Human Capital Risk

Mergers and Acquisitions and Private Equity Beta
① The Art of Financial Projection
② The Human Capital Risk Factors
③ The Evaluation of Human Capital
④ Identifying and Managing Risk
1 The Art of Financial Projection
2 The Human Capital Risk Factors
3 The Evaluation of Human Capital
4 Identifying and Managing Risk

- Market Potential
- Financial Health
- Pro Forma Statements
- Beta
The Art of Financial Projection benefits the bankers, lawyers, and accountants

- US sources place merger failure rates as high as 80%, with evidence indicating that around half of mergers fail to meet financial expectations.

- A much-cited McKinsey study presents evidence that most organizations would have received a better return on their investment if they had merely banked their money instead of buying another company.

- Consequently, many commentators have concluded that the true beneficiaries from M&A activity are those who sell their shares when deals are announced, and the marriage brokers—the bankers, lawyers, and accountants—who arrange, advise, and execute the deals.
Investment firms often employ a haphazard process for assessing senior managers

Prior to making a final investment decision, poor human capital understanding leads to real risk:

1. 25% of VCs portfolio is a write-off, another 25% are considered underperforming
2. Annually Europe’s VC community writes-off 2% of their portfolio
3. Most venture capitalists believe that the major causes of failure and under-performance relate to:
   • Misjudgment of the marketplace for the investee companies' products or
   • Problems with the management of the investee business

Issues compound when management is unable to cope with change

• While equity specialists are right to focus on what they do best - the new deals - there is an opportunity to do more to ensure that prompt action is taken to correct poor performance or potential failures.

• Collective hindsight indicates that private equity needs a more proactive action to:

  1. Investigate and correct problems and
  2. Work with advisers if they have insufficient resources in-house
Human capital is as critical as financial, market, and legal risk.

Assessing the business

1. Income Statement
2. Balance Sheet
3. Cash Flow Statement

Assessing the talent

1. Observable Behavior?
2. 360 Degree Feedback?
3. Psychometric Assessment?
4. References?
5. Work Samples?

Financial Risk

Market Risk

Legal Risk

Source: http://www.flickr.com/photos/batiks/2991619928/
① The Art of Financial Projection
② The Human Capital Risk Factors
③ The Evaluation of Human Capital
④ Determining and Measuring Risk

a) The Cost of Human Capital
b) Capability
c) Motivation Risk
d) Culture
People factors drive merger & acquisition (M&A) failure just as clearly

The successful management of integrating people and their organizational cultures is key to achieving desired outcomes across merger & acquisition.

Studies like the one conducted by the Chartered Management Institute in the UK have identified a variety of people factors associated with unsuccessful M&A.

These include:

- underestimating the difficulties of merging two cultures;
- underestimating the problem of skills transfer;
- demotivation of employees;
- departure of key people;
- expenditure of too much energy on doing the deal at the expense of post-merger planning;
- lack of clear responsibilities, leading to post merger conflicts;
- too narrow a focus on internal issues to the neglect of the customers and the external environment;
- insufficient research about the merger partner or acquired organization.
Just as other assets have their own class of risk, human capital has specific domain risk

• Human capital, like other capital, should never be regarded as a static quantity, but a highly volatile resource that can rarely be stored for future use. Burn rate is a common start-up problem, but too few think about human capital burn rate.

• Human capital, regardless of the methods of accounting and reporting human capital, is a major operation expense ~70%

• Human capital risk is made up of three domains:

  1. **Compliance** – Financial or reputational damage to the organization due to failures to meet legal or regulatory requirements.

  2. **Productivity** – Loss of productivity or output due to under-skilled or under-motivated employees; or an organizational culture that does not encourage discretionary effort (the extra contribution over and above what is required to keep the boss off your back) from employees.

  3. **Growth** – Failing to maximize organizational capability or to identify and achieve internal or external opportunities for innovation or major growth or development of the business.
Value-creation capabilities culture tools do emphasize are also those that the market appears to consider important

- There is a high statistical correlation between the variables of a qualitative culture assessment and contemporaneous cross-sectional variations in the market-value-to-book-value ratios of publicly traded companies.

- A quantitative culture assessment is also powerful in predicting future market values. Investing in a (value-weighted) portfolio of firms that are in the top quintile based on culture rankings as well as the returns required to compensate investors for the risk they bear from investing in these top-quintile portfolios.

<table>
<thead>
<tr>
<th>Culture</th>
<th>Measures</th>
<th>Proxies</th>
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<tbody>
<tr>
<td>Control</td>
<td>• Quality</td>
<td>• Gross margin</td>
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<td></td>
<td>• Efficiency</td>
<td>• Asset turnover</td>
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<tr>
<td>Compete</td>
<td>• Profit</td>
<td>• Economic Value Added (EVA)</td>
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<td></td>
<td>• Speed</td>
<td>• Change in EVA growth</td>
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<tr>
<td>Create</td>
<td>• Growth</td>
<td>• Sales growth</td>
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<td></td>
<td>• Innovation</td>
<td>• Standard deviation of market model errors</td>
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<tr>
<td>Collaborate</td>
<td>Knowledge</td>
<td>• Future growth values</td>
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<td>Community</td>
<td>• Sales/number of employees</td>
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Human capital possesses risk across the majority of evaluation criteria

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Detail</th>
<th>Evaluation Need</th>
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<tr>
<td>Investment risk</td>
<td>• Entrepreneur’s track record</td>
<td>• Human capital</td>
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<td></td>
<td>• Market growth rate, and</td>
<td>• Market analysis</td>
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<td></td>
<td>• Prospect of return</td>
<td>• Financial analysis</td>
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<td>Management risk</td>
<td>• Capability of entrepreneur’s sustained effort</td>
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<td>• Market familiarity, and</td>
<td>• Human capital</td>
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<td></td>
<td>• Risk-reacting ability</td>
<td>• Human capital</td>
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<tr>
<td>Implementation risk</td>
<td>• Entrepreneur’s clear idea,</td>
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<td></td>
<td>• Functioning prototype, and</td>
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<td></td>
<td>• Demonstrated market acceptance</td>
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<td>Leadership risk</td>
<td>Management ability of the entrepreneur</td>
<td>Human capital</td>
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<tr>
<td>Competitive risk</td>
<td>• Proprietary product</td>
<td>• Intellectual property/patent</td>
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<td></td>
<td>• Market competition</td>
<td>• Market research</td>
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<tr>
<td>Bail-out risk</td>
<td>Possibility of financial liquidating</td>
<td>Financial</td>
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</table>

1. Critically flawed ventures have at least one criterion concerning the personality or experience of the leader and the team.
2. The quality of entrepreneur ultimately determines funding decision
3. The investment risk comes down to a bet on people
Is there a formula for human capital risk?

- **Knowledge** = awareness and familiarity of technical understanding acquired through experience or education; gained with training

- **Skills** = a particular aptitude, tendency to do something well; acquired, learned, or developed competency; gained through proficiency

- **Ability** = the capacity or unique mental and physical requirements needed to perform

  - **Human capital risk** = \(.2 \times (0.2k + 0.5s + 0.3a) + 0.8 \times [(M+C)/2]\)
    - k = knowledge
    - s = skills
    - a = ability
    - M = motivation
    - C = culture (alignment)

  - Performance = pro forma risk + human capital risk

- **Motivation** = the reason or reasons one has for acting or behaving in a particular way; the general desire or willingness of someone to do something

- **Culture** = values, norms, assumptions, expectations, and definitions that characterize, “how things are done”
Human capital risk includes if leadership is able to get the team to deliver to the projections.

- What experience does he have?
- How does he work best?
- How well does he know the industry?
- How does he work with others?
- What type of teams has he led?
- Has he done it before?
- How can we better understand how the team performs?
- How can we know the team can deliver?
1. Almost 90% of what distinguishes “outstanding leaders” from the rest is attributable to emotional intelligence*:
   - 62% of employees who said they have an effective manager intend to stay on the job
   - Only 17% of employees who said they have an ineffective manager said they intend to stay

2. Based on a survey of 10,000 US workers and 1,000 workers each in India, China, Brazil, the UK, and Germany 25% rated their managers as neither effective nor ineffective.

3. Studies of people in high-IQ professions that require advanced degrees, like PhDs or MBAs, for entry into a field or groups of highly intelligent and trained professionals, find that IQ and training do not differentiate star performers. Emotional intelligence accounts for as much as 80% of the variance in differentiating star performers from average performers in these populations.
② The Human Capital Risk Factors

a) The Cost of Human Capital
b) Competency
c) Motivation Risk
d) Culture

- The cost of replacing a senior manager is up to 1.5x the annual salary plus benefits
- The leader has an impact of 30%
- An investment is an investment on a team delivering a project and upwards of 90% of all projects fail
Human capital assessments across investment process

Pre-Investment

Appraise and Value Acquisition Target

With Investor Team:
- Interview Workshops
- Building Job Analysis Process
- Structuring Interviews
- Evaluating Human Capital Dimensions
- Executive Search for CEOs/COOs

With Investment Targets:
- Reference Interviews

Due Diligence

Validate:
- Target Evaluation (Financial and Human Due-Diligence)

Define:
- Post-Investment Priorities

With Investment Target:
- Management Appraisal
  (Evaluate target company senior management to provide buyer with effective understanding of core capacities)

Post-Investment Management

Define:
- Strategic Roadmap

Optimize:
- Management Structure and Effectiveness

With Investment Target:
- Executive Search search for CEO, COO, CTO, Head of Marketing & Sales, etc.
- Management Appraisal
  Assess and benchmark top and middle management
- Board Consulting and Advisory Search Identify non-executive directors and fund advisors to ensure perspective and integrity in strategy oversight

Exit
The return on human capital investment creates can differentiator real portfolio return

1. High scoring consulting partners delivered $1.2 million more profit from their accounts than their peers
2. In a study of 300 top-level executives from 15 global companies 85-90% of leadership success was linked to human capital skills
3. In a multinational study of 515 senior executive's human capital scores were high in 74% of successful hires, but only high in 24% of failed hires
4. After supervisors in a manufacturing plant received training in emotional competencies, how to listen better and help employees resolve problems on their own, reported:
   - lost-time accidents were reduced by 50%,
   - formal grievances were reduced from 15 to 3 per year, and
   - the plant exceeded productivity goals by $250,000
5. In most complex jobs a top performer is 127% more productive than an average performer.
6. Competency research in over 200 organizations worldwide attributes 33% of this difference to technical and cognitive ability, and 66% to human capital capability
7. At L’Oreal, sales professional with high emotional scores sold $91,370 more than lower-scoring peers
8. Schools whose head teachers have high human capital scores demonstrate the best national inspection results
9. Nurses and nurse managers with higher scores are responsible for:
   - lower staff turnover
   - higher frequency of professional practice behaviors
   - higher staff, patient and doctor satisfaction
The Human Capital Risk Factors

- The Cost of Human Capital
- Competency
- Motivation Risk
- Culture

1. IQ
2. Technical Skills
3. Emotional influence
What are Competencies?

- “Competency” is the name given to the specific characteristics necessary to perform a given job well. They differentiate levels of performance in a given job, role, organization, or culture.
- Any characteristic—cognitive, physical, or emotional—that leads to outstanding performance in a given job is considered a competency for that job.
What enables a person to exhibit competency behaviors?

- **Skills** - things a person knows how to do well (e.g., reading a profit-and-loss statement).
- **Knowledge** - what a person knows about a particular substantive area (e.g., basic accounting principles).
- **Values** – what behaviors a person sees as important or not important (e.g., coaching less important than getting the task done)
- **Self-image** - the way a person sees him or herself—the “inner self”, or internal concept of identity (e.g., seeing oneself as an expert or leader).
- **Traits** - relatively enduring characteristics of a person’s behavior (e.g., being a good listener, conscientious, outgoing).
- **Motives** – focuses the individual on behaviors that he/she finds intrinsically satisfying. Motives are non-conscious (e.g. we are not necessarily aware of them – auto-pilot).
What skills are important when you evaluate a person or when you evaluate a team that you are investing in?

- IQ?
- Technical Skill?
- Market Knowledge?
- Business Acumen?

- How you manage yourself and others
- How you work and collaborate with others

Realistic self-image
Self-confidence
Self-control
Adaptability
Stress management
Motivation
Optimism
Empathy
Reality testing
Social responsibility
Trust
Honesty
Communication
Assertiveness
Cooperation
Collaboration
Conflict management
Negotiation
Influence on others
Development of others
Some methods to assess human capital include the following:

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<tr>
<th>Method</th>
<th>Hours</th>
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<tr>
<td></td>
<td>Median</td>
<td>SD</td>
<td>Low</td>
<td>High</td>
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<td>Work samples</td>
<td>63.9</td>
<td>60.6</td>
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<td>290.0</td>
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<td>Reference interviewing</td>
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<td>22.1</td>
<td>0.0</td>
<td>134.5</td>
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<td>Past-oriented interviewing</td>
<td>16.8</td>
<td>19.9</td>
<td>0.0</td>
<td>100.0</td>
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<tr>
<td>Documentation analysis</td>
<td>3.7</td>
<td>4.4</td>
<td>0.0</td>
<td>22.0</td>
</tr>
<tr>
<td>Job analysis</td>
<td>3.6</td>
<td>15.8</td>
<td>0.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Psychological testing</td>
<td>0.1</td>
<td>0.9</td>
<td>0.0</td>
<td>8.0</td>
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Total time allocated to human capital evaluation methods

<table>
<thead>
<tr>
<th>Hours</th>
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</thead>
<tbody>
<tr>
<td>120.1</td>
<td>110.2</td>
<td>14.9</td>
<td>448.0</td>
</tr>
</tbody>
</table>

Summary of Time Allocated to Human Capital Evaluation Methods by Venture Capitalists (N = 86)

Note: Respondents performed written job analyses in 21.4% of the cases. Psychological tests were used in 3.0% of the cases.
The evaluation on an individual relies on how he motivates himself and others.

Your cognitive intelligence and your personality are two traits that theorists believe you are born with and these traits do not change much.

Technical skills are an accumulation of skills acquired over time – there is not shortcut for experience and there is no capability to have 100% of technical skill.
The current default assessment for human capital is to measure technical skills and IQ to project success.

IQ is a very poor predictor of job success. Various studies estimate that IQ alone accounts for as little as 4% to 10% of success at work.

Only 10% of job terminations result from technical deficiencies, that is, the inability to do the job. 90% of terminations are due to attitude or behavior problems or difficulties with relationships on the job.

Studies show IQ and training do not differentiate star performers of people in high-IQ professions that require advanced degrees, such as Ph.D.’s and M.B.A.’s for entry into a field, groups made up of highly intelligent and trained professionals.

The higher people rise in the ranks of management, the more likely they are to have distorted self-perceptions. Senior level managers are likely to rate themselves as much higher on self-awareness and social competencies than their peers and direct reports rate them.
There is something more than IQ or technical skill is critical to top performers and for high-performing teams.

**Communication:** being able to listen, converse, and present

**Adaptability:** creative responses to setbacks and obstacles

**Personal management:** motivation to work, pride, a desire to develop

**Interpersonal effectiveness:** teamwork, co-operation, the skills to negotiate

**Organizational effectiveness:** leadership potential, the desire to make a contribution
People are born with a set IQ that cannot change over their lifetime and a person’s technical skill is acquired through study and experience.

- IQ is measured
- Personality?
- Leadership?
- Disposition?
- Technical Skill

Technical skill is accumulated

- VCs allocate 3 times more to work samples, than to reference interviews and past-oriented interviews.
- VCs invest an average of 120 hours to assess talent in each deal.

What do I think of myself?
How do I work best?
What motivates me?

How do I influence others?
How do others view me?
How do I work with others?
Ability and personality can not be developed, but we can measure and develop emotional intelligence.

IQ

Emotional Intelligence

Technical Skill

What do I think of myself?

How do I work best?

What motivates me?

How do I influence others?

How do I work with others?

How do others view me?
The Human Capital Risk Factors

i. The Cost of Human Capital
ii. Competency
iii. Motivation Risk
iv. Culture

- Achievement
- Quality
- Performance
- Delivery
The single best predictor of overall excellence was a company's ability to attract, motivate, and retain talent

“The more I study organizational profitability, the more I am convinced of the power of culture….” Bruce Pfau, the Hay Group

The contrast between cultural priorities in the top companies in the Fortune survey versus average performers:

**Top Performer Priorities**
1. Teamwork
2. Customer focus
3. Fair treatment of employees
4. Initiative and innovation

**Average Performer Priorities**
1. Minimizing risk
2. Respecting the chain of command
3. Supporting the boss
4. Making budget

The top performers consciously manage their corporate culture and attempt to link it with systems into a congruent, mutually reinforcing package.

- Many scholars in entrepreneurship have focused on examining relationships between salient characteristics of entrepreneurs and the performance of new ventures and these individual attributes can be viewed as aspects of the entrepreneur's human capital.
- An entrepreneurial team is a group working together to launch a new business venture often resembles a more established firm and include several people with diverse experience and skills in a variety of functional areas.
- High potential, high growth firms are typically launched and grown by teams of entrepreneurs, not individuals.
- Employees with high human capital (i.e., more education and experience) help firms implement new technologies more effectively.
Human capital risk to deliver a goal in a finite time period with an expected level of quality is project risk.

Investment is on a team to deliver a project. The risk is that a team has the motivation and ability to deliver:

- On time,
- In scope,
- On budget

While managing:
- Cost,
- Risk,
- Customer Satisfaction

Motivation
1. Intrinsic
2. External

Satisfaction
1. Achievement
2. Recognition
3. Work itself
4. Responsibility
5. Advancement
6. Growth
Human capital risk is motivation risk and job satisfaction risk

Factors that lead to extreme dissatisfaction

Factors that led to extreme satisfaction

- Achievement
- Recognition
- Work itself
- Responsibility
- Advancement
- Growth

Factors of Intrinsic Motivation

- Self-Actualization
- Esteem
- Belonging
- Safety
- Physiology

Source: http://maaw.info/ArticleSummaries/ArtSumHerzberg6803.htm

*Adapted from Herzberg’s Exhibit 1, page 90. Overall, the motivators accounted for 81% of the factors that lead to job satisfaction and 31% of the factors contributing to job dissatisfaction. The hygiene factors accounted for 19% of the factors leading to job satisfaction and 69% of the factors contributing to job dissatisfaction.
② The Human Capital Risk Factors

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- The way things get done
- Internal focus and integration
- Flexibility and discretion
- External Focus and differentiation
- Stability and control
The second investment is on a team can deliver and teams rely on culture to get things done

What is culture?
1. Ethics: Dominant characteristics of the organization
2. Risk: The explicit values foundational for decisions and actions
3. Trust: The dominant work environment
4. Accountability: The unwritten performance expectations
5. Integrity: Specific behaviors that are valued
6. Alignment: Leaders who walk the walk and who talk the talk
7. Rewards: Criteria of success
91% of 1,200 senior executives at global companies surveyed agreed that “culture is as important as strategy for business success.”*

*Source: [1,200 Senior Executives Survey](https://example.com)
1. **As is**
   Organizational Culture - by the employees;

2. **As desired**
   Organizational Culture - by the employees;

3. **As required**
   Organizational Culture - by management
What is the culture, how does culture affect performance, will culture enable breakthrough performance

1. **As is**
   Organizational Culture - by the employees;

2. **As desired**
   Organizational Culture - by the employees;

3. **As required**
   Organizational Culture - by management
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① The Financial Projection
② What are the Human Capital Risk Factors
③ The Evaluation of Human Capital
④ Identifying and Managing Risk

i. Self-awareness
ii. Management
iii. Measure Human Capital
The Evaluation of Human Capital

i. Self-awareness
   • How you manage and motivate yourself

ii. Management
   • How your intentions are perceived

iii. Culture
   • How you motivate others
High-IQ professions that require advanced degrees for entry into a field, such as PhDs and MBAs, reveal IQ and training are not what differentiates star performers.

How one manages their self-awareness, and their relationships matters in:

- Conflict Management
- Coaching and Mentoring
- Influence
- Inspirational Leadership
- Teamwork
Emotional intelligence is the distinguishing factor that draws others to us or repels them from us and the key to this begins with self-awareness.

We can assess and measure the four quadrants and we can assess the impact emotional intelligence has on productivity and bottom-line results.

Competencies are measured as an assessment of observed behaviors.
Emotional Intelligence is the term for how you manage yourself and others and how you react and adapt to challenge.

Competencies measured by Emotional Intelligence (EI)

**Personal Competence**
- **Self-Awareness**
  - Emotional Self-Awareness
- **Self-Management**
  - Achievement Orientation
  - Adaptability
  - Emotional Self-Control
  - Positive Outlook

**Social Competence**
- **Social Awareness**
  - Empathy
  - Organizational Awareness
- **Relationship Management**
  - Conflict Management
  - Coach and Mentor
  - Influence
  - Inspirational Leadership
  - Teamwork
③ The Evaluation of Human Capital

i. Self-awareness

ii. Management

iii. Culture

• Communication
• Self-perception
• Alignment
• Drive
• Delivery
What is leadership and can we measure it?

Strategy:

- **Vision**: Inspired leaders take their employees and the organization in new directions. This requires the ability to envision a new reality for others that they can see and they want to pursue.
- **Business Acumen**: Reflect an up to date understanding of the broader business world, the industry, and the organization by watching how the organization’s current strategy impacts its marketplace position.
- **Courage to Lead**: Stand strong in the face of adversity and take necessary risks to achieve results.
- **Planning**: Anticipate upcoming events in order to set appropriate goals and get things done.

Action:

- **Decision-Making**: Effective leaders make sound decisions that consider multiple options, seek input from others when appropriate, and that are reached in a timely manner.
- **Communication**: When leaders create an open environment where thoughts are expressed freely and information flows easily they increase the potential of their organization.
- **Mobilizing Others**: It is essential that leaders are able to motivate and influence those around them. By mobilizing others, leaders move the organization as a whole and towards obtainable and, sometimes seemingly, unobtainable results.

Results:

- **Risk-Taking**: Leaders must be able to maneuver through situations that require them to “push the envelope” and risk their status in the organization. Leaders who are willing to stand behind a chosen course achieve results.
- **Results-Focus**: Leaders who produce results keep their "eyes on the prize"; they focus on the end result and do what it takes to get there.
- **Agility Leaders**: Consistently produce results and constantly adapting to their surroundings. The business world requires leaders to respond quickly to uncertainty and change in order to function effectively.

A technical ability does not have a positive correlation to effective leadership.
Ultimately, any investment is an investment on an individual and their ability to motivate themselves and their team.
### View of the 360 Feedback

<table>
<thead>
<tr>
<th>Cluster / Competencies</th>
<th>Avg. Total Others Rating</th>
<th>Consistency of Demonstration</th>
<th>Strength</th>
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<td><strong>Social Awareness</strong></td>
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<td>Influence</td>
<td>3.7</td>
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<td>Inspirational Leadership</td>
<td>2.6</td>
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<tr>
<td>Teamwork</td>
<td>2.6</td>
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</table>
View of team results

Conflict Management
Negotiating and resolving conflict. People who demonstrate this competency bring disagreements into the open, effectively communicate the different positions and find solutions all can endorse.

Coach and Mentor
Taking an active interest in others’ development needs and be someone others can look to demonstrate this competency spend time helping people via feedback.

Influence
Having a positive impact on others. People who demonstrate to gain support for an agenda.

<table>
<thead>
<tr>
<th>Cluster / Competencies</th>
<th>Total Number of Participants Assessed = 21</th>
<th>Strength</th>
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<tr>
<td><strong>Self-Awareness</strong></td>
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<td><strong>Self-Management</strong></td>
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<td>Achievement Orientation</td>
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<td>Emotional Self-Control</td>
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<td>Positive Outlook</td>
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<td><strong>Social Awareness</strong></td>
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<td>Empathy</td>
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<td><strong>Relationship Management</strong></td>
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<td>Conflict Management</td>
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<tr>
<td>Coach and Mentor</td>
<td>12</td>
<td>7</td>
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<tr>
<td>Influence</td>
<td>12</td>
<td>15</td>
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<tr>
<td>Inspirational Leadership</td>
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<td>4</td>
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<tr>
<td>Teamwork</td>
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<td>Total</td>
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### The theoretical constructs for Emotional Intelligence tools

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<tr>
<th>Theoretical</th>
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<th>Measure</th>
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<tr>
<td>Ability</td>
<td>Mayer, Solavey and Caruso</td>
<td>MSCEIT – direct performance assessment of emotional processing, some scenarios testing confusion on scoring between consensus and expert scoring models (Mayer et al., 1999; Salovey and Mayer, 1997)</td>
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<tr>
<td>Behavioral</td>
<td>Boyatzis and Goleman</td>
<td>ESCI-360, functional approach inductively derived from effective performance, called competencies (more outcome-oriented and realistic in real settings) (Boyatzis and Goleman, 1996; Wolff, 2005, 2008)</td>
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<td></td>
<td>Bar-On</td>
<td>EQ-i 360, although originally a self-report, it was introduced in 1997 (see placement in this table) (Bar-On, 1997)</td>
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<td></td>
<td>Dulewicz et al.</td>
<td>EQa, a 360 of competencies (Dulewicz et al., 2002)</td>
</tr>
<tr>
<td></td>
<td>Bradbury</td>
<td>EQA, a 360 skill assessment modeled after Goleman and Boyatzis model (Bradbury and Bradbury, 2006)</td>
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<tr>
<td>Internal (self) perception</td>
<td>Bar-On</td>
<td>EQ-i, originally a self-report, internally proof driven model (more psychological than others but now more behavioral in its 360 form (Bar-On, 1997)</td>
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<tr>
<td></td>
<td>Schutte et al.</td>
<td>Self-assessment based on Mayer-Salovey-Caruso model (Schutte et al., 1998)</td>
</tr>
<tr>
<td></td>
<td>Wong and Law</td>
<td>WLEIS, a self-assessment based on the MSC model (Law et al., 2004)</td>
</tr>
<tr>
<td></td>
<td>Petrides and Furnham</td>
<td>TEIQe, a self-assessment of trait EI based content analysis of major models (Petrides and Furnham, 2001)</td>
</tr>
</tbody>
</table>

### Table I.
Comparison of major theories or measures of EI.
③ The Evaluation of Human Capital

i. Self-awareness

ii. Management

iii. Culture

- How things get done
- Tolerance
- Standards
- Expectations
- Rewards
Culture is an attribute of the organization measured separately from other organizational phenomena

Three strategies are available:

1. **Holistic Approach** where the investigator becomes immersed in the culture and engages in in-depth participant observation or tries to become "native" in the organization;

2. **Metaphorical or Language Approaches** in which the investigator uses language patterns in documents, reports, stories, and conversations to uncover cultural patterns, just as detectives use fingerprints, voice prints, or word prints to detect personal identity; and

3. **Quantitative approaches** in which the investigator uses questionnaires or interviews to assess particular dimensions of culture. A quantitative approach allows multiple viewpoints to be considered in evaluating the attributes of an organization's culture. To discuss comparisons quantitative approaches must be used.

Competing Values Framework adopts the definition of culture represented by the functional, sociologic tradition. Culture is an attribute very useful for predicting which organizations succeed and which do not.

- Focus: collective behavior
- Investigator: Diagnostian, stays neutral
- Observation: Objective factors
- Variable: Independent (culture predicts other outcomes) not dependent (understand culture by itself)
- Assumption: organizations have cultures as opposed to organizations are cultures
Teams rely on an ability to work within a specific environment and an ability to collaborate with others.

How you manage yourself and others:

*Emotional Intelligence*

<table>
<thead>
<tr>
<th>Self-Awareness</th>
<th>Social Awareness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-Management</td>
<td>Relationship Management</td>
</tr>
</tbody>
</table>

How you work and collaborate with others:

*Competing Values Framework*

**Flexibility and Discretion**

- **Clan**: An organization that focuses on internal maintenance with flexibility, concern for people, and sensitivity to customers.

- **Adhocracy**: An organization that focuses on external positioning with a high degree of flexibility and individuality.

**Stability and Control**

- **Hierarchy**: An organization that focuses on internal maintenance with a need for stability and control.

- **Market**: An organization that focuses on external positioning with a need for stability and control.

*According to Bain & Company in an article published in Harvard Management Update (January 2008),*
Culture eats strategy for breakfast - the Competing Values Framework

- **Long-Term Change**
  - Orientation: Collaborate
  - Culture Type: Clan

- **Fast Change**
  - Orientation: Create
  - Culture Type: Adhocracy

- **Incremental Change**
  - Orientation: Control
  - Culture Type: Hierarchy

- **Fast Change**
  - Orientation: Compete
  - Culture Type: Market

- **Internal Focus Integration Maintenance**
  - Stability Control

- **External Focus Positioning Differentiation**
  - Transforming Change
Value creation requires recognizing the inherent tensions that exist in different forms of value creation.
An organizational culture assessment looks at an organization’s strength, congruence, and type to understand where there are areas of concern or areas of success

The Competing Values Framework:

1. Evaluates organizations by values of leadership, effectiveness, and organizational theory
2. Categorizes organizations by degree of:
   - Internal focus and integration
   - Flexibility and discretion
   - External Focus and differentiation
   - Stability and control

<table>
<thead>
<tr>
<th></th>
<th>Clan</th>
<th>Ad Hoc</th>
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<tbody>
<tr>
<td><strong>Dominant organizational characteristics</strong></td>
<td>Personal, like a family</td>
<td>Entrepreneurial, risk taking</td>
</tr>
<tr>
<td><strong>Leadership style</strong></td>
<td>Mentoring, facilitating, nurturing</td>
<td>Entrepreneurial, innovative, risk taking</td>
</tr>
<tr>
<td><strong>Management of employees</strong></td>
<td>Teamwork, consensus, and participation</td>
<td>Individual risk taking, innovation, freedom, and uniqueness</td>
</tr>
<tr>
<td><strong>Organizational glue</strong></td>
<td>Loyalty and mutual trust</td>
<td>Commitment to innovation, development</td>
</tr>
<tr>
<td><strong>Strategic emphasis</strong></td>
<td>Human development, high trust, openness</td>
<td>Acquisition of resources, creating new challenges</td>
</tr>
<tr>
<td><strong>Criteria for success</strong></td>
<td>Development of human resources, teamwork, concern for people</td>
<td>Unique and new products and services</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Hierarchy</th>
<th>Market</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dominant organizational characteristics</strong></td>
<td>Controlled and structured</td>
<td>Competitive, achievement oriented</td>
</tr>
<tr>
<td><strong>Leadership style</strong></td>
<td>Coordinating, organizing, efficiency oriented</td>
<td>No-nonsense, aggressive, results oriented</td>
</tr>
<tr>
<td><strong>Management of employees</strong></td>
<td>Security, conformity, predictability</td>
<td>Competitiveness and achievement</td>
</tr>
<tr>
<td><strong>Organizational glue</strong></td>
<td>Formal rules and policies</td>
<td>Emphasis on achievement and goal accomplishment</td>
</tr>
<tr>
<td><strong>Strategic emphasis</strong></td>
<td>Permanence and stability</td>
<td>Competitive actions and winning</td>
</tr>
<tr>
<td><strong>Criteria for success</strong></td>
<td>Dependable, efficient, low cost</td>
<td>Winning in the marketplace, outpacing the competition</td>
</tr>
</tbody>
</table>

Sources:
2. Diagnosing and Changing Organizational Culture by Kim S. Cameron, Robert E. Quinn
Most measurement devices used to assess organizational performance do not account for the inherent tensions. Competing Values takes these tensions into account:

- Dominant Characteristics of the Organization
- Organizational Leadership
- Management of Employees
- Organizational Glue
- Strategic Emphases
- Criteria of Success

Disparate tensions in a firm:
- Managing for the short-run as well as the long-run
- Managing predictability as well as innovation
- Managing for fast pay out as well as future strength
Sample Organizational Culture Assessment life cycle of an internationally respected company over 20 years.
Sample Competing Values Plotted

Founder

Board of Directors

Flexibility and Discretion

The Clan

The Adhocracy

External Focus and Differentiation

Internal Focus and Integration

The Hierarchy

The Market

Stability and Control
Map and find disconnect, review, identify what should be continued, what should be stopped, what should be started, and what should be continued.
Competing Values Framework - Organizational Culture Assessment Instrument (OCAI)

**Concept Measured:** Organizational culture (6 dimensions)

**Brief Description:**
The tool consists of 6 questions, each with 4 alternative answers, used to assess 6 key dimensions of the organization:
1. Dominant Characteristics of the Organization
2. Organizational Leadership
3. Management of Employees
4. Organizational Glue
5. Strategic Emphases
6. Criteria of Success
Based on the Competing Values Framework

**Length of Administration:** 10 to 15 minutes to complete

**Population Appropriate for:** organizations seeking to re-define themselves and their culture.
The OCAI seeks to identify cultural elements which best support--and those which hinder--the change efforts of the organization.

**Setting:** Used in business and healthcare

**Cost:** The OCAI is available on the web for no charge. Several companies offer to score and interpret the test, but this is not necessary as all the information is provided. Accessed and available on 1/2009 at [http://www.hpcnet.org/cgi-bin/global/a_bus_card.cgi?SiteID=410937][1]

**Conceptual Definition:**
“Taken for granted values, underlying assumptions, expectations, collective memories and definitions present in an organization. Culture reflects the prevailing ideology that people carry inside their heads, conveys a sense of identity to employees, provides unwritten and often unspoken guidelines for how to get along in the organization and enhances the stability of the social system that they experience.”

**Description of Psychometrics:**
This tool assigns one of four dominant cultures to the organization being tested:
1. Clan - reliability .82
2. Adhocracy - reliability .83
3. Hierarchy - reliability .67
4. Market - reliability .78

“Sufficient evidence has been produced regarding the reliability of the OCAI to create confidence that it matches or exceeds the reliability of most commonly used instruments in the social and organizational sciences.”

**Validity:** Construct, convergent and divergent validity established-see article in binder for complete descriptions of process of validation.

**Scoring Directions:**
The OCAI consists of two forms comprised of the same items: one form asks respondents to assess the degree to which each of four statements is true regarding each of the six dimensions; respondents are asked to divide 100 points between the 4 statements in each dimension. The second form asks respondents to assess the degree to which each of the four statements would describe the ideal approach to each of the six dimensions. Complete scoring directions are available on the website listed above.

**Reference Source:**
Scope, plan, manage, and measure
**Competing Values Framework - Management Skills Assessment Instrument (MSAI)**

**Brief Description:** A 87 item questionnaire asking both the leader (self form) and selected subordinates, peers and superiors (associate form) to rate the frequency of actions and behaviors of the leader, on a 5 point Likert scale. Can be administered in electronic or print form.

**Length of Administration:** 30 minutes

**Population appropriate for:** Managers/leaders of any group

**Setting:** General

**Instruction guide available:** yes

**Cost, if known:** permission required for use, cost for on-line services and reports

**Conceptual Framework:** Based on Competing Values Framework (CVF)

**Psychometric evaluation:**

See Psychometric evaluation included in binder

**General instructions:** Participants first complete the MSAI Self-assessment form and then request 4 subordinates, 4 peers and 1 supervisor who are familiar with their leadership behavior to complete the MSAI Associate rating form. The forms are then scored by a designated facilitator (or researcher) as follows:

- Each question is scored individually on a 1-5 likert scale:
  - 5-Strongly Agree to 1- Strongly disagree for items 1-60
  - 5-Outstanding to 1-Poor for items 61-73
  - 5- Critically Important to 1- Little importance for items 76-87

Mean is obtained for each question and from identified subgroups for the self-rating and the associates ratings. Scores are categorized according to the 4 quadrants of the CVF, ie CLAN, ADHOCRACY, HEIRARCHY, or MARKET CULTURE

Subcategories are identified as follows:
The Financial Projection

Human Capital Risk Factors

The Evaluation of Human Capital

Identifying and Managing Risk

i. As is

ii. As required

iii. As desired
4 Identifying and Managing Risk

i. As is

ii. As required

iii. As desired

- Technical Skills
- Work Samples
- References
- Interviews
- Due Diligence
Poor human capital shows up in business and operations areas and an impact on real costs.

1. Compliance costs:
   - Employment Liability
   - Organization and team loss of institutional knowledge
   - Remaining personnel are overworked
   - Remaining employee’s being poaching
   - Delay in Services/Production
   - Dissatisfied Customers
   - Employee Theft
   - Improper Use of Equipment

2. Growth costs:
   - Inventory Anomalies
   - Job Errors
   - Lost Intellectual Capital
   - Lost Sales
   - Potentially Unrealized Sales
   - Reduced Morale
   - Reduced Reputation
   - Executive Search Fees
   - Lost Training Expenses
   - New Hire Processing
   - New Hire Training
   - New Hire Orientation
   - Personnel Costs
   - Recruiter’s Salary
   - Recruiting Bonuses
   - Relocation Fees
   - Separation Pay

3. Productivity Costs:
   - Candidate Interviews (Multiple)
   - Candidate Screening
   - Candidate Testing
   - Time to market
   - Product quality
   - Testing
   - Budget costs
   - Opportunity costs
   - Institutional momentum
   - Knowledge management
Identifying and Managing Risk

i. As is

ii. As required

iii. As desired

- Identify talent
- Integrate talent
- Continuous training
- Constant motivation
Talent life cycle ways to leverage Emotional Intelligence and Competing Values Framework

**Recruit:**
- Candidate hire from external job post to start date (by day)
- Annual recruiting FTE (include announcement, interviews, and on-boarding)
- Candidate competing value primary and secondary score
- Total hours job open, by title, to replace a position
- Total hours job open, to recruit for a job requisition
- Current Organization Culture Assessment Instrument score
- Emotional Intelligence behavioral interview assessment

**Train:**
- Emotional and Social Competency Inventory score
- Percentage of hiring managers with job competency assessment method (JCA) training
- Percentage of human resource staff with JCA
- Management Skills Assessment Instrument score
- Competing value primary and secondary score of every employee
- Preferred Organization Culture Assessment Instrument score
- Return on training investment by employee: 1 month after training, 3 months after training, 1 year after training, measured against training goals

**Retain:**
- Turnover per year
- Tenure of talent departing, measured against current staff
- Time in position (grade) of talent departing, against current staff
- Average training hours of talent departing, measured against current staff
- Emotional and Social Competency Inventory score
Identifying and Managing Risk

i. As is

ii. As required

iii. As desired

- How you integrate
- How you collaborate
- How you motivate
- How you produce
- How you meet uncertainty
- Emotional intelligence
- Social intelligence
- Cognitive intelligence
Making a good organizational marriage currently seems to be a matter of chance and luck.

How private equity organizations raise money based on “gut feel” is beyond my understanding of risk.

To change human capital from a risk to an organization competitive advantage happens from a greater awareness of the people issues involved, and consequently, a more informed integration strategy.

Some basic guidelines for more effective management include:

1. Extension of the due diligence process to incorporate issues of cultural fit;
2. Greater involvement of human resource professionals;
3. Conduct culture audits before the introduction of change management initiatives;
4. Increased communication and involvement of employees at all levels in the integration process;
5. The introduction of mechanisms to monitor employee stress levels;
6. Fair and objective reselection processes and role allocation;
7. Provide management with the skills and training to sensitively handle M&A issues such as insecurity and job loss;
8. Create a super ordinate goal that will unify work efforts.
Some human capital assessment milestones

**Pre-Investment**
- Appraise and Value Acquisition Target

**Due Diligence**
- Validate:
  - Target Evaluation (Financial and Human Due-Diligence)
- Define:
  - Post-Investment Priorities

**Post-Investment Management**
- Define:
  - Strategic Roadmap
- Optimize:
  - Management Structure and Effectiveness

**Exit**

**With Investor Team:**
- Emotional and Social Competency Inventory
- Organizational Culture Assessment Inventory

**With Investment Targets:**
- Organizational Culture Assessment Inventory “now”
- Management Skills Assessment Instrument
- Emotional Intelligence observations

**With Investment Target:**
- Emotional Skills Competency Inventory
- Emotional Intelligence Coaching

**With Investor Team**
- Emotional Intelligence coaching

**Combined Teams**
- Organizational Skills Assessment Instrument “preferred” strategy
**Human capital assessments across investment process**

**Pre-Investment**
- Appraise and Value Acquisition Target
  - With Investor Team:
    - Interview Workshops
    - Building Job Analysis Process
    - Structuring Interviews
    - Evaluating Human Capital Dimensions
    - Executive Search for CEOs/COOs
  - With Investment Targets:
    - Reference Interviews

**Due Diligence**
- Validate:
  - Target Evaluation (Financial and Human Due-Diligence)
- Define:
  - Post-Investment Priorities

**Post-Investment Management**
- Define:
  - Strategic Roadmap
- Optimize:
  - Management Structure and Effectiveness

**With Investment Target:**
- Management Appraisal
  - (Evaluate target company senior management to provide buyer with effective understanding of core capacities)

**With Investment Target:**
- Executive Search search for CEO, COO, CTO, Head of Marketing & Sales, etc.
- Management Appraisal
  - Assess and benchmark top and middle management
- Board Consulting and Advisory Search
  - Identify non-executive directors and fund advisors to ensure perspective and integrity in strategy oversight
<table>
<thead>
<tr>
<th>Title</th>
<th>Source</th>
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<tr>
<td>Looking for The Return of Unassisted M&amp;A</td>
<td>Deloitte Consulting</td>
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<td>A Review of the Competing Values Framework</td>
<td>International Journal of Business and Management</td>
</tr>
<tr>
<td>Why HR Can Make or Break Your M&amp;A</td>
<td>Towers Perrin</td>
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<td>M&amp;A In Challenging Times</td>
<td>CFO Research Services</td>
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<tr>
<td>The validity of employment interviews: A comprehensive review and meta-analysis.</td>
<td>Journal of Applied Psychology</td>
</tr>
<tr>
<td>Structured and unstructured selection interviews: Beyond the job-fit model.</td>
<td>G.R. Ferris, Research in personnel and human resources management: Vol. 4</td>
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<tr>
<td>Venture capital at the crossroads.</td>
<td>Bygrave, W.D. &amp; Timmons, J.A.</td>
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<tr>
<td>The Art and Science of Human Capital Valuation</td>
<td>Geoffrey H. Smart</td>
</tr>
<tr>
<td>Venture Capitalists Valuations of Start-up Teams</td>
<td>Entrepreneurship Theory and Practice</td>
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## Appendix – Sources 2 of 4

<table>
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<tr>
<th>Title</th>
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<tr>
<td>Venture Capital a 27 Year Perspective</td>
<td>Gary Kalbach, El Dorado Ventures</td>
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<tr>
<td>Human Capital Risk Mitigation and Investment Protection</td>
<td>VPI Strategies and Conduit Careers</td>
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<tr>
<td>Why Mergers Fail and How to Prevent It</td>
<td>Susan Cartwright</td>
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<tr>
<td>Surviving Due Diligence</td>
<td>Steven Kopits</td>
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<td>Politics of Valuation</td>
<td>Steven Kopits</td>
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<td>Trends in Terms of Venture Financings in Silicon Valley</td>
<td>Fenwick &amp; West LLP</td>
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<td>Experienced entrepreneurial founders organizational capital and venture capital funding</td>
<td>Science Direct</td>
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<td>Who are the Active Investors in the VC Human Capital</td>
<td>Journal of Financial Economics</td>
</tr>
<tr>
<td>When Do Incumbents Learn from Entrepreneurial Ventures? Corporate Venture Capital and Investing Firm Innovation Rates</td>
<td>Gary Dushnitsky &amp; Michael Lenox</td>
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<td>Personnel Selection and Assessment</td>
<td>Warren Bobrow, PhD</td>
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<tr>
<td>The Global War on Talent</td>
<td>Journal of International Management</td>
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<td>The nature of information and overconfidence on venture capitalists’ decision making</td>
<td>Andrew L. Zacharakis and Dean A. Shepherd</td>
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<td>A lack of insight: do venture capitalists really understand their own decision process?</td>
<td>Andrew L. Zacharakisa and G. Dale Meyerb</td>
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<td>What Drives Private Equity Fund Performance?</td>
<td>Ludovic Phalippou and Maurizio Zollo</td>
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<tr>
<td>Navigating your portfolio through turbulent waters</td>
<td>Grant Thornton</td>
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<td>Minimizing Legal Risk in Private Equity Investments – Key Protections</td>
<td>Holding Redlich</td>
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<td>Human capital theory and venture capital firms: Exploring &quot;home runs” and &quot;strike outs”</td>
<td>Journal of Business Venturing 20</td>
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<tr>
<td>Survey of the Economic and Social Impact of Venture Capital in Europe</td>
<td>Quarterly Review and annual European Buy-out Review</td>
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<td>Ernst &amp; Young</td>
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<td>Lessons learned from past mistakes - the cost of failure and under-performance.</td>
<td>European Venture Capital Association’</td>
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<td>Venture Capital Investment Increases In Q2 2009 But Remains At Mid 1990 Levels</td>
<td>PriceWaterhouseCoopers and National Venture Capital Association</td>
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<tr>
<td>Management Assessment Methods in Venture Capital: Towards a Theory of Human Capital Valuation</td>
<td>Geoffrey H. Smart</td>
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<td>Entrepreneurship Theory &amp; Practice</td>
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<td>Using repertory grid to identify intangibles in business plans</td>
<td>Enrique Diacuteaz De Leoacute; Paul Guild</td>
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<td>Evaluating Talent in Private Equity</td>
<td>Jason Associates</td>
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<td>Venture Capitalists Decision Criteria in New Venture Evaluation</td>
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<td>The ROI of Human Capital: Measuring the Economic Value of Employee Performance</td>
<td>Jac Fitz-enz</td>
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<td>Dance With The One That Brought You? Venture Capital Firms And The Retention Of Founder-CEOs</td>
<td><em>Strategic Entrepreneurship Journal</em></td>
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<tr>
<td>Creation of Innovation Firms a Human Capital Perspective</td>
<td>Eduardo Couto and José Bilau</td>
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<td>Human Capital Study</td>
<td>Accenture, Dr. Nick Bontics</td>
</tr>
<tr>
<td>Human Capital Benchmarking</td>
<td>PriceWaterhouseCoopers</td>
</tr>
<tr>
<td>Hay Group, Competing Values Company,</td>
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<tr>
<td><em>Diagnosing and changing organizational culture.</em></td>
<td>Cameron &amp; Quinn</td>
</tr>
<tr>
<td>The role of the CFO in an active M&amp;A Market</td>
<td>Deloitte</td>
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<tr>
<td>The Biggest Risk of All</td>
<td>London Business School</td>
</tr>
<tr>
<td>Richard Boyatzis</td>
<td></td>
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## Assessment specifics

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Database</th>
<th>Organizations</th>
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<tbody>
<tr>
<td>Emotional Intelligence</td>
<td>322,433</td>
<td></td>
</tr>
<tr>
<td>OCAI</td>
<td>15,080</td>
<td>1,484</td>
</tr>
<tr>
<td>ESCI</td>
<td>62,055</td>
<td>273</td>
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</table>

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Time</th>
<th>Data Collection</th>
<th>Stage</th>
<th>Intended Group</th>
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<tbody>
<tr>
<td>Emotional Intelligence</td>
<td>1 – 3 Hours</td>
<td>Observation</td>
<td>1, 2</td>
<td>team, target</td>
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<tr>
<td>OCAI</td>
<td>1 – 2 Hours</td>
<td>Research</td>
<td>1, 2</td>
<td>target</td>
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<tr>
<td>ESCI</td>
<td>1 Hour</td>
<td>Electronic</td>
<td>3</td>
<td>target</td>
</tr>
<tr>
<td>Emotional Intelligence</td>
<td>Variable</td>
<td>Coaching</td>
<td>2, 3</td>
<td>team, target</td>
</tr>
<tr>
<td>OCAI – now</td>
<td>15 Minutes</td>
<td>Electronic</td>
<td>2</td>
<td>target</td>
</tr>
<tr>
<td>OCAI – preferred</td>
<td>15 Minutes</td>
<td>Electronic</td>
<td>3</td>
<td>team, target</td>
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</table>
The theoretical constructs for emotional intelligence tools

<table>
<thead>
<tr>
<th>Theoretical basis</th>
<th>Authors</th>
<th>Measurement distinctions</th>
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<tbody>
<tr>
<td>Ability</td>
<td>Mayer, Solavey and Caruso</td>
<td>MSCEIT – direct performance assessment of emotional processing, some scenarios testing; confusion on scoring between consensus and expert scoring models (Mayer et al., 1999; Salovey and Mayer, 1997)</td>
</tr>
<tr>
<td></td>
<td>Schutte et al.</td>
<td>Self-report measure based on Mayer, Salovey, and Caruso model (Schutte et al., 1998)</td>
</tr>
<tr>
<td>Behavioral</td>
<td>Boyatzis and Goleman</td>
<td>ESCI-360, functional approach inductively derived from effective performance, called competencies (more outcome-oriented and realistic in real settings) (Boyatzis and Goleman, 1996; Wolff, 2005, 2008)</td>
</tr>
<tr>
<td></td>
<td>Bar-On</td>
<td>EQ-i: 360, although originally a self-report, the 360 was introduced in 1997 (see placement later in this table) (Bar-On, 1997)</td>
</tr>
<tr>
<td></td>
<td>Dulewicz et al.</td>
<td>EQ, a 360 of competencies (Dulewicz et al., 2003)</td>
</tr>
<tr>
<td></td>
<td>Bar, Bradbury</td>
<td>EQA, a 360 skill assessment modeled after Goleman and Boyatzis model (Bradbury and Su, 2006)</td>
</tr>
<tr>
<td>Internal (self)</td>
<td>Bar-On</td>
<td>EQ-i, originally a self-report, internally process-driven model (more psychological than others), but now more behavioral in its 360 form (Bar-On, 1997)</td>
</tr>
<tr>
<td>perception</td>
<td>Schutte et al.</td>
<td>Self-assessment based on Mayer-Salovey-Caruso model (Schutte et al., 1998)</td>
</tr>
<tr>
<td></td>
<td>Wong and Law</td>
<td>WLEIS, a self-assessment based on the MSCEIT model (Law et al., 2004)</td>
</tr>
<tr>
<td></td>
<td>Petrides and Furnham</td>
<td>TEIQue, a self-assessment of trait EI based on a content analysis of major models (Petrides and Furnham, 2000, 2001, 2003)</td>
</tr>
</tbody>
</table>

Table I. Comparison of major theories or measures of emotional intelligence

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### Sample data

#### Gender and Age Distribution

<table>
<thead>
<tr>
<th>Gender</th>
<th>Age</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>20-29</td>
<td>6.9%</td>
</tr>
<tr>
<td></td>
<td>30-39</td>
<td>30%</td>
</tr>
<tr>
<td></td>
<td>40-49</td>
<td>32%</td>
</tr>
<tr>
<td></td>
<td>50-59</td>
<td>13.4%</td>
</tr>
<tr>
<td></td>
<td>60 or older</td>
<td>1.6%</td>
</tr>
<tr>
<td>Female</td>
<td>34%</td>
<td></td>
</tr>
</tbody>
</table>

#### Industry and Job Level Distribution

<table>
<thead>
<tr>
<th>Industry</th>
<th>Job Level</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unknown</td>
<td>Senior Manager</td>
<td>30.30%</td>
</tr>
<tr>
<td>Banks Financial</td>
<td>Mid Manager</td>
<td>26.00%</td>
</tr>
<tr>
<td>Health Pharma</td>
<td>First-level Mgr</td>
<td>14.00%</td>
</tr>
<tr>
<td>Tech Telecom</td>
<td>Senior non-mgr</td>
<td>8.10%</td>
</tr>
<tr>
<td>Professional Serv</td>
<td>Mid non-mgr</td>
<td>7.80%</td>
</tr>
</tbody>
</table>

#### Region of Residence and Birth

<table>
<thead>
<tr>
<th>Region</th>
<th>% of residence</th>
<th>% of birth</th>
<th>&gt;50 cases Country of</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>39.80%</td>
<td>37.00%</td>
<td>USA</td>
</tr>
<tr>
<td>Europe</td>
<td>27.70%</td>
<td>31.00%</td>
<td>UK</td>
</tr>
<tr>
<td>Asia</td>
<td>6.70%</td>
<td>9.00%</td>
<td>Unknown</td>
</tr>
<tr>
<td>Africa</td>
<td>5.00%</td>
<td>6.00%</td>
<td>South Africa</td>
</tr>
<tr>
<td>Australia</td>
<td>4.40%</td>
<td>4.00%</td>
<td>Australia</td>
</tr>
<tr>
<td>Mid-East</td>
<td>1.60%</td>
<td>1.00%</td>
<td>USA</td>
</tr>
<tr>
<td>South America</td>
<td>0.90%</td>
<td>1.00%</td>
<td>South Africa</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Region</th>
<th>% of residence</th>
<th>% of birth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USA</td>
<td>38.60%</td>
</tr>
<tr>
<td></td>
<td>UK</td>
<td>15.50%</td>
</tr>
<tr>
<td></td>
<td>Unknown</td>
<td>14.00%</td>
</tr>
<tr>
<td></td>
<td>South Africa</td>
<td>4.80%</td>
</tr>
<tr>
<td></td>
<td>Australia</td>
<td>4.40%</td>
</tr>
<tr>
<td></td>
<td>USA</td>
<td>35.40%</td>
</tr>
<tr>
<td></td>
<td>South Africa</td>
<td>4.60%</td>
</tr>
<tr>
<td></td>
<td>Australia</td>
<td>3.60%</td>
</tr>
</tbody>
</table>
“But I don’t want to go among mad people,” Alice remarked

“Oh, you can’t help that”, said the Cat: “we’re all mad here. I’m mad. You’re mad.”

“How do you know I’m mad?” said Alice

“You must be,” said the Cat, “or you wouldn’t have come here.”

_Alice’s Adventures in Wonderland_, by Lewis Carroll

Thank You

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[@TobyElwin](https://twitter.com/TobyElwin) on Twitter