Assignments

Cogent Communications

Read the Real World Case 3, Cogent Communications, Intel, and Others: Mergers Go More Smoothly When Your Data Are Ready (pp. 213-214).

In a three-page paper (not including the title page and reference pages), respond to the following Questions in the text:

a. Place yourself in the role of a manager at a company undergoing a merger or acquisition. Explain your customer's expectations during the merger with at least three examples and describe what role IT would play in meeting those expectations.
b. Focus on what Andi Mann in the case calls "tribal knowledge." Explain what you think is meant by that, and why it is important to the process. Provide at least one strategy you would suggest for companies that are faced with the extensive presence of this issue in an acquired organization.
c. Most of the discussion on the case focused on hardware and software issues. However, these are essentially enablers for underlying business processes developed by each of the companies involved. Analyze the different alternatives that companies have for merging their business processes, and discuss the role IT would play in supporting those activities. Be sure to address data management and governance issues.

Your paper must be formatted according to APA style and it must include citations and references for the text

REAL WORLD CASE 3

Cogent Communications, Intel, and Others: Mergers Go More Smoothly When Your Data Are Ready

When Cogent Communications eyes a company to acquire, it goes into battle mode. Two miles north of the Pentagon, across the Potomac in Washington, Cogent sets up what it calls the War Room, where it marshals eight top executives to evaluate the target company. Among those on the due diligence squad are the IS director and IT infrastructure manager.

Cogent, a midsize Internet service provider, understands what far too many companies do not: Its ability to integrate and, in some cases, adopt an acquired company's IT systems and operations can determine whether a merger flourishes or founders. For one thing, unanticipated IT integration costs can offset merger savings. Imagine the business lost when orders vanish, accounts payable go uncollected, and customer information goes AWOL because the acquiring company gave short shrift to the IT challenge ahead.

As 2006 came to a close, it broke records for the number of mergers and acquisitions, but now IT managers have to step up and make sure their data centers can help make those deals a reality. "A well-run data center with reduced complexity makes mergers and acquisitions much easier," says Andi Mann, senior analyst at Enterprise Management Associates (EMA).

More than 11,700 deals were done. As the dust clears, experts and IT managers agree that companies will feel the full impact of this merger and acquisition (M&A) frenzy directly in their data centers. So they advise organizations to prep now or risk experiencing downtime if they have to merge mission-critical assets. "Today, the most downtime companies can afford for critical data center infrastructure is measured in minutes." Merged and acquired infrastructure "has to be available right away," says Ryan Osborn of AFCOM, a data center industry group.

Observers agree that the key to M&A success from a data center perspective is to focus on virtualization, documentation, and logistics.

Osborn says these three areas will help companies get ahead of the game and turn a time of crisis into one of opportunity. "You won't spend your time just moving infrastructure from one data center to another. You can actually do a technology refresh, get newer equipment and come out ahead," he says.

For John Musilli, data center operations manager at Intel in Santa Clara, California, the most critical piece is knowing about basic logistics. "I don't always have to know what a server does, but I do have to know how to keep it alive," he says. "It's getting something moved from Point A to Point B and it doesn't matter whether the logistics deals with putting servers on a truck or transferring data over a line."

Musilli has been through a handful of acquisitions in his eight years at Intel, and he says that he has it down to a science. "As part of the acquiring company, it's my job to provide the skeletal environment to accept any company's assets that come to us," he says. As such, he keeps a healthy amount of generic racking, generic cabling, extra bandwidth on the network, and generic power. "I go generic because I probably won't know what servers, how many slots, or what type of power we'll need beforehand. With generic, I can configure whatever I need in minutes, he says.

For instance, he uses a universal busway for power so that he doesn't have to be concerned about the particular electrical needs of the acquired equipment. "We acquired a company and needed to integrate them in a short period of time because their building lease was up and they had to get out of there," Musilli says. One team was sent ahead of time and spent a year trying to identify each server on 30–40 racks. "None of their applications matched our operating systems," he says.

As time dwindled, Musilli told them to pack up all the servers and send them to him. "In the end, it took two man-days to move them intact and get them up and running in our data center," he says.

As companies begin to contemplate future mergers or acquisitions, they must look inward at their own processes and procedures. "Just as important as technology is documentation of processes—you have to know what people are doing with the systems," says EMA's Mann. He warns that one of the first obstacles to having a successful merger or acquisition is the reliance on what he refers to as tribal knowledge. Companies that have data centers where the employees hold all the knowledge suffer greatly when, after a merger or acquisition, those people are let go.

"You have to document the knowledge from those people and figure out how to make the processes work with only a handful of employees," he says. Mann recommends creating a workflow chart that outlines who's responsible for each part of the data center. He suggests considering who handles network management, systems management, application management, and storage. "This will also help you spot redundancies in skill sets or areas where you are lacking in the event of a merger," he says. John Burke, senior analyst at Nemertes Research in Minneapolis, says that in addition to knowing who is responsible, IT groups must know which systems perform which processes.

"You have to have really good information about what goes on in your data center in terms of systems and how they interact with each other and how they interface with the business. You should always know what services you offer and how much it costs to offer them, " Burke says. As part of this effort, many organizations employ a configuration management database and asset management tool to help track elements within the data center. "You need a clear and concise view of the data flow within the data center. If you don't know what has to move together, you might disrupt business during a merger or acquisition," he says.

Companies must also develop guidelines for governance to be referenced during a merger. For instance, if two law

firms are merging and have competing clients, then IT groups must ensure that data are protected and there is sufficient access control. AFCOM's Osborn says that good documentation helps the discovery process that companies go through before a merger or acquisition.

"If the company you are acquiring has good documentation and good processes in place, the acquisition goes much more smoothly," he says.

"In some cases, you might be able to lower your software costs if you use a more robust server with fewer processors, but if the application license doesn't allow for that, then you can't," Osborn says, and adds: "How much money you're going to have to spend to merge technology can weigh heavily on the decision to acquire a company." Nemertes' Burke suggests that one major step to M&A success is to make sure your data center has virtualization tools running on both servers and storage.

Virtualization is important not only for scaling the data center but also for creating a standardized execution environment. "With a well-virtualized data center, you can hide the fact that things are moving around multiple servers and storage devices," Burke says. Rob Laurie, CEO at virtualization-software provider Dunes Technologies in Stamford, Connecticut, says that virtualization is useful for companies that want to test application and infrastructure integration before they put their merged or acquired assets into production.

It's also helpful for companies that must integrate assets that can't be physically moved, he says. He warns, however, that for virtualization to be most effective, merging companies must decide on a uniform platform for their virtual environment. "That way, whatever is virtualized in one company could run in the other company's data center without problems," he says. If they don't have the same environment, they must at least have a compatible data format to gain any benefit.

Intel's Musilli suggests that IT's natural attention to detail can sometimes overcomplicate matters. "Mergers and acquisitions aren't always as difficult as people make them. They're simply about the ability to assimilate any two environments," he says. M&As create stress for both acquirer and acquiree, but early involvement by IT can minimize the trauma. Otherwise, you'll need to do too much in too little time. As software engineering guru Frederick Brooks once said, "You can't make a baby in a month using nine women. Plan ahead."

Source: Adapted from Sandra Gittlen, "Mergers Go Smoother with a Well-Prepped Data Center," *Computerworld*, July 28, 2007, and Eric Chabrow, "IT Plays Linchpin Role in High-Stake M&As," *InformationWeek*, June 26, 2006.

CASE STUDY QUESTIONS

1. Place yourself in the role of a manager at a company undergoing a merger or acquisition. What would be the most important things customers would expect from you while still in that process? What role would IT play in meeting those expectations? Provide at least three examples.
2. Focus on what Andi Mann in the case calls "tribal knowledge." What do you think is meant by that, and why is it so important to this process? What strategies would you suggest for companies that are faced with the extensive presence of this issue in an acquired organization? Develop some specific recommendations.
3. Most of the discussion on the case focused on hardware and software issues. However, these are essentially enablers for underlying business processes developed by each of the companies involved. What different alternatives do companies have for merging their business processes, and what role would IT play in supporting those activities? Pay particular attention to data management and governance issues.

REAL WORLD ACTIVITIES

1. The case extensively discusses the idea of " virtualization" and the role it plays in the merger process. Go online to research this concept and prepare a report about what it entails, how it works, what are its advantages and disadvantages, and other applications in addition to those noted in the case.
2. Search the Internet for reports of merger and acquisition cases where IT issues played an important role, either positive or negative. How did different organizations handle IT-related matters in the situations you found? What was the ultimate outcome of the process? Prepare a presentation to share your findings with the class.