

HPT AND SMALL BUSINESS: GOLD MINE OR LAND MINE?

Jeffrey E. McElyea | Darlene Van Tiem, CPT

Performance consulting is typically applied to large organizations. Almost all of the literature on the topic discusses the art and science of human performance technology in these types of organizations. In the United States, however, 99.7% of employer organizations are small businesses. This article addresses some of the opportunities and challenges of working with smaller organizations and presents ways that performance consultants can build a sustainable practice in this market.

SINCE 99.7% OF ALL employer companies in the United States are small businesses (U.S. Small Business Administration, 2007), there should be many more opportunities to apply the principles of human performance technology (HPT) than in larger businesses. (For the purposes of this article, a small business is defined as one with fewer than 100 employees.) Yet little has been written about how, or even whether, performance consultants are working with small businesses. This begs the question: “Is there a place for HPT in small businesses, and can performance consultants build a sustainable practice by working with them?”

This article presents ways that the principles of HPT can be used with small businesses and identifies some considerations when working as a performance consultant in this arena.

THE BEGINNING OF A SMALL BUSINESS HPT PROJECT

Many business owners have no idea what is wrong with their business when they ask us for help other than that “something is not working.” They engage us to help them fix “whatever is wrong” and to get their business on the right path. Many times they describe their problem using phrases such as, “We do not have enough money” or “We need to create a marketing strategy so we can grow.” Whenever we hear these phrases, we know there are deeper problems than what they are describing. The challenge we have, like all other performance consultants, is to help our

potential client understand that the items he or she is describing to us are symptoms, not the true performance problem. Once they hear that we have a process that we follow to help diagnose the problem and a method of making recommendations that we can specifically link to causes (the HPT process), they are eager to begin.

We have certain criteria that we set forth before we will accept a project:

- Collaboration (CPT Performance Standard 4: Work in Partnership with Clients and Other Specialists; International Society for Performance Improvement, 2002). We require that the owner of the business be available to work with us on a weekly basis. If he or she is unable or unwilling to dedicate a minimum of two hours each week of personal time to our project, we will not accept the engagement. Experience tells us that this project will not succeed without commitment.
- Be willing to examine every facet of the business, not just the area that the owners believe to be the problem (CPT Performance Standard 2: Take a Systems View; International Society for Performance Improvement, 2002). This is often difficult for the business owner to accept. In large businesses, it is easy to see that there are many processes, work groups, and organizational pressures that combine to form a complex system. In a business that has fewer than 20 employees, however, all of the people, processes, and organizational issues seem to be immediately apparent to the business owner, who is often an integral part of each of these levels of performance (another reason that we insist on the owner’s

participation). It is typically difficult for business owners to see that an issue in one area is causing a problem in another, or that a problem with, say, the bookkeeper (e.g., overly aggressive credit policies, collection processes, incorrect invoicing) could be interfering with their ability to market their business. If we are unable to help the business owner understand that the small business is a complex system that must be examined in its entirety to truly address performance problems, we respectfully decline the project.

- Must have realistic expectations for the outcome of our work together (CPT Performance Standard 1: Focus on Outcomes; International Society for Performance Improvement, 2002). This is often the most difficult point for us to quantify with business owners. They do not have an understanding of how they will know if our project is successful. For example, if they approach us stating that the problem is “not enough money,” they are often unable to identify how much money they need or when they feel that the project has been successful. If they approach us and say, “We need a marketing strategy so that we can grow,” they are often unable to state how much revenue they need to feel comfortable or successful. It is a regular occurrence during this phase that we have to help them understand what they are trying to build—what their vision or purpose for operating the business is—before we can begin to identify immediate, intermediate, and long-term outcomes for our work together. If we do not quantify these outcomes or expectations, our project inevitably takes a meandering path to nowhere, wasting both our time and our client’s money.
- Must believe that we can understand their business in ways that they do not (CPT Performance Standard 3: Add Value; International Society for Performance Improvement, 2002). Once we arrive at this point with our clients, we have already begun moving down the path to CPT Performance Standard 3: Add Value. The majority of our clients have never truly sat down to describe why they are in business or what they are trying to accomplish. Once we arrive at the point of helping them identify what they want to accomplish with their business or its purpose for being, it is as if a rock has been lifted off their shoulders. They now understand that they have a performance improvement project, not an isolated issue of “needing more money” or “needing a better marketing strategy.”

The first three conditions must be met before we accept a project. The fourth condition, relating to CPT Performance Standard 3: Add Value, must be satisfied before the client will invest in the types of fees the performance con-

sultant needs to charge to make the project profitable. In every case that we have violated these principles, we have had a project that has gone awry or failed to live up to either our or our client’s expectations. Table 1 demonstrates the roles of each of these CPT Standards during the contracting phase.

THE BUSINESS PLAN AS AN HPT PROJECT

One of the challenges of doing performance consulting with small businesses is the language of our field. Terms like *needs assessment*, *intervention*, and *gap analysis* have practically no meaning for these clients. Furthermore, these terms sound as if they are large business techniques or tools. Since many small business owners (SBOs) start their business to have greater control over their work (Greenberger, 1988) and freedom from the confines of the corporate world (Kuratko, Hornsby, & Naffziger, 1997), they are adverse to anything that seems as if they are reentering that environment. Also, the tools and techniques of big business do not seem relevant to their day-to-day activities. This fear makes it difficult to propose performance consulting to these owners.

We often find that helping a client build a business plan is a good way to engage in an HPT project.

We often find that helping a client build a business plan is a good way to engage in an HPT project. Since SBOs are often developing a business plan as a way to pursue financing or fix an ailing business, they are fully engaged, willing to work collaboratively, and more than willing to dedicate whatever amount of time is necessary to go through the process. Building a business plan also requires that we look at the entire business as a compilation of people and resources and an analysis of both the internal and external environment (Sahlman, 1997). The process frequently involves other professional advisers and has a defined outcome. It provides an excellent framework for meeting the four CPT Performance Standards we require for an effective engagement, and presents them in a language that the SBO understands and relates to.

TABLE 1 ROLES OF CPT STANDARDS IN THE CONTRACTING PHASE

CPT PERFORMANCE STANDARD	ROLE DURING THE CONTRACTING PHASE
CPT Performance Standard 1: Focus on Outcomes	Establishes clear parameters for the specific performance issues the client would like to improve and by how much, and ensures those improvements are in alignment with the long-term vision for the organization. Also keeps the project focused, which is essential if the endeavor is to be profitable for the consultant.
CPT Performance Standard 2: Take a Systems View	Helps the owner or top manager understand how complex the relationships between people, processes, resources, and the organizational environment (internal and external) really are. If the client does not understand this complexity or cannot envision the business as a system, it is difficult for him or her to see value in the work of the performance consultant.
CPT Performance Standard 3: Add Value	For the small business owner to invest in consulting, value must be demonstrated during the contracting phase. This can take the form of demonstrating the cost of the performance problem, calculating a projected return on investment for the engagement, or helping clarify an issue for a client. Small businesses do not spend money on consulting services unless they are convinced that it will provide a positive payback in a short period of time; they must envision a tangible improvement in their condition. This step is essential in generating consulting fees that will sustain the consultant's practice over time.
CPT Performance Standard 4: Work in Partnership with Clients and Other Specialists	Ensures the client (owner or top manager) is personally involved and will direct resources toward the analysis, design, development, and implementation of everything we do together. This is essential to obtaining complete buy-in and useful in building a long-term relationship with the client.

Properly constructing a business plan gives us the license to examine every document the business has and challenge all current operating paradigms, and it requires us to provide evidence that the business plan will be successful if fully implemented. It identifies the reasons for past operational weaknesses, proposes corrective actions, and provides evidence that these actions will be effective and reverse the current operating results (Rule, 2004). It is common for this process to take three to four months, which gives us the opportunity to provide considerable depth and breadth to our analysis and recommendations.

With the approach of building a business plan, we can be reasonably certain that the plan (i.e., the interventions), when designed, developed, and implemented, will be successful. This process is also particularly effective, because it requires us to identify key performance indicators (KPIs) and provides a built-in method for evaluating key financial ratios, cash flow, revenue improvement, and other parameters.

In essence, the HPT model (Van Tiem, Moseley, & Dessinger, 2004) can be used to create a business plan. The HPT process and the business plan have similar requirements:

- Both require establishing current and expected performance outcomes.
- Both must establish verifiable causes for performance problems.
- Both propose corrective actions that can be directly linked to performance problems.
- Both must take a systems point of view.
- Both analyze the internal and external environments.
- Both are incomplete without an effective way of measuring and evaluating results.

The business planning process therefore becomes an HPT project. By approaching SBOs in this manner, we have the opportunity to do performance consulting in the small business arena, because it provides a methodology to follow that SBOs can relate to while remaining true to our standards.

JIM AND SARA'S PROJECT

When Jim and Sara came to us, they said, "We know we have a great product, but we are struggling. We are not sure if we can stay open much longer unless we get

more money.” They were attempting to secure additional money through a local bank, which required a business plan before a loan could be considered. Their problem statement, “We are not sure if we can stay open much longer,” screamed out as an opportunity for an HPT engagement. It was masked in the form of a request for a business plan.

During our analysis for this project, we identified several things that Jim and Sara would need to implement or do differently. They needed a different way to distribute their product. They had taken the approach of securing dealer relationships with small hardware stores and small retailers. These types of dealers were more than happy to form relationships with Jim and Sara’s company because it provided them with a product that had high margins, required very little inventory, and had good payment terms—an SBO’s dream. The problem for Jim and Sara was that the small dealers ordered quantities of only three or six. Our financial analysis revealed that it was impossible to secure enough dealers ordering in this manner for the company to make a profit. This was a point that Sara and Jim had not known prior to our analysis. To be profitable, the company needed larger dealers.

Up to this point, Sara was the primary salesperson. She was also attempting to manage the day-to-day administrative duties, perform all bookkeeping duties, and coordinate shipping and receiving of the company’s products. When we spent a couple of days observing her routine, it was apparent that despite her valiant efforts, she was not performing any of these functions adequately. Through interviews with her, we concluded that she did not understand how a nationwide salesforce could improve productivity. This lack of salesforce caused her to sell to familiar types of customers (small dealers), which made it difficult or impossible for the company to be profitable. This in turn restricted cash flow to the point that the company could not hire additional administrative staff to ease this burden. The interventions we suggested included developing a nationwide salesforce and changing the business’s distribution model away from small dealers and toward large retailers with a national presence.

We created sales milestones, cash flow goals, and profitability objectives as our method for evaluating the effectiveness of this intervention (in the small business arena, rarely is there anything other than these KPIs that truly matter to the SBO). We documented our analysis, corrective actions, and financial objectives in the form of a business plan, which Jim and Sara presented to their bank. The loan committee was impressed with the thoroughness and solutions-oriented approach to the plan. The loan was approved, and Jim and Sara could now implement their business plan (i.e., the interventions).

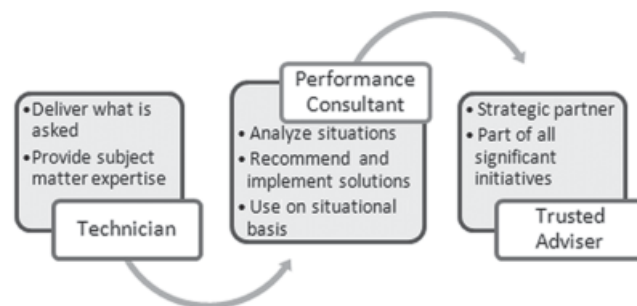
FROM PERFORMANCE CONSULTANT TO TRUSTED ADVISER

Rummler and Morrill (2004) assert that most performance consulting engagements begin with a client’s recognition of a problem and, in most cases, a preconceived notion about what the solution to that problem should be. A true performance consultant must be certain that the solution he or she is about to deliver will in fact be the solution to the problem. Rummler and Morrill suggest that the ability of the performance consultant to recommend a different solution from the one the client proposes becomes much easier by knowing the client’s business. This allows us to switch from technician (a deliverer of prescribed services) to trusted adviser, an important transition if a performance consultant is to survive working with small businesses. The role of trusted adviser increases the likelihood of working with an SBO on multiple engagements, which is essential to developing a practice with this market.

Rummler and Morrill (2004) provide a methodology for learning about a client’s business. We propose that the business planning process with small businesses provides a formal framework for knowing every aspect of a client’s business and, by following the HPT model, creates a trust between the performance consultant and client that cements the consultant’s role as a trusted adviser (Figure 1).

MORE ABOUT JIM AND SARA

Once Jim and Sara’s business plan was completed and their loan approved, we had an additional challenge, common to many SBOs. Despite our best efforts to transfer knowledge and skills during the HPT/business planning project, Jim and Sara were not confident they could design and implement the operations required to execute the plan. During the planning and HPT process, they had gained confidence in us; we had made the transition from



Source: J. McElyea (personal communication, July 16, 2007)

FIGURE 1. THE TRANSITION FROM TECHNICIAN TO TRUSTED ADVISER

technician to trusted adviser. As a result, they contracted us to help design and implement the proposed interventions in their business plan.

We conducted interviews, researched available data, and contracted with an individual who had successfully assembled national sales forces in the past to do the following:

- Identify the organizational structure required of a national sales force.
- Evaluate whether we should have an in-house staff or pursue manufacturers' representatives, or a combination of both.
- Identify the characteristics of individuals who are typically successful salespeople or manufacturers' representatives.
- Create compensation plans.
- Establish performance metrics for manufacturers' representatives, a national director of sales, and dealers.
- Create a recruiting strategy for a national director of sales.
- Develop interview guides and evaluation tools.
- Train and develop Jim and Sara on interview techniques.
- Develop a trade show methodology and provide on-site training for Jim and Sara to begin making inroads with national retailers.

Following our interventions, Jim and Sara have more than quadrupled their sales in three years and have been successful at introducing their product to multiple national retailers. These national retailers are now approaching Jim and Sara about carrying their product instead of the other way around. The company has become profitable and has a positive cash flow. Jim and Sara, although weary from the long hours and daily grind, are thoroughly pleased with the growth of the company that they once thought was about to shut its doors. Although many variables and business trends influenced success with these interventions over time, Jim and Sara believe that many of their business gains have been the direct result of implementing the HPT business plan we suggested in our initial consultation.

IMPLICATIONS FOR PERFORMANCE CONSULTANTS

Performance consulting with small business is a wide-open and practically unexplored market. The potential for building a sustainable performance consulting practice in this market is almost limitless. It requires a level of perseverance and expertise, however, that may not be

When a project is successful, the gratitude of clients is deep and profound. Your reputation grows, you make the transition to trusted adviser, and your services become in such demand that you rarely have to market yourself.

obvious at first glance. Unlike performance consulting with large businesses, the consequences to both the consultant and the client for an unsuccessful project can be devastating. For the client, an unsuccessful engagement can cause the business to close and could result in both business and personal bankruptcy. For the consultant, an unsuccessful engagement can carry a heavy emotional burden knowing the consequences it can cause for the client. Also it will not take many unsuccessful engagements before the performance consultant will no longer be welcome in the small-business community.

The opposite of this is also true: when a project is successful, the gratitude of clients is deep and profound. Your reputation grows, you make the transition to trusted adviser, and your services become in such demand that you rarely have to market yourself. 🙏

References

- Greenberger, D.A. (1988). An interactive model of new venture initiation. *Journal of Small Business Management*, 26(3), 1–8.
- International Society for Performance Improvement. (2002). *Standards of performance technology and code of ethics*. Retrieved August 9, 2007, from <http://www.certifiedpt.org/index.cfm?section=standards>.
- Kuratko, D.F., Hornsby, J.S., & Naffziger, D.W. (1997). An examination of owner's goals in sustaining entrepreneurship. *Journal of Small Business Management*, 35(1), 24–33.

Rule, R. (2004). *Rule's book of business plans for start-ups: Creating a winning plan you can take to the bank*. Irvine, CA: Entrepreneur Press.

Rummler, G., & Morrill, K. (2004). Know your client's business. *Performance Improvement*, 43(3), 21–27. [DOI: 10.1002/pfi.4140430306.]

Sahlman, W.A. (1997). How to write a great business plan. *Harvard Business Review*, 75(4), 98–108.

U.S. Small Business Administration. (2007). *U.S. Small Business Administration frequently asked questions: Advocacy small business statistics and research*. Retrieved July 1, 2007, from <http://app1.sba.gov/faqs/faqindex.cfm?areaID=24>.

Van Tiem, D.M., Moseley, J.L., & Dessinger, J.C. (2004). *Fundamentals of human performance technology* (2nd ed.). Silver Spring, MD: International Society for Performance Improvement.

JEFFREY E. McELYEA, MA, is the principal and lead consultant of Lucid Business Strategies, a management and HPT consulting firm that helps small business owners build successful enterprises. His experience includes 20 years in senior management positions in the hospitality industry, where he had full operational and financial responsibility for the success of the businesses. He received his master's degree with high distinction from the performance improvement and instructional design program at the University of Michigan, Dearborn. During his graduate work, he earned the Human Performance Improvement certificate from ASTD. He is a board member of ISPI, Michigan, and a past board member of the Greater Detroit Chapter of ASTD. He has published articles in *ASTD Links* and is a frequent contributor to business publications in southeast Michigan. He has been an invited speaker at more than 30 national, state, and local conferences. He may be reached at jmcelyea@lucidbusiness.com.

DARLENE VAN TIEM, CPT, PHD, MSA, CPLP, is an associate professor emeritus and coordinator of the performance improvement and instructional design graduate program at the University of Michigan, Dearborn. She is an adjunct faculty at Capella University and Boise State University. She serves on the ISPI board of directors (2006–2008). She is the lead author of two ISPI award-winning books: *Fundamentals of Performance Technology*, second edition (2004), and *Performance Improvement Interventions* (2001); and is lead author for three chapters and section editor of *The Handbook of Human Performance Technology* (2006). She was named the ASTD National Technical Trainer of the Year (1992) and received the ASTD National Excellence in Leadership Award (1993). She has presented at approximately 75 international and state conferences and chapter meetings for ISPI, ASTD, SHRM, the Academy of Human Resource Development, and the American Association for Adult and Continuing Education. She may be reached at dvt@umd.umich.edu.