

## For Some Investors, Personality Matters

By DANIEL ROSENBERG  
*Dow Jones Newswires*

CHICAGO—When Ted Dacko, president and chief executive of HealthMedia Inc., heard that the venture-capital firm from which he sought financing wanted him and his fellow executives to take a little personality test, he didn't particularly like the idea.

The test, called the "Predictive Index," or PI, was invented 50 years ago and is sold by the closely held company PI Worldwide. It measures work-related behavior, and some venture-capital firms like Chrysalis Ventures, which asked Mr. Dacko to take it, are using the PI to assess management personalities at the companies they finance.

"To be candid, when we first heard about this we were a little skeptical," Mr. Dacko said. "We said, 'Oh my goodness, let's hope this doesn't mean they won't invest.'"

But like other companies that took the test for Chrysalis, Mr. Dacko and his colleagues found the results quite helpful, and now use it themselves.

"PI is another tool that helps you understand how a person will behave when they get to your organization, and it's very accurate in showing what people are like," said Mr. Dacko, who describes HealthMedia as a technology and health-management company. "If you need someone who's dominant or who's a team builder, it's an invaluable tool to help you figure out if you're getting the person you think you're getting."

PI is a very simple test. Frequently it is taken through e-mail and can be completed in about 10 minutes. It asks a person to look at a page of words and choose the ones describing how the person thinks other people want them to act. The second page lists a set of words and asks the test taker to choose the ones that actually describe the test taker.

The test measures several characteristics, including a person's need for structure, whether a person is an extrovert or an introvert, someone's patience and dominance.

David Jones Jr., chairman and managing director of Chrysalis, based in Louisville, Ky., said PI has helped his firm gain insight into the companies it considers funding. Before Chrysalis began incorporating PI, Mr. Jones said, "I felt we spent an immense amount of

time on people issues, but there was no predictability."

It was easy enough to look at a resume and see if someone had been a success, he said, but it was hard to tell whether a leadership team at a new company would work well together. In the late 1990s, when he first heard of PI, he was skeptical. "It sounded kind of fluffy and soft," Mr. Jones said.

But another venture capitalist talked him into trying the test on his own team, and it opened his eyes.

"I was really impressed with the insight I gained into how we worked together," Mr. Jones said. "It helped me understand some things that weren't working well and restructure internally."

So he started using it as part of the process of choosing companies to invest in. "If we meet a group, get interested in a business and go into serious due diligence, we've looked at resumes, prior experience and talked to references," Mr. Jones said. "One thing we don't know is how this newly formed team actually works together. We ask them to take this PI. It's short and sweet, and you can't imagine you'd get back useful feedback. It seems too simple," he said.

Mr. Jones added: "What we're looking for isn't, 'Is this CEO good or bad? Is the CFO qualified or not?' We're looking for how this team is going to relate. Do they seem to have an excess of vision and courage but not enough attention to detail and process? Or are they so wrapped up in detail that they'll be thrown off if the business changes in a serious way? Do they all think too much alike?"

In some cases, Chrysalis has used PI to help companies make decisions on who they need to hire to find balance. In one case, a dominant, visionary chief executive needed a chief financial officer who could focus more on everyday detail.

So far, no one asked by Chrysalis to take the test has walked out. But not everyone is happy about it at first.

"We made an investment in a company last year where we'd gotten some resistance from the CEO," Mr. Jones said. "He was probably the most experienced and mature CEO in our portfolio, and had run a number of companies. He went along with [PI], but I don't think he was thrilled."

When Chrysalis asked the CEO to bring his team together to go over the results, the CEO brought with him another

investor, who immediately took out his BlackBerry as if to say he had no interest in the proceedings.

"Their body language was tense," Mr. Jones said. "The perception of the other investor was that he felt this was an utter waste of time. Within 20 minutes, the BlackBerry was on the table and everyone was leaning forward. When it was over, the CEO said, 'You must have been listening in on our management meetings. This is a very accurate assessment of how we get along and what we're like to work with.' Now they're incorporating PI into their business."

Stephen Baker, vice president of private equity at Fort Washington Capital Partners in Cincinnati, learned of PI from Chrysalis and now uses the test in its investing.

"The PI isn't supposed to be something that takes the place of solid intuition and gut—but it allows us to get there very quickly," Mr. Baker said. "It reinforces the gut feeling you have about where someone is headed. In this business you have to assess people quickly. You don't have months and months."

Randal Charlton, CEO and founder of Asterand Inc., a supplier of human-tissue products, is another executive who took the PI as part of his successful attempt to get venture-capital funding.

Mr. Charlton's jaw dropped when, after he took the test, a consultant who explained the results to the company described him as a "born schmoozer."

"Since I spent all the time in his company virtually silent, listening in increasing awe, I was converted," Mr. Charlton said. "To call someone who had hardly said a word a 'schmoozer' displayed a confidence in the PI that was stunning."

Interpreting the PI is a special skill, and Chrysalis has turned to Oliver Group, also based in Louisville, which helps companies interpret the test results and explain them to test takers.

Al Oliver, who founded Oliver Group 20 years ago, said the venture-capital industry is one that definitely could benefit from using the test.

"Part of the problem for VCs is that they're exposed to so many different groups," Mr. Oliver said. "We use PI to gather information about how people prefer to get things done and approach the world around them. And we use that to get the best teams together."