The use of Extended DISC reports in the due diligence process

Extended DISC and FinxS reports have a commercial focus and are used in a variety of applications by business consultants and this includes the due diligence process.

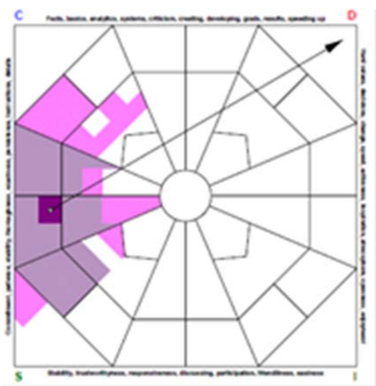
It is surprising that some professionals neglect the personnel aspects of a business during the due diligence process, especially where the founder of the business, who has in most cases been instrumental in its success, is leaving the organisation at the completion of the sale.

The outcome in these situations places even more importance on understanding the behavioural styles of those remaining in the organisation and even more so where a new manager is to be appointed.

The importance of understanding how to communicate with team members, how they “listen”, understanding their strengths, what motivates them (and what they try to avoid) as well as their “development areas”, is fundamental in managing an efficient and effective team. Without this information from the outset, it takes weeks (sometimes even longer) to really understand “what makes team members tick”, quite apart from knowing about any emotional issues (stress, pressure, insecurity etc.) that might impact on their performance.

Sometimes it might take more than obtaining a behavioural report and we are seeing an increased use in Open 360 reporting, which can help in the process.

Some time ago we were informed of a case where the due diligence process did not include a thorough understanding of the people involved in the management of a company purchased by a large overseas organisation. The consequences proved to be expensive.



The accounting firm involved focused on the numbers without any attention to the personnel who were to administer the company after the retirement of the owner/founder. The owner, because of his strong competitive and somewhat aggressive style, suppressed those departmental managers who reported to him.

Initially, a general manager was appointed from within the newly acquired company and that was the first mistake. The appointment was made because of seniority, but completely overlooked the management style of the individual.

Not only did the new appointee lack management experience, he was emotionally challenged by the new role and his perception was that he had to adopt a aggressive style, similar to the retired owner to be effective. The “diamond” taken from his report soon after his appointment is shown opposite. The dark shading is his natural unconscious style and the end of the arrow his “perceived need to adjust”.

The result of this was major disruption within the organisation as his adjusted style impacted upon others who, prior to his appointment, were managing at the same level and could not understand why he had distanced himself from them.

The new owners realised that something had to be done and appointed a consultant who immediately obtained behavioural reports from the entire staff and Open 360 reports on the management. What she found was that even prior to the sale of the business, it was obvious that people were working in roles that were outside their comfort zone and most were stressed and suffering from serious pressure. The emotional issues resulting from the aggressive style of the owner, and then from the new manager, caused a serious breakdown in communication and an increasingly ineffective workforce.

The steps recommended by the consultant not only included the replacement of the general manager, but a complete reshuffle of responsibilities, including other new appointments. Because the recently executed employment contracts had to be re-negotiated, the new owners incurred significant unbudgeted costs, including substantial legal fees and new recruitment expenses, quite apart from consulting fees.

This could all have been avoided if the due diligence process had included the small cost of obtaining behavioural reports from the staff, even if just from the key people. The issues that had been suppressed by the over-powering style of the founder would have surfaced and could have been resolved prior to completing the new employment contracts. The exercise may well have impacted on the actual price paid for the business.