

### Personality Survey Helps Smooth "People Issues"

Results can be used in a deal to gauge the target's culture, retain key talent, reduce turnover, and motivate the new employee base

By Joan Harrison

Uncertainty during a merger or acquisition can trigger stress in employees and affect their perceptions and productivity and the dynamics of a deal itself. Employees may feel anxious, uncertain, and worried about their futures. These feelings often are exacerbated by a letup in communication, which leaves people in the dark about the deal and fuels insecurity and rumors. Merging companies that don't recognize the business implications of these very real human emotions risk low morale, dips in productivity, and a bad start to the deal.

But as more companies recognize that so-called "soft issues" like culture clash and employee disillusionment or defections can plague even the most promising acquisitions, they are trying to nip the problems in the bud to help boost morale and deter key people from jumping ship.

#### Natural fit in an acquisition

A tool that a number of companies have relied on to help curb these issues is the Predictive Index® (PI), a survey that identifies an employee's motivations and predicts their behavior in the workplace. Results can be used for hiring, reducing turnover, identifying and solving "people" problems, and boosting job satisfac-

tion and morale. What makes it different than general personality tests is that it is work-related and thus is easily applicable to business situations, including a merger or acquisition.

PI, a service offered by management consulting firm PI Worldwide, was used by CPA and consulting firm Clifton Gunderson LLP during due diligence to size up the management and culture of an acquisition target. The firm had been working with PI for some time and had integrated the results into its employee recruiting, development, and retention practices, but the time came to take it to the next level and use it in an acquisition.

Rick Goldenson, Managing Partner of the Southwest Client Service Center at Clifton Gunderson, managed the deal — an acquisition by the firm's Arizona office of a local rival. "We first gave the survey to the partners only, primarily because until a deal is done, you have to be careful about who involve in the process," he notes.

The survey results, says Goldenson, helped members of the firm to more effectively communicate with the target company partners. "If you know you're dealing with someone who likes a lot of detail, you'll spend time going over intricate details to get their buy-in," he explains.

Lauren Malensek, Clifton

*Continued on page 39*



marketwatch continued from page 36

Gunderson's Chief Human Resource Officer, who worked closely with Goldenson during the deal, points out, "As people, we tend to communicate with others based on our own PI profile, and that is not the most productive way to deal with others, who may have a different profile. Communication can be more productive if you interact with people based on where they're coming from instead of what your communication preferences are."

After surveying the management team, Goldenson adds, all other target employees took the PI. "It gave us the insight to retain key talent and to motivate the new employee base, helped us to better communicate with employees, and it taught them how to communicate with others. It took some of the unknowns out of the merger process," he says. "It also helped staff get to know the new partners, people that they otherwise might have been wary of."

Post-closing defections were minimal, notes Goldenson, who acknowledges that mergers in the past resulted in larger turnovers. "I attribute the low turnover rate to effective communication, for which PI opened the door."

Bob Wilson, President of Bob Wilson & Associates, a licensee of PI and part of the PI Worldwide organization, says his firm encourages all clients to use the Predictive Index as part of the due diligence process, and notes that it has been used in a number of deals. ■

inthespotlight continued from page 37

"Companies are optimistic but worried that down the road, the President will say that Medicare now is now x% of GDP and will reduce the reimbursements. You have that problem in any state or federal health insurance program, which will have peaks and valleys due to budget considerations."

Pfrang agrees, adding, "In any sector of health care where the federal government is such a significant payer and influencer of profitability, you always run the risk of legislative changes. But I don't see an acute level of concern as it pertains to Medicare Advantage. The general view is very bullish that this is going to continue to be an attractive business and that

there's no legislative change on the that would cause people concern."

Nonetheless, with respect to the prescription drug benefit of Medicare, companies are opting to form alliances and JVs over making outright acquisitions at this point, he adds. "Insurers are trying to position themselves to participate in Medicare Part D but not quite willing to take any big risks. That probably won't happen until late 2006 and in 2007, once they actually how many people have signed up for the benefits and how successful the program will be."

At that point, the experts also foresee larger managed care companies targeting insurers in regions with high senior populations, such as Florida and Arizona. ■

### Are acquisitions and alliances part of your company's strategy?

If so, you may be interested in a new study being launched at the University of Washington. Professor Corey Phelps of the UW Business School is looking for companies to participate in a National Science Foundation-sponsored research project. In this study, Dr. Phelps is investigating how collaborative relationships (e.g., alliances) between firms can lead to the acquisition of one partner by the other and how such pre-merger relationships can influence the acquirer's performance. He is seeking industry partners who will allow him access to their organizations to conduct interviews with a small number of personnel involved in alliances and acquisitions.

In return for your company's participation, Professor Phelps will provide you with a customized report of his findings from multiple case studies and a statistical analysis of a large sample of firms. This report will contain a set of best practices and practical guidelines regarding the effective use of pre-acquisition alliances to evaluate and select acquisition targets and enhance acquisition performance. These guidelines will help you better understand how alliances can complement the acquisition process and enhance your company's performance.

Dr. Phelps will maintain the confidentiality of all information collected and will abide by all necessary non-disclosure agreements.

If your company has acquired a previous alliance partner in the past few years and you are interested in participating in the study, please contact Dr. Corey Phelps at (206) 543-6579 or [cphelps@u.washington.edu](mailto:cphelps@u.washington.edu).

To learn more, visit [www.coreyphelps.com](http://www.coreyphelps.com).