

Companies put themselves on the couch



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With less time and money to deal with problems, businesses are looking to psychologists to help get things right first time

A few years ago, an Enron executive requested the services of Michael Seitchik of RHR International, an established psychology management firm. He wanted to arrange workshops on leadership skills and he wanted to schedule them in one-hour sessions.

"That's not the way we work," Mr Seitchik told him. "You can't change someone's mindset and behaviour in hour-long modules."

Nothing came of the discussion but it was clear that Enron had an immediate gratification problem. "They wanted everything quick. They even wanted to learn things quick," says Mr Seitchik.

Business psychologists such as Mr Seitchik believe that, given the opportunity, they have the tools and experience – having been in business for more than 50 years – to change the culture of dysfunctional companies and the negative attitudes of their employees. Indeed, many a company, wounded by economic conditions, mistaken corporate strategies or scandal, has fled to the healing embrace of management psychology for solutions.

No longer able to afford costly hiring or promotion mistakes, companies are using in-house shrinks or outside consultants to screen job applicants, train workers, and provide coaching and counselling, all tailored to company culture and strategic intentions.

The psychological testing of job applicants is becoming commonplace, even for entry-level workers. An American Management Association survey of more than 1,000 companies in 1999 found that 39 per cent use testing as part of the application process.

Personnel Research and Development Corporation (Pradco), a Cleveland-based consultant, says that most of

its consulting and testing used to be aimed at executive-level jobs. Now it is asked to test right down to entry-level. Pradco credits the testing it did for one manufacturing company's success in reducing staff turnover rates from 74 per cent to 39 per cent three years later.

"The companies who work for us have high standards for employees," says Ron Carobine of Pradco. "They are investing in getting the best people at every level of the company."

Some management psychology businesses provide a fast applicant testing service over the internet. (Beware: I tried one and failed; I tried another and could not make out the results but I think they were wrong.) Or they might offer in-depth exams with hundreds of questions. RHR – which works only with the top two or three levels of management among its 300 or so clients – makes limited use of testing but observes its subjects in interviews lasting between three and four hours.

Demographics have brought new challenges to the profession. For 20 years companies have slashed, downsized and re-engineered their middle managers. The surviving baby boomers will soon retire and even the baby busters are aged 35 to 45.

"Companies are beginning to feel a lack of bench strength," Mr Seitchik says. "Of the companies we are working with now, 25-35 per cent of their leaders are going to retire. They wonder if they have the talent to replace them."

RHR and other management psychology companies are training the next generation of business leadership, building highly talented teams and developing the skills of the "high potentials" (the lower level stand-outs who they or the company

single out for advancement.) RHR provides coaches for "high potentials" who meet them frequently and work with their teams as well.

Pradco coaches managerial and executive level employees using a controversial technique called the "360° survey". This combines self-appraisals with the subject's assessment of his or her bosses and co-workers to help assess strengths and weaknesses in context.

Motorola is an RHR client. Like many other technology companies, it is moving towards solutions-based consultative relationships with its customers. This requires different skills from the high-tech wizards who for years have been the backbone of the company.

Some companies would simply replace the "old timers". But Motorola has called in the consultants to retrain its engineers. They must learn to "find out what the customers' needs are rather than building something and assuming people will buy it", says Mr Seitchik.

McCormick, the spice company, has been an RHR client since the 1940s. The consulting firm offers several services, including a scheme to identify future leaders. This puts selected employees through various programmes and provides counselling on a one-to-one basis and within their teams.

Business psychologists are also busy with CEO succession planning. The bloodletting that took the jobs of 1,106 chief executives in 2000 and 929 in 2001 has slowed. According to Challenger, Gray & Christmas, the outplacement group, only 685 lost their jobs in the first 11 months of this year. John Challenger says companies and executives are relatively resistant to change at the moment "until there is some light at the end of the tun-

nel". In any case, natural attrition will continue to reduce executive numbers.

Management Psychology Group, based in Atlanta, lists succession planning among its many services. Martin Haygood, a founding partner, described one two-year assignment from a company that wanted to choose its next chief executive from a five-candidate field.

Two finalists were eventually selected to work closely with the CEO, the board and the consultants. In the end, the choice was between an employee of long standing who created a sense of comfortable, low-key competence, and a more dynamic, charismatic candidate who came up through the sales and marketing departments and lacked organisational skills. The latter was chosen, after consultants had worked with him to correct his primary weakness.

The goal of succession planning is to bring in the right leader at the right time. Failed selections in the past can often be the result of a board looking at a candidate's track record rather than skills and temperament. "It is about creating a 'fit' between what the company must do strategically and the person who can best implement that strategy," RHR says.

The pace of business today makes it a difficult time to run a company, even after a chief executive has made it to the top. Competitive pressures are intense, made more rigorous by hassles from boards, stockholders and the media.

"If you make a mistake now, the consequences are quicker and more direct than in the past," says Mr Seitchik. "The pace of change will get worse in the future. Those who succeed will be the ones who learn to profit from change."

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