles as specific objectives or other measurable objectives ● Behavioural descriptions of the standards expected in fulfilling the role ● A development plan specifying training, development and support towards achieving targets and competences ● A system of periodic review leading to annual appraisal of performance against targets and achievement of competences 	<ul style="list-style-type: none"> ● Developmentally oriented ● Directs attention towards improvement of skills ● Does not deal with results achievement ● Concentrates on the medium to long term rather than the short term 	<ul style="list-style-type: none"> ● The nature and quality of the competence statements and their fit with other organizational initiatives ● The expectations of employees and the relationship between competence achievement and pay and rewards

Table 8.2 *continued*

Type	Features	Advantages	Disadvantages
360-Degree Feedback	<ul style="list-style-type: none"> • The focus is on development of skills and competences which will improve organizational performance • Appraisees may include either direct or other managers, subordinates, peers or customers • Feedback is collected systematically through formally constructed questionnaires • Can include self-assessment for comparison with the views of others • May allow individual to choose who contributes • Is essentially based on ratings which more often than not are aggregated to represent an average score 	<ul style="list-style-type: none"> • Gives a comprehensive indication of the totality of the individuals performance and relationships • Has the potential to overcome the bias of a traditional one person top-down review or appraisal • Peers and subordinates can have an input to the process and can view it as a process which empowers them • Can be incorporated into other appraisal processes • Seems to suit organizations where they need flexibility and teamwork within a less hierarchical structure 	<ul style="list-style-type: none"> • Depends on the design of the questionnaire and how it fits with other organizational performance criteria • Depends on the interpretation and skills of the person giving the final feedback • Depends on the accuracy and quality of the ratings provided by all contributors • Depends on the criteria for choosing contributors. Is the choice free or forced? • Concerns over whether feedback is used exclusively for development or is part of the normal appraisal process and if so whether it is linked to pay and rewards

- feedback on *behaviour* instead of *personality*;
- concentration on the *future* instead of the *past*;
- an ethos of *improvement* instead of *punishment*;
- feedback based on *precision* instead of *generalities*;
- comment based on *information* instead of *belief*;
- securing of *commitment* instead of *compliance*;
- active *support* instead of *directive*;
- appraisal that is *person-centred* instead of *form-centred*;
- a process owned by *everyone* instead of *administered by Personnel*;
- a philosophy of *how can we* benefit instead of *what can I* get from you.

Trust

An overriding consideration for any organization is that it can establish *mutual trust*. The model of active performance management and performance appraisal relies on an open, constructive and trusting relationship between all parties concerned.

I am reminded of a presentation given at the American Society for Training and Development Conference and Exposition in 1996 by Stephen Covey. He argued that if you do not first establish 360-degree trust, then how can you expect to achieve meaningful 360 degree appraisal?

Returning to the theme of the psychological contract, if one party such as the organization is implying that innovation, creativity and risk-taking are the key to organizational success, but then punishing employees for taking risks and making mistakes, trust by employees in their employer has been betrayed. Where downsizing and de-layering have become the rule rather than the exception, trust in their employers by the current or potential workforce has got to be re-established as a key element of business strategy.

Open expression of trust can, however, be espoused by organizations, not by corporate rhetoric but by actions taken and by active and honest communication of business circumstances, whether they be good or bad.

Handy (1997:189–94) examines trust from both perspectives, and makes an interesting comment in relation to organizational trust when he states:

We manage our young on a loose rein, but the rein is always there, getting looser and looser as we trust them more. It is no different in organisations. By trust, organisations really mean confidence, a confidence in someone's competence and their commitment to meet a goal. Define that goal and the trusted individual or team can be left to get on with it. Control is then exercised after the event by assessing the results, rather than before the event, by granting permission.

This brief quote captures the essence of what good performance management is all about: *confidence; commitment; competence; definition of goals; trust; individual and team effort; support; and finally appraisal or assessment of results.*

Then the cycle starts again based on:

- What did we do well?
- What would we do differently next time?
- What are our areas for improvement?
- How are we going to address these?
- How are we going to evaluate our actions?

It sounds like the classic appraisal and feedback format doesn't it? It is, but it is placed in the context of organizational learning, performance improvement and progress. So what are the implications for the key stakeholders in the process?

CONCLUSION

Implications for organizations, managers and individuals

The clear message arising from research for this chapter is that successful organizations will be the ones which:

1. Explore their current and future markets in a truly strategic sense in order to anticipate trends and prepare for them before they actually happen.
2. Translate the needs of the external business environment into the actualities of the internal organizational environment by sharing and communicating strategic vision and goals. This includes sharing both the good and bad news with employees.
3. Take a systems approach to linking each of their key business strategies together. If long-term strategic planning has taken place, then *strategic systems planning* also needs to take place.
4. Consider the cultural aspects of globalization if they are competing in a worldwide marketplace. The national norms and values of the parent company are not necessarily those of employees in other parts of the world.
5. Consider the effects that ongoing change and reconfiguration will have on the workforce and plan to communicate the rationale behind change to employees rather than impose it on them.
6. Create or at least understand the type of organizational culture/s that will support both the business and its employees.

7. Evaluate their current performance management system on a regular basis and take action to identify gaps and address them.

The common element in each of the above seven points is people and their relationship with and potential to the business. A ten-year longitudinal study (1991 to 2000) entitled 'Impact of people management practices on business performance' (IPD, 1997b:16) reports:

The results reveal that acquisition and development of skills (selection, induction, training and appraisal) and job design (job variety and responsibility, skill flexibility and teamworking) are significant predictors of both change in productivity and change in profitability.

The ideal scenario, suggested by Bassi *et al* (1996:41) includes:

- performance management systems that encourage development, that are highly motivating and that are equitable;
- compensation (pay) systems that reward the best performers appropriately and motivate behaviours critical to business success;
- training and development systems that provide employees with the skills and behaviours for their current and future jobs in the organization.

Implications for HRD professionals and practitioners

There are no easy or simple solutions in the application of performance management, whichever function or discipline within an organization we may belong to. What is evident is that traditional roles and practices are in many cases no longer relevant to the world of today. The reality of the lean organization requires the breaking down of traditional boundaries and barriers.

Modern business requires employees at all levels to be flexible and adaptable. The ability of employees to work across professional disciplines within high performance teams is an oft-quoted example in competence statements and management texts. As Holbeche (1997) states, 'Lean organizations depend on their ability to create and dissolve teams and to enable teamwork uncluttered by functional boundaries or inflexibility.'

If, for example, we extrapolate this into the changing role of the HRD professional, what might this mean? Traditional training officers/managers might consider that the main elements of their role are to identify training needs, design and deliver appropriate training and development courses and initiatives and evaluate them. To do so might involve dialogue with others outside the function but often at an operational level. What will be required of HRD professionals in the future in relation both to performance management and our roles in general, is, where appropriate:

- *To become actively involved at a strategic level within organizations.* Wills (1997:20) highlights the fact that if a cross-section of business leaders were to be asked what they understood performance management to be it would result in extremely shallow comment. He states:

We also lack common understanding of what we mean by integrated performance management. It is unclear as to whether anyone has achieved this. For example, do companies see performance management as part of strategic planning and strategy implementation? The three parties in these processes – HR, finance and strategic planning – do not collaborate at all in the development of their various processes. There is a need to bring these into sync. *One of the things HR professionals can do is to become part and parcel of the strategic planning process at the earliest stage.*

- *To act as change agents and internal consultants in identifying and supporting approaches that are key to the success of the business and which will attract the support and commitment of senior management.*
- *To work in and with project teams across the organization to facilitate the process of change and learning.*

What I am also suggesting is that we cannot expect others to assume new responsibilities or reappraise their roles if we are not modelling the process ourselves. What is evident is that there would appear to be three levels of HRD practice:

1. *Strategic:* influencing, negotiating, planning, organizational development.
2. *Operational:* internal consultant, project team member/leader, facilitator, identifier of training and development interventions, and generalist.
3. *Specialist:* designer, deliverer, subject expert, technician.

We may feel *comfortable* working at one of or across the range of levels. We may however be *required* to work across all three as a result of the downsizing of the HR function in many organizations.

A case in point. My contract over the last eight years has been a continuous one but has involved working for three different ‘employers’ in five different locations.

Some might call it occupational schizophrenia. I call it survival, but survival with benefits. I entered HRD as a trainer, but after 20 years in the profession I would now regard myself as an educator, trainer and developer. Yes, I receive encouragement and support from my employers, but essentially I see myself as being responsible for my own performance improvement and, to a great extent, my own performance management.

Perhaps that is what performance management is really all about. Integrated systems have a part to play in it but it’s about *people* and *mutuality*. Mutual survival through mutual support and progress.

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Making the Most of Consultancy: Perspectives on Partnership

David Sawdon

INTRODUCTION AND LEARNING OBJECTIVES

The literature on the use of consultancy, whether internal or external, to enhance individual and/or organizational effectiveness is comparatively sparse. We can, nevertheless, begin to detect different themes, strands and emphases to guide us through the territory. There is, for example, a clear theme of *evolution* and *transition* from trainer to consultant in various guises (Holdaway and Saunders, 1996; Phillips and Shaw, 1996), which recognizes the need for letting go of *performing* as a trainer and acknowledges transferable competences into consultancy. Alternatively, others are more concerned with how organizations might *select* and *use* consultants and become more competent in obtaining value from the endeavour (Bailey and Sproston, 1993; Kubr, 1986, 1993). Each contributor necessarily reflects on *purpose*, *principles*, *roles* and *process*, providing comparable three, four, or five stage models, which are often analysed in terms of critical steps, eg Margerison (1995). Some choose to focus on the *interpersonal skills* and *dynamics* which facilitate the intervention (Heron, 1991; Honey, 1994; Margerison, 1995) and the creation of an 'equal partnership with clients' (Phillips and Shaw, 1996). Others suggest key approaches variously highlighting 'the dynamics of creativity and innovation' (Sonesh-Kedor and Geirland, 1995) or the value of 'dialogue' in promoting organizational learning (Blanter 1997; Senge, 1990).

At this point, depending upon your perspective and need for information, the boundaries of the territory being explored can either expand considerably or, conversely, contract. They can expand in the sense that the literature on central issues to consultancy like managing change, organizational development and interpersonal skills is extensive and, wherever you choose to look, at random or with purpose, you are likely to find some little nugget of value. Alternatively, notions of transferability, core processes, frameworks and skills tend to emerge, whose universality requires discrete application according to context and need. The skills of consultancy may well be perceived as mirroring those of a therapeutic counsellor, for example, and thus we might choose to narrow our focus of study; see, for example, Brown (1984) and Pont (1995). One challenge, therefore, might be to refine and enhance those core skills in the interests of individual and organizational effectiveness, rather than to allow the organizational context to dictate and potentially restrict what is brought into play. A second complementary challenge for the potential traveller is to resist the need to reinvent the wheel. We can acknowledge our available experience, yet still be open in a reflective manner to learning from alternative disciplinary perspectives and how these might be adapted to suit our specific individual and organizational context.

Having taken an initial glance at the terrain, my intention is to give some order or structure to the journey while acknowledging that most journeys of this type have their own elements of unpredictability. A starting point would seem to be to explore *purpose and meaning*; and, bearing in mind the differing contexts where consultancy can have relevance, to take this further into different *perspectives and needs*. Thirdly, analyses of *process* and the *power* issues involved will aim to draw out the roles, characteristics, skills and dynamics. And finally, the culture of the times requires us to examine the notion of *partnership* models, issues and possibilities as a desirable, if not essential, condition for effective outcomes. The use of the alliterative 'p' is meant to be purposeful, though not excluding, and the reader may well wish to add or amend his or her own terms to accommodate diverse perceptions and problems.

Having read this chapter you will:

- know the four criteria for selecting a consultant;
- be aware of the various roles a consultant can adopt;
- understand the steps involved in a consultancy intervention.

PURPOSE AND MEANING

Steinberg (1989:1) discussing consultation in the context of health and social care practice, cites 85 alternative words to describe the activity. His point is that, 'an essentially friendly

and user-orientated enterprise' has tended to be hijacked or usurped to meet various specialized purposes. Within his context, it entails one person (the consultant) helping another (the consultee) to do his or her work, 'without taking it over; the consultee retains control of work in hand, the methods used and responsibility for it too'. This unremarkable definition, with its primary emphasis on facilitation or enabling within individualized relationships, may lack weight or direction for some. Equally, the notion that, 'consultants are very much in the business of trying to meet the expectations of their clients' (Holdaway and Saunders, 1996:26) may for others only be seen as stating the obvious. At this point, therefore, caution is required in case we fall into the common negative stereotyping of the consultant as being someone who tells you something you already know. Both the definitions offered above are deceptive; their weight lies within their respective implications.

Margerison (1995:12) might be considered more direct. Consultation, he argues, has always implied giving advice: 'some people having special knowledge which, when required, can be dispensed at a cost to others'. The concept is, however, changing rapidly into: 'a set of activities designed to improve things'. In this sense, consultancy might be applied to a wide range of relationships within an organization just as much as it involves relationships between client organizations and consultants. The role is multi-faceted.

What clearly emerges for Kubr (1993) is that the term 'consultant' is generic and can be applied to any person or organization that provides advice to decision-makers: 'Anyone who feels like it can call himself a consultant – if he finds people willing to listen to him.' The risks in such a situation are considerable. Kubr (1993:10–11) thus cites the International Labour Organization's four guiding criteria for selecting a consultant to offer us another insight into the purpose and meaning of consultation:

1. The consultant *offers and provides something that the client is lacking* but wishes to acquire in various areas of business and management knowledge, expertise, experience or know-how (technical competence).
2. The consultant is someone who *knows how to work with clients in helping to identify and solve their problems* (consulting know-how).
3. The consultant is an *independent and objective adviser* (independence).
4. The consultant is someone who has chosen to abide by a *professional code of ethics and conduct* (professional integrity).

If there is any coherence to be obtained from these various attempts at defining purpose, it is that consultancy will be about change, not necessarily from bad to good, but in the interests of improving things. Further, the growing references to the importance of the relationship imply that a sense of partnership can be productive. Some will want a facilitator, others a healer, yet others will want to be authoritatively advised. In reality, we may want and expect a combined package and more, based on trust and absolute honesty, to serve

our interests. What transpires will depend considerably on our respective abilities to clarify assumptions, perceptions and needs.

PERCEPTIONS AND NEEDS

Advice is seldom welcome and those who want (or need) it most always like it least. (Earl of Chesterfield, 1774)

It has been suggested that organizational decisions to contract with consultants may often be based on the 'management by rain-dance syndrome' where problems or needs must be seen to be addressed. Cleverley (1971), for example, likens the consultant to a primitive witch doctor called in to perform:

- *exorcism* (diagnosing the causes of the problem and eliminating them);
- *placating demons* (internal morale building by identifying external or structural dysfunction);
- *soothsaying* (forecasting or prescribing the future).

The emphasis is on impact and some cathartic expression of emotional pressures. The efficacy of the consultant's intervention is not subject to rational, empirical test. If recommendations work, then he or she accrues high credibility and power. If they do not work, then the organization has failed to carry out the directives satisfactorily. 'The thought that failure might be due to a flaw in the medicine itself is unacceptable.'

Such a perception of the role and functions of a consultant and the needs to be addressed may indeed be a realistic metaphor in some situations, and not without significant consequences.

CONSULTING IN A HEALTH CARE ENVIRONMENT

A large multidisciplinary health care organization in the UK contracted with external consultants to provide training and consultancy for one of its specialist units in the area of equal opportunities. The expressed objectives were about raising awareness, improving practice, liaison between disciplines and improved service delivery. In effect, the real problem, not articulated, was that some staff were resistant to change and were managing to block structural and procedural development proposals so that an impasse had been reached.

In the course of their intervention, the consultants initially placated the demons by facilitating full expression of emotional pressures about the dysfunctional nature of the situation and, in the process, diagnosed the causes of the problem. Predictions were that, if certain practices did not change, exorcism or elimination of some staff would be inevitable. Although the intervention provided considerable emotional impact, practice did not change in any discernible way and the predicted exorcism took place. In one sense, it could be argued that the consultants were used to manipulate a required change and the only issue was how they helped to achieve it. Alternatively, it was apparent that everyone was stuck and some external force was needed to give the momentum towards change.

Whether or not internal consultants have similar powers is open to debate. Phillips and Shaw (1996:74–5) offer us solid lists of advantages and disadvantages in the internal versus external consultancy discussion, while Margerison (1995) offers a quadrant model highlighting the advisory and the executive role of the consultant; see Figure 9.1.

The potential tensions for the internal consultant lie between having the inside familiarity with the issues and personnel, and yet being insufficiently detached from them to provide freshness and distance. These appear to mirror the tensions for the external consultant, who will need time to discover the internal issues while being seen to be outside the politics of the organization. Thus the tentative conclusions reached by Phillips and Shaw (1996:76) are worth noting:

- Internal and external consultants working together have the potential to be a highly effective partnership if they make conscious use of the benefits of each other’s position and help each other to overcome drawbacks.
- Internal consultants are likely to be more effective if, as far as possible, they manage themselves and their client relationships as though they are external.

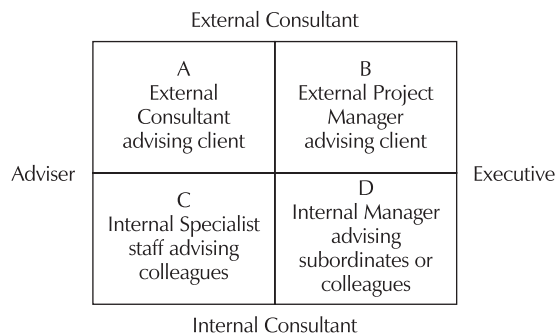


Figure 9.1 The four roles of a consultant, after Margerison (1995: 5)

It can, therefore, be more helpful to recognize the connections than to exploit the differences. Such positive perceptions allow the possibility of charting the valid transition from trainer to consultant (Holdaway and Saunders, 1996; Phillips and Shaw, 1996) and to acknowledge the 'shamrock organization' described by Handy (1985). Common negative perceptions of the consultant as a failed or redundant practitioner can be re-framed as purposeful career development. Thus, Phillips and Shaw (1996:18) are able to trace three broad developmental paths for trainers:

- a. from training to consulting;
- b. from training to learning;
- c. from individual change to organizational change;

and to arrive at four approaches to training and consultancy:

1. trainer;
2. training consultant;
3. learning consultant;
4. organization change consultant.

These kinds of analyses can give greater clarity to the key questions around the type of consultant being sought or available; what the focus of their work might be; and their likely impact on organizational effectiveness. They also suggest a continuity and valuing of the developing experience of training professionals within and without their employing organization. This raises inevitable questions about credibility, influence and power within organizational development.

PROCESS AND POWER

One of the key underlying themes in the discussion so far has been concerned with how power is exercised by the different parties or stakeholders and, in particular, by consultants. How will change take place and who will decide – the consultant alone, the consultant and clients together, or the clients alone, having consulted? Heron (1991) defines these states as the three political modes of facilitation or the politics of learning:

- *the hierarchical mode* – facilitator/consultant directs the process, takes primary responsibility for diagnosis, proposals for change, exercising authoritative power in the relationship;
- *the cooperative mode* – facilitator/consultant shares his or her power in collaborating, nudging, guiding clients towards greater self-direction through negotiation;

- *the autonomous mode* – facilitator/consultant respects the ability of clients to find their own way and helps to create the conditions whereby full self-determination can operate.

The effective consultant facilitator is someone who can use all of these three modes within the different stages of a consultancy intervention according to the needs and abilities of the parties involved. This construct, and Heron develops this further, has the merit of transcending most situations whether individual, group or organizational and can be applied in therapeutic, advisory and business/management interactions. It also illustrates that consulting is an art where the consultant needs to be able to exercise skill and judgement within each unique assignment, rather than slavishly following a technician formula.

POST-TRAUMATIC STRESS DISORDER AND BANK RAIDS

An interesting example of consulting can be found in the field of disaster management. A bank wants to ensure that staff can process the trauma of an armed attack in any of its public outlets. It recognizes that post-traumatic stress can lead to sickness/absenteeism, poor work performance, and potential decline in the quality of customer service. It also acknowledges that some form of counselling/debriefing may have individual and organizational benefits.

During the first stages of negotiation/entry/contracting, it is likely that the expertise of the consultant in this specific area of disaster management will give them power to propose ways in which matters should be addressed to produce positive outcomes. He or she can take primary responsibility for diagnosis, and exercise authoritative power in the relationship. The bank, whose primary focus is not counselling nor debriefing, may well want some measurable outcome indicators, eg, how soon can they expect 'normal service' to be resumed, but it is unlikely to be able to challenge process and methodology. At the point of delivery of a service (following an incident) traumatized employees may well need the consultant(s) to take charge, to hold the process of debriefing, to provide insights and reassurance. Thus the consultant's capacity to operate in the hierarchical mode comes with the territory, and is expected.

The skilled facilitator in this context, however, will recognize that each individual can present his or her own response to the alleged trauma, and ultimately will need to find his or her own solution. Thus a collaborative approach can acknowledge a gradual shift from potential dependency on the expert through guidance towards greater self-direction. Some may reject any suggestion that they are suffering trauma as a result of the incident. The skilled facilitator consultant respects the ability of each participant to find his or her own way of dealing with what has happened, and helps to create the conditions whereby he or she can exercise that autonomy.

Dilemmas may arise if the healing process takes longer than hoped for in the bank's terms, and is compromised by commercial/organizational considerations. Finding a formula that meets the concerns of each stakeholder will challenge all parties in their exercise of power.

While artistry is, by definition, fluid, subjective and idiosyncratic there would seem to be a large measure of objective agreement among contributors about the requisite stages or cycles of intervention (see Table 9.1).

There are clear differences in language and style and the detail with which each stage is broken down into steps. Moreover, as Margerison (1995) warns, 'Although they are presented in a sequential order, real life consulting projects do not always easily fall into such a pattern.' We can and should expect, however, some coherence in terms of a beginning, middle and end to the process, and be able to explain where we have got to at any point in time.

The artistry and the critical differences will tend to be evident in the way any given consultant exercises power, his or her style and models of intervention. Heron (1991:21) would argue that there are good and bad methods of facilitation, 'but there is no one right and proper method. There are innumerable valid approaches, each bearing the signature of different idiosyncratic facilitators.' Perhaps the most provocative attempt to categorize these alleged idiosyncrasies is that by Margerison (1995), who proposes four role models of consultancy by analogy with four well-known professions. These are:

1. *The Doctor* – client has illness/disease which needs diagnosis and cure.
2. *The Detective* – something is wrong; need to find who is responsible and deal with it or them.
3. *The Salesperson* - has a product to sell which will solve the problem.
4. *The Travel Agent* – finding the best route for where the client wants to go.

Maister (1989) offers a similar quadrant model but refines the medical analogy by comparing the consultancy approach to the following four models:

1. *Psychotherapy/Family Doctor* – interactive skill process.
2. *Nursing* – familiar routine problem, assistance needed.
3. *Surgery* – complex problem, high risk, technical expertise needed.
4. *Pharmacy* – straightforward, routine problem; speedy response at low cost.

Margerison clearly favours the travel agent model, with the consultant using his or her power in a cooperative mode through providing information about potential 'vehicles' and

Table 9.1 Stages or cycles of intervention

Margerison (1995)	Burke (1982)	Phillips and Shaw (1996)	Holdaway and Saunders (1996)	Heron (1991)
Appraisal (4 steps)	Entry	Gaining entry	Making and securing contact	Planning
Assessment (4 steps)	Contracting Diagnosis	Agreeing a working contract	Data collection	Meaning Confronting
Application (4 steps)	Feedback Planning Change Intervention Evaluation	Data collection, analysis and diagnosis Formulating proposals Feedback to clients and decision to act Implementation Follow up	Identifying problems and agreeing the contract Project management Learning design and implementing change Disengagement and continuation	Feeling Structuring Valuing

'maps' to reach negotiated 'destinations' chosen by the client. One has a sense that the client's autonomy is respected and the consultancy service is about generating and selecting preferred options in partnership.

It is not particularly difficult to propose a list of core and specialist consultancy skills relevant to the stages, roles and approaches described. Such lists, however, often run the danger of describing a paragon and most readers will now be familiar with competency models that can fill huge volumes. Within the space of a brief chapter, my own view tends to reflect the earlier proposal, that consultancy skills will often mirror those of a therapeutic counsellor, coach or mentor (see for example, Carkhuff, 1983; Egan, 1962; Pont, 1995:143). Thus, the active listening skills or behaviours – attending, clarifying, reflecting back data, paraphrasing, summarizing, probing, giving feedback, recognizing and expressing feelings – will have core relevance as underpinning each of the phases of gaining entry, diagnosis, action-planning, implementation and termination (Kubr, 1993). They are also consistent with the 'Five lessons for internal OD consultants' proposed by Geirland and Maniker-Leiter (1996:295):

1. establish your authority;
2. bring added value to the organization;
3. create rapport;
4. avoid misunderstandings; and
5. show courage.

Authority, added value, rapport, avoiding misunderstandings and courage are elements that imply and attract powerful emotions and opinion. They are often less tangible, less measurable than many would like but they tend to constitute the oil that lubricates the consultancy relationship. Any consultant, whether working with an individual in a mentoring context, or with a group of clients with an organizational brief, ignores the feelings and dynamics at his or her peril.

PARTNERSHIP

A collaborative approach involves an attitude of mind and some explicitly negotiated agreements. (Phillips and Shaw, 1996:58)

Partnership, like community, is a term much open to abuse in the sense that it can be attached or sprayed like graffiti on to any issue or situation with a view to making it palatable. That is to say, partnership or collaboration are assumed to be good things. As Ross (1982) has pointed out, however, it depends. Collaboration, in his view, is only one

style of managing conflict whereby both parties manage to secure what they want. The necessary conditions are time, energy and a willingness to assert one's own needs while seeking to cooperate or enable the other person(s) to do the same.

Not all conflict situations, however, are best resolved by collaboration alone and access to other styles such as competing, compromising, accommodating and avoiding will enhance our management of such occurrences. A consultant may set out to work in partnership, but along the way may need to question whether a requested shift or new direction, or cut in budget from others outside the original plan represents an unacceptable compromise in relation to key principles and values, for example, or can be accommodated. The next review meeting may reveal that there is minimal choice, or power, to compete with the announced request. The remaining options may be avoidance by pretending nothing has changed – a dangerous course – or to withdraw from the project. Margerison (1995:112–4) paints some graphic pictures of the implications for the external consultant in rejecting assignments; alternatively, Phillips and Shaw (1996:87) encourage the internal consultant to acquire skills in 'the redefinition and re-framing of problems instead of rushing straight into solutions'.

The basic message would again appear to be that effective consultancy requires a certain artistry in the flexible employment of different styles and approaches according to the demands of the situation. Partnership will not necessarily be synonymous with feeling comfortable, nor cosy, but demands hard work on both sides to deliver the agreed objectives, when circumstances conspire to derail the best of intentions. Deadlines, competing stakeholder interests, overwhelming complexities, apathy and general turbulence make uneasy sleeping partners.

Most of us faced with such potential complexity and chaos reach for the security of a unifying theme, which in reality is likely to be an 'attitude of mind', a vision or dream towards which we can strive with varying degrees of success. A core unifying theme figures powerfully in the literature on organizational learning (eg, Argyris and Schon, 1978; Dixon, 1994; Drucker, 1992) and the now familiar concept of the learning company (Harrison, 1995; Pedler *et al*, 1997; Senge, 1990). The focus on learning allows us to embrace some of the core principles of adult education and transformative learning (Mezirow, 1990) and recognizes with Bennis (1993) that 'in complex systems and turbulent times, no one individual or group possesses enough knowledge to do the jobs of everyone else in the organization.' Similarly, Senge (1990:241), quoting Bohm, maintains that through dialogue:

People are no longer primarily in opposition, nor can they be said to be interacting, rather they are participating in this pool of common meaning, which is capable of constant development and change.

It follows, therefore, that a primary focus on enquiry, learning and understanding means working together with others, based on mutual trust, respect and mutual recognition of the

different contributions. The 'explicitly negotiated agreements' with consultants are most likely to be formulated in a working contract. Kubr (1993:141–51) offers us an 'international contract outline', while Phillips and Shaw (1996:54) suggest that, 'There is no single way of writing a contract – it may be informal or formal, a lengthy document, a letter or just a set of points.' Bailey and Sproston (1993) provide us with a range of checklists to inform the process, inviting us to think about day-to-day management, equipping the consultant, managing the information, involving others, managing the finance, time and the unexpected, and ensuring good value. Geirland and Maniker-Leiter (1996) propose six key areas for discussion and defining the contract, 'to avoid misunderstandings'.

Gaining access to this evocative and elusive 'pool of common meaning' will present different challenges to the internal and external consultant. Contracts, promises and agreements are frequently broken without redress, so partnership or collaboration cannot rely on them in isolation. Many of the checklists and outlines offered above often tread a fine line between wanting to control the deviant consultant and giving him or her unlimited power and access to influence the organization.

Let us draw this journey towards some kind of resting place, therefore, with a final reference to what Senge (1990:276–86) describes as 'participative openness' and 'reflective openness'. Although many managers, trainers, consultants and counsellors pride themselves on being 'open', experience suggests that this is frequently restricted or tainted by game-playing. The freedom to speak one's mind (participative openness) within an organization or relationship needs to be complemented by the skills of critical reflection and enquiry (reflective openness). 'It involves not just examining our own ideas but mutually examining others' thinking.' Such skills, however, take time and persistence to develop and many will choose to avoid the task or be ignorant of their existence. They are, however, crucial to making consultancy work.

Given 'the planet wide shift from authoritarian power to collaborative power' (Bourget, 1996), consultants require strong role clarity, a sense of comfort with their own power, and a willingness to 'let go' (Bourget, 1996) in enabling the client autonomy proposed by Heron (1991). Given the comparative absence of 'reflective openness' skills across the different levels of most organizations, human resource professionals, internal and external, would appear to be key figures. They can both demonstrate by personal example and facilitate others in learning the power of Senge's vision to enhance individual and organizational development.

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