

Economic Recovery Means Mega-Deals are Back

Workforce Performance is Key to Merger Success or Failure

April 14, 2004 – Atlanta, Georgia — The word on the street is that the days of the big deals are back. As the economy sputters into recovery, confidence levels are rising and executives are looking for opportunities to increase shareholder value. Cingular's bid for AT&T Wireless, Comcast's desire for Disney, and J.P. Morgan Chase's acquisition of Bank One are visible examples of this trend.

However, if historically at least 50 percent of these mega-deals failed to deliver the anticipated results, what will make this new round of mergers more successful? New deals, but same results?

Not necessarily, says Dr. Seth Leibler, CEO of The Center for Effective Performance (CEP). "The underlying cause for underperformance of merged organizations is workforce performance problems that can, in fact, be fixed or even prevented."

Most mergers are undertaken with the expectation for value creation by way of cost savings derived from job cuts. However, Dr. Leibler notes that "Executives overlook those who remain, and who are now accountable for driving results in the new organization. As jobs change, new processes are introduced, and higher level, more complex skills are required." These skills can be acquired through results-based training that can guarantee performance.

In addition to new skill requirements, there may be other barriers to performance. "Often, it is as simple and inexpensive as making the new expectations explicit," says Dr. Leibler. "With all the chaos and confusion surrounding the new organization, people are just unsure of what exactly they are supposed to be doing."

Typically, motivational issues also arise that must be addressed. "Executives need to think about rewards and consequences for those who perform — and those who do not," adds Leibler. "It's easy to ignore these motivational issues, but they will come back to bite you."

Dr. Leibler suggests the following recommendations to executives who want to reduce the risk of failed mergers:

- Be certain the procedures and systems of the new organization are integrated and support strategic objectives. Ensure that managers have the required skills and knowledge to implement and manage the change process.
- Determine if current employee workloads allow the time to take on additional volume, or expanded roles and responsibilities.

- Assess whether employees will perceive functional or job-specific changes caused by the merger as positive.
- Ensure that affected employees have the skills and knowledge needed to execute the new processes.
- Be sure the organization has captured vital information from employees who might leave as a result of the merger.
- Be sure the organization has the correct metrics and systems in place to evaluate job performance of critical employees or functional areas.

“By addressing all the factors that affect performance – skills, environment, and motivation, executives will be positioned to defy the odds, and profit from these deals,” concludes Dr. Leibler.

Organizations can assess whether their own merger or acquisition is at risk with CEP’s [RiskRater](#) survey.

Workforce Performance experts like CEP have state of the art, research-based tools that can be used to identify and solve performance problems. For more information, go to www.cepworkforceperformance.com.

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