Mergers Drive Problems Before they Deliver Benefits
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During mergers, Service Providers are a frenzy of activity. All areas of the business are impacted, but operations are among the most affected. The operations organization is responsible for keeping the network up and running 24 hours a day, seven days a week while at the same time merging a new network into the existing one. Mergers occur for a variety of reasons, one of which is to increase market share and increase revenue. Companies also try to take advantage of economies of scale when they merge, spreading costs over a larger customer basis for a given service.

Mergers Result First in Increased Costs
While a company may increase its customer base and geographical reach as a result of a merger, it will also increase its costs. The intended economies of scale will only be realized with prudent cost reduction. A merger or acquisition also creates redundancies. Two human resource departments, two sales forces and of course duplicate IT operations.

Two fundamental questions must be asked in relation to duplicate operations. The first asks how to continue 7 x 24 operations without impacting customers or revenue generation while merging the two operations. The second concerns how to choose which software tools to keep and which to eliminate from the operations environment.

To avoid impacting the life-blood of the firm - the revenue-generating network – it's important to keep everything the same and keep that money machine cranking. But the status quo should only remain the state of the business for a short period of time. It is highly likely that costs will be climbing faster than revenues, thus pruning the business to eliminate costs will need to occur. A redundant service with redundant personnel is an expensive way to do business.

Impact on People
When mergers occur, people are always affected. "Salaries are your biggest expense in operations," says John Lee, President of FieldDispatch.com, a company that provides field service solutions. How does a service provider make the difficult decisions regarding who stays and who goes? The final decision comes back to revenue, looking at which services customers will demand today and in the future. A service provider must look at the services that will provide the most revenue, continue activating new customers on those services, and continue to manage the network - often as a separate entity.

It may be more cost effective to maintain separate staff rather than trying to merge a new service into existing operations. This is especially true of service activation. Many of

these systems are homegrown and would be very expensive to merge with other service activation systems. If the service is at the end of its life, it will be phased out and customers will be merged into new or existing services.

When services are phased out, so are the personnel associated with all aspects of their operations. This occurs for a couple of reasons. First, in many cases the operations of the merged companies are located in different cities. It would be quite expensive to re-locate dozens of people. This leads to second reason, which is that it makes no sense to relocate a staff that has a skill set that is no longer needed. Costs must be driven out, and losing people is an unfortunate fact of life.

Monitoring and field service is a different animal from service activation. Many service activation systems are homegrown and personnel need an intimate knowledge of the service in question and how to activate it. While there can be some unique twists in fault management, monitoring a network often has a similar look and feel regardless of whether it's an IP network or a circuit network. A fault is a fault is a fault when it comes to monitoring hardware problems. But even with similarities among monitoring systems it is likely that these systems need to be merged in order to have an efficient operation. There is still a multitude of issues to tackle when merging multiple trouble ticketing and monitoring systems. How does a company decide what to keep and what to eliminate?

Standards and Commonality
A lot depends on if there is an existing standard for the existing systems. Vericenter, for example, a growing managed service provider, increased the size of its network by 600 percent when it acquired six data centers from Sprint. Standardizing on its existing trouble ticketing system - Remedy - made sense. Vericenter had the necessary expertise to use the tool because it is extremely common in the industry.

"We took a 'scorched earth' philosophy," says Paul Duda, System Architect for Vericenter. "We developed our criteria for monitoring by determining the services our customers wanted and needed. In addition, any solution had to be scaleable since we are growing so fast," he said. The Houston Business Journal identified Vericenter as one of the fastest growing technology companies in 2002, and in 2004 Vericenter achieved record revenues.

When Vericenter began operations, the decision was made to use industry standard tools. This allowed it to start generating revenue much faster than if it had created its own tools. When Vericenter acquired the additional six data centers, it knew it was a good opportunity to re-examine its tools and solidify or improve current standards to enhance its capabilities.

For older, larger companies it's usually a different situation. With MCI, for example, it was quite common for each service to be managed in its own "silo". The service was self contained. All provisioning, monitoring and fault correction was done for that service and

only that service. This meant that each tool was designed in-house, specific to each service. There were, however, no standards for databases, for the language in which the tool was written, for terminology definitions, or for field definition. This made it nearly impossible to apply tools across a variety of services because there was no commonality to facilitate integration.

Customer Migration
Once the tools are chosen, there is still the critical matter of migrating customers and services to the new tools without interrupting service. At the same time, high quality services have to be provided to the torrent of new customers that are coming online. In Vericenter's case, it decided that new customers would be placed on the new platforms, thus eliminating the need to migrate them at a later time. Second, the company moved all services of a given customer one at a time so that all metrics and reporting would be the same regardless of the service. The look and capabilities of the customer's web interfaces were also changed at the same time, reducing confusion for customers.

For companies such as MCI or Sprint, or any of the large mobile operators undergoing mergers, it is a radically different situation because they have many legacy systems. It may be cost prohibitive to migrate away from their old trouble ticketing and monitoring systems. In these cases it can be a better choice to put a front end on the monitoring tools so that all services have the same look, but all the legacy systems remain intact. Sprint uses this approach when it acquires new companies.

It is a much simpler process to add a front-end rules engine that queries users for fault information and takes them to the correct trouble ticketing system based on the service being provided. This isn't the most efficient method, but it is less risky than trying to migrate to a new tool. If trouble tickets are lost and faults aren't fixed the result could be thousands or even millions of dollars in lost revenue.

If We Could Turn Back Time
The consensus on whether operations mergers would be done differently if one could turn back the clock is a resounding "yes." At the top of the list of what to do differently was retaining the in-depth systems and process knowledge from those operations centers that were closed down. When layoffs occur, years of knowledge can walk out the door that is irreplaceable. Many homegrown systems are poorly documented and it is difficult to train staff if no one really knows how the old systems processed data. With the pressure to cut costs immediately after a merger, this specific problem doesn't pop up until there is some type of crisis that one knows how fix. Methods to capture that knowledge must be devised.

A second area of concern is asset management. Anytime a merger occurs, network assets grow. The ability to track these new assets in a systematic way would be very valuable to a service provider. This ability would enable a company to know what new assets are being acquired. By tying this into the revenue accounting system, the company would

know what assets are being used for what service, what those assets are costing the company, and how much revenue they generate. It would provide a cost model for their business and they would know what each service cost and the margins the service provided.

Ultimately, there are myriad issues for operations when an acquisition or merger occurs, and the major wireless carriers are suffering these same pains today. With a pragmatic, systematic process to merge the two entities, the impossible can become possible. But time will tell whether wireless operators have learned from the mistakes of their landline brethren and manage to realize the true economic benefits massive mergers intend. In the meantime, there's a lot of talent and knowledge getting ready to walk – or be sent – out the door.