

CHAPTER

[6]

A THREE-WAY
EVALUATION
OF **MANAGERIAL**
AND TECHNICAL TALENT

A SYSTEMATIC APPRAISAL OF SIGNIFICANT PERSONNEL IN AN ACQUISITION CALLS FOR INPUT FROM SEVERAL DIRECTIONS. A MULTIFACETED APPROACH GENERATES A DATABASE THAT IS MOST USEFUL BECAUSE IT IS (1) MORE ACCURATE AND (2) MORE INFORMATIVE THAN ANY APPRAISAL GROWING OUT OF A SINGLE DATA SOURCE.

The first and most obvious appraisal of incumbents should draw on the insights of the owner and/or senior executive in the acquired firm. The second stage in the three-way process should be an objective, professional evaluation conducted by a management/organizational psychologist. The third data input should consist of the perceptions of executives in the acquiring organization. When the three sets of data are blended, a very serviceable composite picture should emerge of each of the key people in the acquired firm.

INPUT FROM THE ACQUIRED FIRM'S OWNER OR CEO

The dangers of relying too heavily on this data input have already been highlighted. Nevertheless, it does remain a logical point of inquiry vis-à-vis the abilities, potentials, attitudes, and orientations of incumbents.

What is needed, and what is usually not employed, is a systematic and consistent format for this senior executive to follow in sharing his or her thoughts about subordinates. Ideally, it will take the form of a structured interview conducted by another person—for example, a management/organizational psychologist or perhaps a senior manager in the parent company's personnel department. This third party conducts the interview, adhering to the structured format and thus ensuring that all incumbents are appraised with the same level of thoroughness and according to the same sort of rating criteria.

Invariably, there is a fund of rich data in the key executive's head; it is the job of the third party to elicit, organize, and interpret it appropriately. The owner or CEO is in a position to evaluate subordinates in the context of the company he or she knows better than anyone else. As this person probably has the best grasp of make-or-break traits and talents, too, incumbents will be appraised on highly relevant behavior or characteristics. Ordinarily, this senior executive can readily cite a number of "critical incidents" that substantiate the assessment.

The third party conducting the interview plays another key role: helping the senior executive past his or her own personal biases. This permits the pros and cons to be weighed more dispassionately.

A side benefit of these interviews is that the third party will invariably glean critically valuable insights into the acquired firm's organizational culture or personality, operating style, predominant managerial philosophy, and overall company norms. These insights can be most valuable in subsequent efforts to facilitate integration of the two companies.

The third party should have the top executive critique the key managers and technical specialists by structuring an analysis of these incumbents individually on the following points:

- Major strengths
- Weaker points or shortcomings
- How this person compensates, or what accounts most for his or her job effectiveness
- Record of achieving goals and objectives
- Major accomplishments/contributions
- Major mistakes/problems in past performance
- Management style
- Most common management mistakes
- Environment in which the person works best (and worst)
- Transferability to other job assignments or management responsibilities
- Where the person needs backup and support
- Problems in managing the individual
- How the person can best be motivated
- Next logical career step

- Long-range potential
- Developmental needs

Having accomplished this, the third party should then pursue a line of questioning designed to get a better feel for how the employee is likely to react to the merger/acquisition. Here, the inquiry should address such topics as the following:

- How the person will react to the merger/acquisition
- What he or she stands to gain
- What the person stands to lose
- Likelihood that the employee will stay with the company (including specific forces that would persuade the person to stay and how to increase these and thereby tie him or her to the firm, if that is what is desired)
- Specific forces that would be an influence in leaving (including how to increase these or eliminate them, as appropriate)
- Problems/risks—or benefits—of the person leaving (including impact on other people and how this might influence them to leave also, and critical roles the individual plays in the organization's social system)
- Who, if anyone, should or could replace this person if he or she leaves
- How well the person will adapt to the parent company's management philosophy and operating style
- Key backers or advocates this person has in the firm. His or her adversaries in the acquired firm
- Personal idiosyncrasies
- Questions or concerns the owner or CEO has regarding this individual

This key executive might be asked, in closing, for any additional conclusions or recommendations that would affect the disposition of the incumbent in the post-merger environment. Finally, it can be helpful to have this top executive in the acquired firm place each of the key subordinates in one of the following categories:

- Should be separated from the company
- Questionable need to keep with the company
- Not critical whether the employee leaves or remains
- Efforts should be made to keep the employee with the company
- Critical to retain

EVALUATION BY AN OUTSIDE PROFESSIONAL

Step two in the three-pronged approach to evaluating key incumbents consists of an in-depth appraisal by an outside professional, someone who has the unique tools as well as the objectivity needed to add an important dimension to this audit of the acquired human resources. This might be a management psychologist, executive recruiter, or some human resource specialist skilled in assessment techniques.

Ordinarily, this appraiser will conduct a thorough background interview with each person and possibly do testing. As part of the face-to-face inquiry, the appraiser should delve into such areas as the incumbent's career objectives and feelings regarding the merger. Specifically, the individual being evaluated should be given the opportunity to speak at some length about his or her feelings concerning the parent company, fears and concerns relative to the acquisition, and so on.

This exercise is sometimes threatening to those who are asked to participate, and for that reason they might be given the opportunity for a "feedback

session” with the professional responsible for gathering and interpreting the data. This second meeting is most likely to occur several days or weeks later. It provides the person being evaluated another chance to open up and freely ventilate feelings and opinions about the corporate marriage. Frequently, this allows data to surface regarding how the merger is being perceived or how the parent company might take steps to overcome problems that are developing.

The people who are asked to participate in the professional evaluation may be a little uneasy, somewhat wary about it all. But they also are inclined to view it as a noteworthy effort on the part of the acquirer to deal with people in the purchased firm in an equitable, informed fashion. Most people will open up and talk much more freely with an outsider than with parent company executives, particularly if this third party displays a good grasp of merger dynamics. Almost always, the key people in the acquisition appreciate the opportunity to tell their story, to make a pitch for themselves. Furthermore, if arrangements are made for individual follow-up sessions to go over the data, participants may get a once-in-a-lifetime chance to hear a professional advise them in a supportive, insightful manner on matters such as these:

- How strengths can be played to most effectively
- How weaker points can be compensated for, maneuvered around, or perhaps overcome completely
- What developmental steps could contribute most to career effectiveness
- What changes the merger/acquisition may call for in terms of management style or work habits
- What job opportunities it would be most appropriate to seek in the new corporate setup and which ones would carry a high potential for failure

Parent company executives, in turn, get a quick and thorough feel for what they have acquired in terms of managerial and technical resources in the acquired firm. Management succession planning can thus proceed more promptly and in a far more sophisticated, strategic fashion. The professional evaluation eliminates the need for much guesswork as the new owner goes about making staffing decisions. Moreover, in the months that follow, far fewer unpleasant surprises crop up because people in the acquired firm were initially misread, misunderstood, and miscast.

EVALUATION OF KEY PERSONNEL IN THE ACQUIRED FIRM BY COMPANY EXECUTIVES

Top management in the acquiring organization should be involved in the third aspect of the appraisal process. In this exercise, top management should meet with those responsible for carrying out the assessments in steps one and two. Here, in joint session, the objective is to pool insights, weigh the ramifications of the data, and draw final conclusions regarding the disposition of those personnel who are under review.

Parent company executives play a key role in this stage of the three-way evaluation. Their responsibility is to critique the key people in the acquisition on a number of crucial factors—for example, personal chemistry, technical skills, operating style, and corporate culture.

It may be that the top executive in the acquired firm gives particularly good marks to one of those directly reporting to him. Likewise, the professional appraiser may submit data endorsing the idea that the person is, in fact, just as strong and capable as the superior indicated. But if senior management in the parent organization has experienced a personality conflict in meeting and interacting with this particular person, there may be little hope of a compatible working relationship. It could also be, however, that the other two data inputs, plus the facilitative influence of the outside

appraiser, enhance the parent company's understanding of and respect for the individual in question. And instead of a highly promising person being terminated or allowed to bail out because of interpersonal friction with the new owner, a mutually rewarding relationship may be allowed to evolve.

When inputs from all three stages of the evaluation converge, accurate and serviceable answers are found to the questions of "Who should go?" "Who will (and should) stay?" and "How can those people who do stay best be managed and motivated for the success of the merged organization?"

