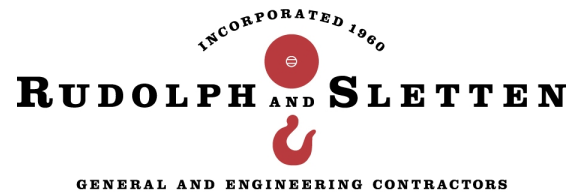


Surviving the Pain and Agony of an Acquisition



Sam Lamonica
CIO
Rudolph and Sletten

WE'RE BUILDERS



**WE BUILD FOR
THE FUTURE**

Company Overview

- **Founded in 1960**
- **Acquired by Perini Corporation in 2005 as a wholly-owned subsidiary**
- **Self-performing general contractor**
- **Ranked 32nd among the Top 50 in Domestic General Building Revenue**
- **Over \$880 million of new construction this year**
- **Over 85% repeat clients**
- **No corporate debt**



Clients

Over 85% of Rudolph and Sletten's business is for repeat clients including:

- Agilent Technologies
- ALZA Corporation
- AMGEN
- Apple Computer
- Bayer Pharmaceuticals
- CA Institute of Technology
- California State University
- Childrens Hospital, LA
- Compaq Computer
- eBay
- Genentech
- Hewlett-Packard
- Intel
- Johnson & Johnson
- Kaiser
- Lucasfilm Ltd.
- Microsoft
- Netscape
- Nokia
- Oracle
- Raven biotechnologies
- Sony Electronics
- Stanford University
- Sun Microsystems
- Symantec
- University of San Diego
- University of Southern California
- Verizon Wireless
- Watson Laboratories

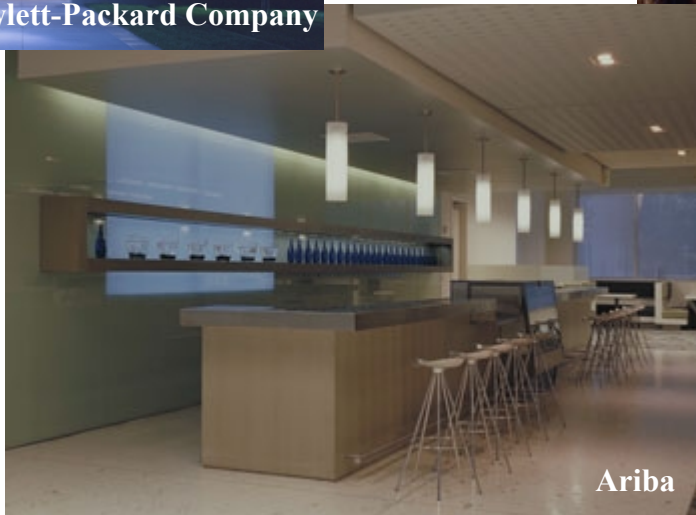
Biotech/Pharmaceutical



Healthcare



Electronics



Commercial Offices



Entertainment



Acquisitions – Who Cares?

- **How I Got Here**
- **Who Cares About Acquisitions?**
 - **How many....**
 - **...have Been Involved in One or More Acquisitions?**
 - **...of You Were on Top (Acquirer)?**
 - **...of You Were on Bottom (Acquired)?**
 - **...of Those Acquisitions Went Smoothly?**
 - **...of Those Acquisitions Were Because of a Stellar IT organization?**
- **The View from Down Under (Acquired Side)**

Images

- **What the Acquired Looks Like to the Acquirer**



Images

- **What the Acquirer Looks Like to the Acquired**



Merger and Acquisition Facts

- **4,037 deals worth \$473 billion were announced in just the first 8 weeks of 2006**
- **In 2005, 32,900 deals were executed worth \$2.7 trillion**
 - 31,300 deals worth \$1.96 trillion in 2004
 - Record set in 2000 with 38,468 deals worth \$3.6 trillion
- **In 2005, Global Mid-Market (up to \$500 million) deals = 29,603 worth \$684 billion**
- **Of those 2005 Mid-Market deals the U.S. accounted for 8,502 deals worth \$226 billion**

More Facts

- **Just 23 % of all acquisitions earn their cost of capital**
- **When an M&A deal is announced, a company's stock rises only 30% of the time**
- **In acquired companies, 47% of the executives leave within the first year, and 75% within 3 years**
- **In the first 4-8 months following a deal, productivity may be reduced by up to 50%**
- **CEO's and CFO's routinely cite "people" problems and cultural issues as the top factors in failed integrations**
- **Average financial performance of newly merged companies is graded by their managers as C-minus**

And More Facts

- **A study (Watson Wyatt Worldwide) of 190 CEO's, CFO's and other top execs in global acquisitions found that cultural incompatibility is consistently rated as the greatest barrier to successful integration yet research on cultural factors is least likely to be done as an aspect of due diligence**
- **Another study (Coopers and Lybrand) reported that in 100 failed or troubled mergers, 85% of executives who were surveyed said that the major problem was difference in management style and practices**

And Yet More Facts

- **Another study (A.T. Kearny consulting) reviewed 155 M&A deals in multiple industries and determined most failures to be people-related**
- **And finally, a study by Hewitt Associates that surveyed executives in 162 organizations, all of whom had been involved in at least one merger or acquisition, found that 69% of the respondents reported the top challenge to be integrating two organizational cultures**

In The Beginning....

- **Why Are We a Target?**
 - Absorption (assimilation)
 - Symbiosis (best of breed)
 - Preservation (strategic)
- **The Courtship Begins (AKA - The "Super Secret" That Everybody Already Knows)**
 - Disclosure To the Rank and File
 - Managing FUD (**How Does This Affect Me?**)
- **Due Diligence**
 - It Is What It Is - Full Disclosure Is Important!
 - Highlight Strategic Importance
 - Address Cultural Compatibility

The Rumors/Freak-outs Start

- **Communicate, communicate, communicate!**
 - **Develop high levels of trust early with frequent communications**
- **Rumor Central – where DO they come from?**
 - **Establish a single forum for addressing rumors**
- **Be brutally honest whenever you can**
 - **Even when it hurts – don't let employees guess**
- **Use the tools**
 - **Intranet, email, videoconferencing, all-hands meetings**

As The Dust Settles

- **Remain Professional**
 - **Avoid the mob mentality**
 - **Be available (pseudo-HR role)**
- **Keep a Sense of Humor**
 - **Easy to get sucked into the funk**
- **Everyone Wants To Know “What’s Next?”**
 - **Who’s in charge?**
 - **Who stays on the bus, etc.**
- **Understand the New Corporate Culture**
 - **MBWA – Get out into it....**

Fine Tooth Comb

- **Yours, Mine and Ours**
 - Identify and resolve duplications
 - Leverage technical superiority where possible
- **New Leadership**
 - Who ARE those guys?
- **Redundancy process**
 - Know your team
 - Some that can leave – will leave
 - Be aware of collateral damage
- **A New budget**
 - Tread carefully

Moving On

- **Communicate, communicate, communicate!**
 - **Keep all channels open**
 - **Stay on top of the rumor mill**
- **Resume business as usual ASAP**
 - **Get focused**
- **Make adjustments quickly and en masse whenever possible**
 - **Morale impacts of multiple waves**
- **New goals and objectives ASAP**
 - **Align with new business plan**

Do's and Don'ts

- **Don't let your team go into a shell**
- **Do take on additional responsibilities**
- **Don't go out and buy everyone a copy of "Who Moved My Cheese?"**
- **Do leverage your strategic value**
 - **I LOVE the Construction sector!**
- **Do take advantage of the opportunity to create a more efficient IT organization**

How My Team Fared

- **Only 1 Loss Through FUD**
 - **Lost 1 Through Downsizing**
- **We Already Owned (In addition to IS):**
 - **Corporate Security**
 - **Corporate Archives (Records Center)**
- **We Inherited:**
 - **Corporate Facilities**
 - **Corporate Distribution Center**
- **Expanded Role Across New Organization**
 - **Services and systems in high demand**

Bottom Line

- **If you aren't already doing it, it's probably too late**
- **How's your corporate communications flow and trust?**
- **Change Management isn't just an IT phenomena**
- **Culture – the human side of the equation**
- **Rumor Central**
- **No matter how hard you believe it's going to be, it's much harder**
- **“Dance as if nobody is watching”**