

Article - evaluation methods

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Evaluation Methods In the article ' Why CFOs Should Look Past Numbers to Evaluate a Deal,' James Willhite illustrates how Cardinal Health Inc. applied the elements of the five-step feedback evaluation model in the move to purchase Johnson & Johnson's heart-product business (Willhite). The article illustrates that the Chief Financial Officer, Mike Kaufman, recognizes the need to determine what to measure to evaluate the acquisition deal. Evaluation begins with what is to be measured rather than how to measure it. In this case, the CFO explains for any deal, its fit and culture. Cardinal Health Inc. would have mismanaged the company by looking at the numbers while entering the deal rather than the fit and culture of the acquisition. With the company attempting to expand its medical products portfolio, the management ought to evaluate the viability of acquiring the heart-product business from Johnson & Johnson rather than the figures in terms of profits. The author illustrates that Cardinal Health Inc. establishes standards of performance by setting fit and culture first to evaluate performance. The figures come later as parameters of actual performance. In the article, Cardinal Health Inc. relies on the standards of performance for the deal (fit and culture) to attain actual performance. Therefore, the evaluation method entails establishing the standards first to understand how actual performance is achievable. For example, by evaluating the fit and culture of the acquisition, the company expects that the heart-product business will be accretive in the fiscal year 2017 by approximately 20 cents or more. According to the model, the evaluation process may commence with comparing standard performance with actual performance. In the article, Cardinal Health Inc. appreciates that by adopting the fit and culture of the

acquisition, the company will earn \$100 million in synergies.

Work Cited

Willhite, James. " The Morning Ledger: Why CFOs Should Look Past Numbers to Evaluate a Deal." The CFO Report RSS. Wall Street Journal, 6 Mar. 2015.
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