IT Acquisition Integration Best Practices

Contents

Executive Summary .......................................................................................................... 2
Introduction ....................................................................................................................... 3
Cisco Acquisition Models ................................................................................................. 3
Integration Processes Overview ..................................................................................... 4
Corporate Business Development Terminology ......................................................... 11
Speaking a Common Language .................................................................................... 11
    High-Level IT Involvement by Stage........................................................................ 14
Detailed ITAI team Activities by Stage ........................................................................ 16
Stage 1: Preparation to Announce ................................................................................ 16
    IT Engagement Process............................................................................................... 16
    Post-announcement Notification.............................................................................. 16
    Deal Announcement.................................................................................................... 17
    Project Planning.......................................................................................................... 17
    Technical Integration Planning.................................................................................. 17
Stage 2: Announcement to Close.................................................................................. 18
    IT Acquisition Integration Phases............................................................................... 18
    The Master Site Assessment Distribution................................................................. 18
Stage 3: Stabilize 1–100 Day Plan ................................................................................. 20
Stage 4: Optimize 100+ Day Plan .................................................................................. 20
    Handoff and Turnover............................................................................................... 20
    Post-project Assessment............................................................................................ 20
International Acquisitions ............................................................................................. 20
Conclusion....................................................................................................................... 20
Appendix A: Detailed Roles and Responsibilities ....................................................... 21
    IT Roles and Responsibilities.................................................................................... 21
    Specific Responsibilities of Integration Teams ......................................................... 22
Appendix B: Master Site Assessment Outline.............................................................. 27
Appendix C: Business Systems Assessment................................................................. 28
IT Acquisition Integration Best Practices

This document provides an overview of how Cisco IT integrates acquired companies. This is not a step-by-step instructional manual, but introduces the following acquisition topics:

- Acquisition models
- IT integration process and organizational structure
- Business development partnership
- Acquisition integration milestones
- General outline of activities
- Business continuity issues
- Communications

Executive Summary

In the past 15 years Cisco has acquired and integrated companies at a rate of approximately eight per year. Cisco typically takes an assimilation or “consume” approach to integrating acquired companies. Because of changing business conditions, Cisco has bought larger and more complex companies that do not necessarily fit neatly into the existing Cisco® business model. Cisco IT has adopted a new integration process, called C5 (capture, consume, connect, combine, and consolidate), to manage the business requirements and integration issues of these larger, more complex deals.

Immediately following the public announcement of a deal, during the capture phase, Cisco IT gathers relevant information on business objectives from Corporate Business Development (CBD). The IT Acquisition Integration (ITAI) team gathers information on current projects and priorities from the acquired company. Cisco IT also collects information about the existing IT budget and headcount of the acquired company.

C5 integration activities are defined by “consume,” or full integration into Cisco’s current operating environment; “connect,” or primary infrastructure and communication and collaboration integration; “combine,” or business systems and processes integration; and “consolidate,” or IT organizational and economy-of-scale considerations.

Cisco approaches integrations holistically, and many organizations participate in the overall integration plan. The Cisco CBD group leads the planning effort, and Cisco IT is a key team member that reports to CBD for the integration work.

Within Cisco IT, the I TAI team manages all integration activities for infrastructure, business systems, and business processes. I TAI uses resources within the specific IT disciplines to accomplish the integration work, which comprises planning, design, implementation, and operation (PDIO) phases.

ITAI coordinates and communicates PDIO activities based on CBD’s four-stage integration model. Cisco IT participates in all four integration stages. I TAI coordinates Cisco IT activities throughout the four stages. The I TAI team exits an integration after the acquisition systems and processes are operationalized. The integration might involve migrating an acquisition’s systems and processes to Cisco’s existing standards, or IT might adopt a new standard into its existing support and operations teams.
To simplify Cisco acquisition integration, the ITAI team has developed standardized definitions, processes, and tools, which have enabled Cisco to evolve the integration process “from art to science.”

Introduction

Acquiring and integrating a company is a complex undertaking. Many teams, with often conflicting priorities, must be engaged and managed throughout the integration. Additionally, each target company presents its own unique set of integration challenges, and each has its own culture, organizational structure, technical requirements, and personality. Cisco takes a holistic approach to PDIO, recognizing that decisions that affect the enterprise must be made from the enterprise perspective.

Cisco acquires companies for the following primary reasons:

- To acquire new technology
- To acquire engineering talent
- To enter a new market
- To increase existing market share

Regardless of the reasons for an acquisition, a primary goal of the Cisco ITAI team is to minimize disruption to the employees of the acquired company and to maintain business continuity throughout the integration process. The goal is to move acquired employees through any disruption as quickly as possible and transition them to Cisco internal systems and tools.

At the core of the Cisco IT integration approach are two fundamental concepts: corporate standards and economies of scale. By adhering to standards, Cisco IT can keep operating costs down and realize the economies of scale possible in a large enterprise environment. The acquired company will immediately reap the benefits of the IT and business and sales resources available to a company such as Cisco.

Cisco Acquisition Models

Three primary integration models address the likely overall impact of a newly announced acquisition on the internal Cisco IT organization in terms of costs, resources, staff hours, and other factors. These integration models are not completely rigid, and certain elements can span definitions. The intent of these models is twofold: They allow the ITAI team to map a likely approach to a given integration and quickly communicate to the greater IT organization the relative complexity of an acquired company. This use of models, in turn, allows virtual team members to better assess impacts on their own organizations.

- **Bolt-on**: Refers to deals where acquired resources are immediately and fully integrated into the current Cisco organizational structure. Characteristics include low complexity, private ownership, little to no geographic presence, no separate legal entities, a small employee base, and no facilities that need to continue to exist.

- **Hybrid**: Refers to deals where the acquisition end state is full integration, but immediate business requirements dictate that the acquisition stays in place for an extended period of time. Characteristics include medium to high complexity, private ownership, low geographic presence, no separate legal entities, a small to medium-sized employee base, and facilities that will temporarily continue to exist.
- **Platform**: Refers to deals where the acquisition end state varies in its level of integration but will benefit from a standardized Cisco infrastructure environment and varying levels of business process integration. Characteristics include high complexity, publicly traded stock, large geographic presence, separate legal entities, a significant employee base, and facilities that will permanently continue to exist.

### Table 1. Cisco IT Acquisition Models

<table>
<thead>
<tr>
<th>Approach</th>
<th>Integration Criteria</th>
<th>Integration Guidelines</th>
<th>Integration SLAs</th>
</tr>
</thead>
</table>
| Bolt-on  | ● Target is significantly smaller than Cisco; generally:  
  ◦ Fewer than 200 employees  
  ◦ Purchased for small product, technology, or talent portfolio  
  ◦ Aligns to existing business unit or technical group | ● Target is fully absorbed into Cisco functional infrastructure  
  ● Legal entity closure is completed within one year of deal closure (if applicable)  
  ● All capital equipment is funded by business unit  
  ● All IT labor is absorbed by IT Global Business Process (GBPs) | ● Full operational integration is completed within 100 days of deal closure  
  ● Process takes less than three months |
| Hybrid   | ● Target has criteria similar to bolt-on deals, but contains certain identifiable complexities that require specific sensitivity during integration:  
  ◦ Fewer than 500 employees  
  ◦ Needs to stand alone for an extended period of time  
  ◦ Target is nonstandard through standalone phase  
  ◦ Supports own IT during standalone phase | ● Integration of target company may be full, partial, phased, or standalone  
  ● Legal entity closure may not be completed until after one year of deal closure (if applicable)  
  ● All capital is funded by business unit  
  ● All IT labor is absorbed by IT GBPs | ● Operational integration of some infrastructure or functions may not occur until 180+ days after deal closure  
  ● Process takes three to nine months |
| Platform | ● Target company is fairly large (500+ employees):  
  ◦ Large global operations  
  ◦ May have significant multinational subsidiaries  
  ◦ Target company contains certain identifiable complexities that require specific sensitivity during integration | ● Integration of target company may be full, partial, phased, or standalone  
  ● The target company may or may not remain a separate operating and legal entity  
  ● All capital equipment is funded by deal or target company  
  ● All IT labor is funded by deal or target company | ● Operational integration of some infrastructure or functions might not occur until 180+ days after deal closure  
  ● Customized integration plan and timeline are required for each acquisition (usually two years or more); nonnegotiable items include:  
  ◦ Cisco on Cisco  
  ◦ Standard PCs with Cisco Image: VPN, Cisco Security Agent, Altiris, and IPTV  
  ◦ Support is shared for the life of the acquisition  
  ◦ Process takes more than 12 months |

## Integration Processes Overview

Cisco IT uses three primary processes for integrating companies into Cisco:

- **Capture**, critical to all integration projects
- **Consume**, for bolt-on acquisitions
- **Connect, Combine, Consolidate (C3)**, for more complex acquisitions

The process used is based on the complexity of the target company. Integration complexity is generally based on the acquired company’s business models, size, and the number and locations of its facilities.
Integration Processes Defined

**Capture:** This process is ubiquitous to all deals regardless of the deal type or the model used for integration. During the capture process the ITAI team collects information, assets, people, budget, and strategy from both internal Cisco functions and the acquired company. Internally, information on the strategic intent of the deal is provided from CBD. Other information includes facilities disposition, product plans, and organizational plans. This information aids in overall integration planning. Both soft and hard assets are captured from the acquired company. Soft assets include current priorities and longer-term strategic plans. Hard assets include budget, headcount, and in-flight projects. As an outcome of capture, all target IT budgets and headcount are transferred to Cisco IT. Organizationally, a group might stay intact, but it immediately reports into Cisco. This approach allows better visibility into the acquired company’s activities and begins aligning priorities between organizations. The acquired company’s projects and priorities are discussed, along with existing Cisco priorities, and are ranked accordingly. The two organizations begin to act as one with a new focus on the best outcome for the combined team.

![Capture: Strategic Imperative](image)

**Consume:** This process works best for bolt-on deals, and the intent is to fully assimilate the company into Cisco. Consume addresses a company’s people, processes, and infrastructure. Integrations that follow the consume methodology are completed very quickly (one to three months). After these integrations are complete, no parts of the original organization remain separate, but are integrated into the overall Cisco team.

**C3:** This process is required for any company that cannot be fully and rapidly consumed by Cisco. These companies typically fit the hybrid and platform acquisition models or are too large to quickly absorb. C3 consists of three integration stages:

- **Connect:** Establish connectivity for the initial core infrastructure, setting up primary communication and collaboration tools and systems. This stage typically involves an interim
step of creating a VPN tunnel, followed as quickly as reasonable by LAN/WAN interconnection, and then integration of other core IT infrastructure services.

- **Combine**: Integrate business systems and processes.
- **Consolidate**: Realize economies of scale through organizational asset consolidation.

By providing for different integration scenarios, the ITAI team can quickly enable immediate foundational requirements and allow for a varied approach to business processes that might not fit into the Cisco environment on Day 1 (the day an acquisition legally closes). Figure 2 shows the level of integration for Consume and C3 by each stage.

Figure 2. Integration Levels for Each Process

Consume is the most common approach used by the ITAI team when measured by the number of deals. The process seeks to integrate the acquired company in a very short time while maintaining business continuity and minimizing disruption of employee productivity, both within the acquired company and within Cisco. Consume is a condensed, rapid version of C3 (Figure 3).
“Consume” Integration: Project Tracks

**Consume**

**Employee On-boarding**
- Provisioning – Digital Identities
- Voice Services (IP Telephony, Vmail, Calling Cards, Paging)
- PC Computing
- Remote Access
- Print Services
- Productivity /Collaboration Software
- NEO Training
- Support

**Asset Consolidation**
- Engineering Hosting (Platform / Storage)
- Website Migration and Data Archiving
- Functional Data Integration

Figure 3. Consume Bolt-On Integration [In figure, first column, near bottom, spell out NEO—New Employee Orientation.] –Use Slide 21

Figure 4 shows the common integration elements associated with the Day 1 connect phase of C3.

Figure 4. Common Day 1 Integration Elements [In figure, spell out DNS (Domain Name System). Lan and Wan should be LAN and WAN.] - Slide 23

“C3- Connect” Integration: Project Tracks

**Connect**

**Day 1 – Functional Connectivity**
- HR Connectivity
- Finance Connectivity
- Network Connectivity
- Data Backup (Legal)

**Employee On-boarding**
- Provisioning – Digital Identities
- Telecom Services - Calling Cards, Paging
- PC Computing
- Remote Access
- Productivity /Collaboration Software
- NEO Training

**Foundational Connectivity**
- DNS
- LAN/WAN/Wireless
- Telepresence
- Email Conversion
- Active Directory - Trust / Conversion
- Telecom Services - IP Telephony, Vmail
- Audio / Web Conferencing
- Print Services

Figure 4. Common Day 1 Integration Elements [In figure, spell out DNS (Domain Name System). Lan and Wan should be LAN and WAN.] - Slide 23
Figure 5 shows the activities associated with the combine phase of the C3 integration process. After Day 1 activities are completed, it is time to look at the acquired company’s business processes and begin combining disparate business processes and systems into a single solution.

Figure 5. Combine Phase Focus Moves to Applications and Processes [In figure, spell out CDO, CA, and SOA.] – Slide 27

The C3 consolidate phase occurs after most infrastructure and processes of an acquired company have been completed.

Figure 6. Consolidate Focuses on Structural Alignment and Asset Optimization
Figure 7 shows the integration models and process steps associated with each approach.

Figure 7. Integration Models and Process Steps
Figure 8 shows the deal models and integration process typically used for each approach, as well as the relative duration of each integration process.

**Figure 8. Deal Models and Integration Processes with Relative Durations**

**Organizational Structure for Integrations**

For each acquisition, the ITAI team manages all activities for Cisco IT. Each group within IT assigns virtual team members to work on the acquisition for the duration of the integration. These virtual team members are responsible for PDIO activities associated with their functions, including voice, networks, desktop platform, hosting, data center services, Human Resources IT, manufacturing IT, customer services IT, and so on. Both Infrastructure and Global Business Process (GBP) teams are represented on the integration team, and all work closely with the ITAI team program manager.

CBD is the overall owner of integration activities. Just as IT has virtual team members with dotted-line relationships to the ITAI team during the integration, the ITAI team reports to CBD (along with sales, HR, manufacturing, engineering, and others). Having CBD as the overall owner and coordinator allows Cisco to manage acquisitions holistically rather than as a series of teams working separately.

The ITAI team coordinates business requirements and strategy from the CBD planning process back to the virtual IT teams and vice versa. The ITAI team helps direct the business to resolution of questions concerning integration that affect IT infrastructure, systems, and processes.
Figure 9 represents CBD as the Program Management Organization (PMO) for all functions at Cisco. CBD is surrounded by the core teams, with the virtual teams continuing out along the web. CBD is the central point of contact, but teams collaborate directly with one another, with their virtual teams, or through CBD.

Figure 9. Integration and Collaboration Web - Slide 6

Corporate Business Development Terminology

Speaking a Common Language
To help different organizations across Cisco clearly understand each other, CBD uses a common nomenclature for the following stages and milestones that are common to each acquisition:

Stage 1: Preparation to Announce
- **Milestones**: Deal approval, deal announcement

Stage 2: Announcement to Close
- **Milestone**: Deal announcement

Stage 3: Stabilize 1–100 Day Plan
- **Milestone**: Transition achieved

Stage 4: Optimize 100+ Day Plan
- **Milestone**: Business process integration achieved

Each of these stages and milestones is discussed in greater detail in the following section. Note that these terms might not perfectly fit each team’s own definitions; a team’s activities often span
several stages or milestones. This exception does not diminish the value of a standardized nomenclature, because common terminology enables better collaboration on integration activities across all teams.

Figure 10 shows high-level CBD and functional team stages and milestones.

**Figure 10.** CBD Integration Stages and Milestones [In figure, can resolution be improved? Spell out CFO, M&A, and FCB.]

**Cisco CBD Integration Stages and Milestones**

![Cisco CBD Integration Stages and Milestones](image)

**Stage 1: Preparation to Announce**

This stage typically involves only business functions that perform due diligence on the target company. Due diligence activities are primarily limited to CBD, finance, legal, and engineering functions, but vary with the size and type of deal. Initial activities focus on evaluating the target and its technology. If Cisco decides to go ahead with the deal, the next steps are to create a business justification and prepare a proposal to acquire the target company for approval by the chief financial officer, followed by presentation to the Cisco Board of Directors.

Final preparations for business functions leading up to an acquisition announcement are typically limited to Legal, HR, Business Development, Finance, and Engineering, but other groups can be involved. Internally, the sponsoring business unit commits to revenue goals and engineering milestones, and publishes plans for high-level business decisions. Externally, this stage includes final negotiations with the target company and external messaging. If an accelerated integration schedule is required, other “infrastructure” teams (for example, IT, Workplace Resources, or Manufacturing) might become involved in preannouncement planning under a nondisclosure agreement.

- **Milestone:** Deal approval
• **Milestone:** Deal announcement

**Stage 2: Announcement to Close**

This stage includes the period from immediately following the announcement of a deal, up to the point that transition of employees begins, to an agreed-upon end state. Pre-close planning involves all teams engaged in integration activities. The CBD team coordinates integration requirements with the functional integration teams and business leaders in a web structure (see Figure 7) across all areas of Cisco and the acquired company. This team has overall ownership for all planning and coordination between groups.

The CBD team acts as an advocate for both Cisco and the acquired company. For the purposes of the integration, Cisco IT reports to the CBD team. CBD balances existing processes with new requirements. The team is responsible for enabling the acquired business to be successful in the Cisco environment. CBD is also accountable for enabling Cisco business leaders to capitalize on their investment.

The time between deal announcement and legal close can vary greatly depending on regulatory and other requirements. During this stage most of the infrastructure teams complete their planning and business functions and set the stage for a longer-term planning process.

• **Milestone:** Legal close

**Stage 3: Stabilize 1–100 Day Plan**

This period follows the legal close. During this time each functional team creates and executes its integration plan. Generally, the goal is to move the acquired company as close to standard Cisco infrastructure and processes as is practical. The ITAI team once referred to this conversion as "The Big Bang," where an organization was moved to a Cisco standard infrastructure over a weekend. Although bolt-on deals still are often consumed quickly, many transitions now occur over a period of weeks, months, or years in the case of large platform deals, rather than days.

• **Milestone:** Transition achieved

**Stage 4: Optimize 100+ Day Plan**

This stage typically involves the business systems and business process transitions (except platform deals). These business transitions are generally more complex than an infrastructure transition and require a large cross-functional effort involving significant back-end systems. For example, sales integrations will affect HR, Finance, Manufacturing, and IT in addition to the sales organization. Any sales transition requires the affected groups to transition their processes and systems along with the sales work.

For platform deals, infrastructure transition work can extend through this stage due to the complexity of transitioning multiple sites and significant systems.

• **Milestone:** Business process integration achieved
High-Level IT Involvement by Stage

Through the ITAI team, Cisco IT is involved in every stage of the CBD process. Until a deal is publicly announced, the ITAI team is the only group within Cisco IT to have knowledge of an impending acquisition. Overall, the ITAI team’s involvement in an acquisition resembles a bell curve, with less involvement in Stage 1, increasing involvement through Stage 2, peaking in Stage 3, and then decreasing again in Stage 4.

A detailed examination of each stage and critical IT milestones follows.

Stage 1: Preparation to Announce
IT’s involvement in Stage 1 can be limited. Often a deal is made by a very select group of people involved in negotiations. The intent has been that Cisco needs to acquire a given company to:

- Gain technology
- Grow engineering talent
- Enter new markets
- Increase existing market share
- Any combination of the above

Because of the overriding business justifications for acquiring a company, the current status of the IT environment is generally not a determining factor if a deal goes forward. The expectation of the business is that after the close of the deal, IT will find a way to enable the new company inside Cisco. Recent acquisitions have had significant impacts on Cisco in general and on Cisco IT in particular. As the company’s business strategy has evolved, it has become necessary to rapidly enable new business models, requiring more Cisco IT involvement earlier in the process.

Because a deal is still under nondisclosure status during Stage 1: Preparation to Announce, the ITAI team’s ability to engage other IT teams may be limited. The ITAI team evaluates both integration opportunities and challenges and reports these back to CBD. At times, additional IT resources might be included on due diligence through the CBD’s Nondisclosure Agreement (NDA) process. These additional resources might be required to perform a more detailed analysis of the target and provide additional support for preliminary planning.

Key IT milestones:

- CBD snapshot
- Network circuit ordering as appropriate

Stage 2: Announcement to Close
Immediately following an acquisition announcement, the ITAI team engages the greater IT organization and provides as much acquisition background information as possible (the CBD snapshot is the first data point). This background typically includes information about the target company, business factors, and preliminary internal plans for integration. Additionally, the ITAI team begins meeting with both internal Cisco IT and the target company. The integration team forms, and the ITAI team acts as coordinator. Early in this stage, a target date for the IT transition is negotiated with the acquired company, internal IT, CBD, and other relevant groups. The transition date is affected by items such as the projected close date, quarter-end freeze periods, engineering milestones, customer commitments, availability of network circuits, hardware availability, critical personnel availability, and many other possible factors.
Critical timelines and milestones for transition are negotiated, agreed upon, and published. It is essential to gain agreement from all parties on the overall plan and what success looks like. Without the acquired company’s agreement and buy-in, success is impossible.

Key IT milestones:
- Master Site Assessment (MSA) transmitted to the acquisition
- MSA completed, returned, and distributed internally
- Initial site visit
- Weekly planning kickoff meeting
- Target date for integration
- Integration plan
- Approval of plan by key stakeholders (engineering leadership, executives, IT staff)

Stage 3: Stabilize 1–100 Day Plan
Most of IT’s involvement occurs in Stage 2 (primarily design and planning), and in Stage 3: Stabilize 1–100 Day Plan, IT performs implementation and operationalization.

At an agreed-upon time following close, the IT implementation begins. IT implementation is the process of converting infrastructure, business systems, and business processes to Cisco standards. At times Cisco has adopted the acquired company’s existing standard or process as a new standard inside Cisco, to allow support of its environment.

In the past, IT implementation was often referred to as “The Big Bang” because much infrastructure and many business processes were converted to Cisco standards over a single weekend. The availability of robust VPN and more flexible support solutions have somewhat decreased the need for a big bang approach, although it is still used for some deals (primarily bolt-on/consume models).

A more complex deal often requires a more phased approach to integration. For these cases, Cisco uses the C3 process. The C3 Connect, Combine, Consolidate approach allows Cisco to phase in services and processes, minimizing disruption to the overall organization. These implementations work best for hybrid and platform deals with timelines ranging from months to years.

Key IT milestone:
- Implementation achieved

The key milestone of implementation achieved is still accurate for hybrid and platform deals using the C3 process, but there might be many subtrack and associated implementation milestones—for example, the network and PC conversions will be separate submilestones to the top-level overall “implementation achieved” milestone.

Stage 4: Optimize 100+ Day Plan
For most deals, Cisco IT involvement decreases significantly after the Implementation Achieved milestone. Organizationaly, Cisco IT is based on a plan, design, implement, operate (PDIO) model:
- Plan: Discovery and negotiation from an “as-is” state to a “to-be” state.
- Design: Planning results in documented designs for architectures, support models, processes, and so forth.
- Implement: Agreed-upon designs are implemented.
Operate: Turn over to standard support.

The goal for all integration work is to move the acquired company to a standard, supportable environment—an operating environment. After an infrastructure track (voice, network, PC, etc.), process, or system has been operationalized, the ITAI team’s involvement is complete.

Key IT milestones:

- Turnover to standard support
- Post-project assessment (PPA)

Detailed ITAI Team Activities by Stage

Throughout the integration process the ITAI team works closely with CBD and other teams across Cisco, Cisco IT, and the acquired company. This section describes in further detail some of the key activities and “care-abouts” of the ITAI team for each stage in the CBD model.

Stage 1: Preparation to Announce

IT Engagement Process

The ITAI team is the single point of contact for the business regarding acquisition integration and related activities. Although it is up to the business when to first engage the team, the ITAI team continually lobbies and evangelizes IT’s interests to the business, helping educate the functional teams across Cisco to the potential pitfalls and effects that a deal could have on the company.

As described earlier, the ITAI team is the first group in IT to learn of a deal. CBD brings team members into the deal process under a nondisclosure agreement (NDA). After a team member completes the NDA, that person receives a high-level overview that typically includes:

- Deal code name
- Location
- Number of employees
- Site considerations
- Cisco business unit (BU) the target company will integrate into
- Type of product: hardware, software, professional service, other
- Information on whether or not the target company currently has a shipping product
- Number of remote sites
- Integration type: bolt-on, hybrid, platform
- Timing: approximate announcement and close date

Based on the initial information, the ITAI team program manager might request that additional IT representatives sign an NDA and be brought in to begin more detailed analysis and planning.

Post-announcement Notification

Generally, most of the IT organization learns of an acquisition through an announcement on the Cisco intranet or through a public forum. As the first contact for the business on deals, the ITAI team program manager gathers as much information as possible from business leaders for distribution to internal IT leaders as quickly as possible. It is important to understand that much of the information provided early in the process is not completely reliable.
Deal Announcement
After the deal announcement, the ITAI team program manager is named, and internal IT teams are formed (Networking, Hosting, Voice, Client Computing, HR, Finance, and so forth). The CBD snapshot is distributed internally using email mailing lists.

Project Planning
- **Structure**: Determine basic organizational structure of integration model to be used.
- **Timeline**: Determine timing of the deal closing and available windows for disruption of basic services to the acquired.
- **Contact matrix**: Identify single points of contact (SPOCs) from various organizations involved in integration work.
- **Kickoff and weekly meetings**: Establish both initial informational meeting and ongoing planning meetings and attendees.
- **Coordination across virtual teams**: Establish ITAI team as SPOC for IT.
- **CBD**: Establish ITAI team as SPOC for CBD into IT.
- **Budgeting**: Gather and disseminate proposed IT costs.
- **Master Site Assessment (MSA) questionnaire**: Provide the target company with the MSA; assist with completion as appropriate; and provide completed MSA to internal IT.
- **Initial site visit**: Coordinate the initial site visit with the entire IT team and the acquired company’s IT and business functions. The initial site visit provides an opportunity to gather all of the critical functional groups, meet the team, identify interdependencies, and provide a physical overview of the environment.

Technical Integration Planning
- **Infrastructure services**: Evaluate existing environment and create end-state proposals for LAN/WAN, voice, client computing, PC hardware, productivity applications, data centers, engineering tools, backup solution, printing, and other infrastructure services.
- **Business processes and systems**: Evaluate existing business processes and systems. Work with business owners to identify process changes and facilitate process and system changes to enable business functions. Business functions include engineering, HR, sales, manufacturing, internal and external web, finance, and customer service.
- **Timing**: Negotiate for agreement on the overall plan and timing with primary stakeholders. Overall agreement between all affected parties must be reached on how and when the plan will be implemented. Primary stakeholders include CBD, the acquired company, and internal virtual teams.

Funding
For larger deals, Corporate Finance manages an acquisition “hold back” budget from which each team involved in integration work (HR, IT, facilities, sales, manufacturing, engineering, etc.) addresses its resource requirements. These deals are typically more detailed in scope, and their requirements vary widely from acquisition to acquisition. This document focuses on the bolt-on/consume model.

For bolt-on/consume model deals, current Mergers and Acquisitions (M&A) and IT processes do not provide a specific budget to Cisco IT (or the ITAI team). Each of the integration teams is expected to absorb or obtain any of the operational costs related to the acquisition.
The ITAI team evaluates the resources necessary for a particular acquisition and submits an estimated cost “invoice” to IT Finance, CBD, and the business unit (BU) sponsoring the acquired company. This invoice outlines the estimated IT costs (capital and operating expenses) necessary to successfully integrate a company into Cisco.

**Staffing**

Following the deal announcement, the ITAI team sends a notice of the acquisition to an internal mailing alias. This notice is both an overview of the acquisition (the CBD snapshot is attached) and a request for resources to staff the virtual teams. The notice goes to Infrastructure and the GBP-Global Business Process teams (Marketing IT, Finance IT, Customer Service IT, Sales IT, HR IT, and others). Once assigned to integration, these resources will report to the ITAI team program manager for the duration of the integration in a dotted-line relationship. These resources work on acquisitions on an “as-needed” basis in addition to their normal duties.

At the conclusion of the integration, these resources resume their normal day-to-day activities.

After the ITAI team is assembled, a kickoff meeting is held to discuss the particulars of any acquisition discovery activity including the initial site visit to the acquired company. In addition, acquisition integration protocol and processes are discussed, including:

- Travel arrangements/contacts at site
- Weekly integration meeting date, time, and place
- Roles and responsibilities
- Weekly status reporting and overall project plan
- Collaboration space and access

**Stage 2: Announcement to Close**

**IT Acquisition Integration Phases**

Coinciding with the business development “stages,” Cisco IT and the ITAI team have four distinct phases that overlay the business development stages:

- **Plan:** Includes any activity necessary to gather data and information; for example, site assessments or surveys.
- **Design:** Takes information gathered in the Plan stage and creates a design; for example, network routers and switches, voice, or wireless.
- **Implement:** The culmination of planning and design: implementation of all IT infrastructure and business processes.
- **Operate:** Costs and support resources associated with “after” the Implementation stage; for example, IT technical support recurring costs.

**The Master Site Assessment Distribution**

The master site assessment (MSA) is a primary tool used to gather specific IT information about an acquired company’s “as-is” state. The information requested includes current network topology, IP address ranges, locations, type of email messaging, and Domain Name System (DNS). This document serves as the primary focus of the integration of the acquired company and is provided to the primary IT contact at the acquired company. The IT Acquisition Integration program manager
coordinates any necessary meetings or site visits in order to get the document completed with all relevant and required information. Appendix A includes an outline of its contents.

Upon completion of the MSA, the IT Acquisition Integration program manager makes a copy available to the entire IT Acquisition Integration virtual team for evaluation and planning. The program manager posts a copy in the team’s collaboration space. Each member of the integration team makes specific recommendations for how and what to migrate from the acquired company. These activities, based on the size of the acquisition, may require extensive meeting sessions in order to determine the best plan based on the specific integration circumstances.

The MSA is a living document and is continually refined, with additions and modifications throughout the integration process.

The integration team’s initial visit to a site is one of the most important integration activities. It allows for relationship building that carries through the course of integration activities. Success is often established in the first initial site visit meeting. In addition to the relationships established during the initial site visit, the ITAI team sets expectations with the acquired company for coming activities, deliverables, sequencing of events, and other integration activities. The acquired company is treated like a customer, with the ITAI team paying attention to the personal nature of the acquisition and special requirements that the acquired company may have. Every effort should be made to ensure that the acquired company is neither disrupted nor overwhelmed with integration requests; business continuity is a critical concern. CBD makes sure that the ITAI team is aware of sensitive or delicate situations. They also serve as an escalation point of issues that may be outside of IT.

In general, a site visit includes the following people:

- IT acquisition Integration program manager
- IT engineer or technical lead
- IT acquisition infrastructure program manager
- Network engineer or designer
- Information security representative
- Hosting/data center services representative
- Business applications analyst
- Facilities representative

A Facilities (Workplace Resources [WPR] at Cisco) representative is included because of the requirements that IT infrastructure systems place on a building for HVAC, power, space, and so on. WPR can help the ITAI team understand possible building improvements that may be required to support a new IT solution or the length of time that an acquired company may stay at an existing facility. This information helps inform the cost/benefit analysis for any given building or site and is imperative to the success of integration.

Although not everyone can attend the initial site visit, it is still important that all members of the ITAI team develop a relationship with their primary point of contact at the acquired company. This one-to-one relationship is essential as the integration progresses and is critical to success. As technical individuals from the ITAI team begin speaking with their counterparts at the acquired company, a peer-to-peer relationship expedites the planning and design process and helps eliminate often overlooked technical concerns.
Stage 3: Stabilize 1–100 Day Plan

Key IT milestone: Implementation achieved

Wherever possible, Cisco IT still uses a “big bang” type conversion. Often some of the “bang” is transparent to end users, because they likely have had access to internal network resources for some time through VPN. However, IT still needs to convert much of the back-end hardware that the user never sees. The following must be completed to achieve the above milestone:

- Network
- PC support
- Voice
- Hosting
- Printing
- Support for engineering tools and processes
- Sanctioned IT support for any HR, finance, or customer support requirements
- No loose ends: any item not converted is clearly defined and communicated

Stage 4: Optimize 100+ Day Plan

Handoff and Turnover

One of the primary members of the ITAI team is a representative of the Cisco global support organization, the Global Technical Response Center (GTRC). The GTRC processes individual employee requests for help or assistance after the integration team has fully integrated the acquired company. This action is commonly referred to as the “handoff.”

For smaller and less-complex acquisitions, the handoff can occur rather quickly. On more complex acquisitions, the handoff may be phased as different implementation parts of the execution plan are completed (PCs, telephony, servers, network, etc.) over time.

Post-project Assessment

After the acquired employees are connected to the corporate network and all general integration activity is completed, the IT integration team is assembled one more time to discuss:

- What worked well with the integration
- What did not work well, and how can it be improved
- Best practices and standards

International Acquisitions

The focus of this document has been mainly domestic acquisitions. Acquisitions undoubtedly contain specific core international components. Although much of what is contained in this document pertains to all acquisitions, special attention should be paid to multitheater deals. The project teams will be larger and geographically focused, and processes and timelines will probably be different. Using the processes, ideas, and tools illustrated in this document will augment your understanding of international acquisitions.

Conclusion

This best practices overview is intended to familiarize you with the basic fundamentals of the Cisco IT acquisition integration process. It has explored the partnership with the Business Development
team and the naming conventions of both the IT and Corporate Business Development teams. It has presented the Consume and C3 Connect-Combine-Consolidate processes that the ITAI team uses to integrate the IT portion of an acquired company. Finally, it presented the process details associated with each stage of the business development acquisition process.

Important Tips:

- Gather as much information about the acquired company as quickly as possible.
- Engage the primary point of contact at the acquired company early and often.
- Be flexible with your integration plan.
- Communicate, communicate, communicate to every level of the organization. Uncertainty leads to lost productivity. The acquired company should never be unclear about integration plans. If the company is unclear, it will make its own plans.
- Set the correct expectations at all levels.
- Develop joint criteria for success.
- Be self-critical; learn and adapt.
- Dedicated resources help take advantage of experience. Acquisitions require investment to realize their full value.

Appendix A
Detailed Roles and Responsibilities

IT Roles and Responsibilities

The coordination of the technical aspects of an acquisition is one of the most complex parts of integration. Many variables contribute to the ITAI team’s final implementation solution, but the solutions have some similarities. Repeatable processes can help ease the complexity of the work. The following sections highlight some of these processes that can help maximize effectiveness of the ITAI team’s efforts.

- The ITAI team program manager: The program manager is responsible for all aspects of the IT portion of the integration and acts as the primary point of contact for the Business Development team. The manager assembles the virtual team that will ultimately integrate the acquired company into Cisco. The program manager is expected to update the Business Development team in two ways: through weekly integration meetings and through the use of the “APEX” tool, a web-based project management reporting program currently used for acquisition integration.

- IT engineer or technical lead: This team member is responsible for laptop and desktop procurement, data transfers, email messages, and DNS. The IT engineer shadows the IT Acquisition Integration program manager to help clarify technical problems that may arise as part of the Discovery and Analysis phases.

- IT Infrastructure program manager: This person acts as the primary global contact for all IT infrastructure-related tasks associated with an acquisition and is responsible for implementation delivery. This person works closely with the IT Acquisition Integration program manager to formulate the final, published IT Integration Plan.
• Network engineer or designer: This person is responsible for understanding the acquired company’s global network infrastructure; the engineer works with the Design and Architecture teams to create a combined network that complies with Cisco standards for network design and security. The engineer is part of the IT Infrastructure team.

• Business applications analyst: This person is responsible for the disposition of all business applications of the acquired company, including data archiving. The analyst uses the Business Systems Assessment (BSA), included as Appendix C, to understand the acquired company’s business systems and applications.

Specific Responsibilities of Integration Teams

Workplace Resources (WPR)
The Workplace Resources team is responsible for the facilities portion of an acquired company, including existing office space, satellite sales offices, employee site services (beverage services and first-aid kits), existing leases for business equipment, electronic recycling, document disposal, furniture and fixture disposal, and, most importantly, the physical move of the company to a corporate campus. Many of the ITAI team activities are directly linked to WPR activity. The two teams work very closely throughout the integration.

IT Infrastructure
Consisting of many vital parts, the IT Infrastructure team can be considered the heart of any acquisition integration. The individual parts of this team include the following:

• Engineering hosting: The Infrastructure team is responsible for successful data and source code migration to an official Cisco data center. These specifically designed data centers offer state-of-the-art hardware, backup, and technical expertise.

• IP voice and data services: Older voice and data systems are a constant reality in acquired companies. Small startups rarely have the latest in voice-over-IP (VoIP) technologies. IT becomes necessary for the Infrastructure team to understand the voice and data networks and replace or augment accordingly.

• Mobility services: Cell phones and personal digital assistants (PDAs) are very much a part of companies today. Special attention needs to be paid to acquired employees to help ensure that they know how to convert or port their cell phone over to a company-provided plan. Economies of scale are achieved regarding contractual obligations, mobile mail, and handheld security, making it more convenient for new employees.

• DNS: Domain names must be transferred to the Cisco network. Often, more domains are associated with the acquired company than the obvious dot-com name. These additional domains need to be officially transferred upon the close of the acquisition.

• Collaboration: With the convergence of voice and data, web-based voicemail and virtual meeting programs are used. As part of the infrastructure integration process, accounts are created for unified messaging.

• Email messaging: One of the most important aspects of an acquisition integration is a new employee’s email messaging. Migration of existing .pst files may be a necessary part of data migration. The ITAI team’s technical lead is responsible.

• Laptop and desktop services: Cisco has a defined standard for laptops, desktops, file servers, and printers. As soon as possible, an order for these systems must be placed because they often have long lead times. These systems are personally configured for each
employee by the IT technical lead or approved contractor and deployed at the new employee orientation, explained earlier in this documentation.

- IT Training: Training is an integral part of the new employee orientation and laptop deployment. A short IT training follows that covers the left half of the Cisco Employee Connection homepage. Special attention is paid to procedures for opening a case for support through the Global Technical Response Center (GTRC) and how employees can check their voicemail from their PCs. Employees often have questions about installing third-party applications on their Cisco provided system. The Cisco Softracker website is discussed in response to this question.

- Co-location facilities: An acquired company often does not host its own network infrastructure and chooses to lease hardware, space, and circuit connectivity from a third-party vendor. The Infrastructure team is responsible for understanding this situation and formulating a plan for migration, including lease contract termination.

- Regional offices: The team can divide these services by region, depending on the size or geographic complexity of the acquisition. For example, offices located in the Asia Pacific theater may not be handled the same way as those located in the North American theater. This area constitutes one of the primary importance factors related to the Infrastructure team. The team is strategically dispersed worldwide to handle individual theater-related concerns and problems. The assigned Infrastructure program manager works very closely with the IT acquisition integration program manager, possibly meeting weekly.

Global Business Process Teams

In addition to the traditional infrastructure teams, the ITAI team coordinates the GBP team's activities. The overall strategy is set by the functional business team: HR, manufacturing, finance, sales, etc., but it always has an IT component or dependency. The ITAI team coordinates between the business, CBD, and internal IT support teams to resolve any issues and coordinate dependencies. ITAI's short term goal is building a "doughnut solution" – that is, ITAI coordinates a short term ERP interface that surrounds and maps the acquired company's ERP systems directly into Cisco, and then over time integrates the ERP systems into Cisco.

For a representation of how the ITAI team interacts with the various teams, see Figure 11.

The primary business functions at Cisco with IT teams include: HR

- Engineering
- Customer Services
- Legal
- Finance
- Sales
- Manufacturing
- Marketing
Human Resources IT
HR is generally the first team outside CBD to become involved in an integration. They begin with background checks of all employees at an acquired company and move through a number of internal milestones. These milestones include mapping employees to new job titles, organizational structures, pay grades, and so on. Once all these internal checks are met, the employees are loaded into Cisco’s master HR system. It is only once employees are in the Cisco HR system that IT may begin provisioning services. The ITAI team works closely with the HR and HRIT teams throughout the integration process to help ensure that employees get the services and correct entitlements at Cisco.

Engineering IT
The Engineering Services team integrates engineering tools and processes and trains new engineers. Key systems and tools addressed by the Engineering IT team are software code compliance, bug tracking, source code repository, and specific business unit processes. The ITAI team works with this team to make sure that engineers have tools and access necessary for them to continue to perform their jobs.

Customer Service IT
The Customer Service IT (CSIT) team is responsible for all customer-facing activities, including help desk, patch code updates, and online (email, IM, web) support and toll-free support. Customer support databases usually associated with this team need to be migrated or retired. The CSIT works with the ITAI team to help ensure that there are no customer disruptions as a result of the conversion process.
Legal IT
The IT acquisition integration program manager notifies the Legal IT team of a new acquisition and provides the necessary primary contact information. No later than the day of close, a snapshot of relevant data is recorded for legal purposes. The Cisco Legal IT team uses a contracted legal firm to engage with the acquired company to copy all source code, intellectual property, email messages, and ERP data. This data is retained by the contracted legal firm for a specific period of time.

Finance IT
Finance IT is brought into the integration process by Cisco Finance and CBD. The ITAI’s job is to identify and coordinate cross functional requirements w/ Finance’s own deal specific requirements. Initial Day One requirements are typically consolidation of revenue into Cisco’s books, Sales compensation, Revenue recognition and Financial Calendar synchronization.

Consolidation of Revenue  The data exchange can be done either via a single number “roll up” for less complex deals or via an EDI linking the acquired company’s ERP systems to Cisco’s. Generally, in all cases an EDI is the preferred solution for it’s robustness and simplicity to the end users.

Sales Compensation  Involves coordination between HR, Sales and Finance to understand how to compensate and payout to Sales employees when they are on different systems, plans, quotas and calendars. If the acquired company’s systems are being decommissioned or if they have a similar business model to Cisco, the integration is relatively straight forward (though still a highly cross functional effort). If the company has a different business model than Cisco (Software as a Service for example), entirely new functions need to be created to enable new models inside of Cisco. During the period these systems are being developed, significant EDI work is done to resolve Sales compensation disparities.

Revenue Recognition  A significant piece of the Finance effort can be around revenue recognition or VSOE (vendor specific objective evidence). Cisco books revenue (and rewards sales teams) when the product is shipped; many other companies book revenue when the sales order is booked. How to reconcile a new revenue policy and report out is a significant undertaking.

Fiscal Calendar Synchronization  Cisco selected its fiscal year for August through July because it asked outside audit consultants for their slowest times of year so that they could negotiate cheaper rates for the company’s year-end close work. Frugality was the driver, but to this day Cisco’s fiscal year-end announcements stand nearly alone in August. As a result, any acquisition has to shift their fiscal year to match Cisco’s.

Sales IT
Depending on the size of the acquired company’s sales team, it may be necessary for the sales integration team to host a “sales conversion event.” The acquired sales team is assembled at a corporate campus, and Cisco laptop systems are issued to the sales team. Cisco sales and hands-on IT training is provided. This special sales conversion event is in addition to the new employee
orientation (NEO) information, available to all new hires on the Cisco Intranet. In addition to
migration to Cisco standard PCs, the ITAI team works closely with the sales integration team and
Sales IT to address any application or systems migration activities such as Salesforce.com.

Manufacturing IT
When an acquired company, like Cisco, manufactures its own products, it is both critical and
difficult to integrate the two manufacturing processes. The ITAI’s role is to help CVCM IT with
any deal specific IT requirements, such as supporting Contract MFG access and connectivity, Engineering Q/A and bug tracking systems access.

The goal is to complete this integration by day of close – but this rarely happens. It starts by
manually converting every part number from the acquired company’s product catalogue into Cisco
part numbers – while identifying all parts common to both (and in the high tech industry, this is
common) and giving them the same part numbers and bill of materials (BOM) numbers. This can
be very time consuming. Integrating the differing manufacturing test engineering tools (e.g. bug
tracking and resolution) takes time, and at first is done by mapping the acquired company’s tool
fields one by one into the Cisco tools.

Marketing IT
The face of an acquired company usually comes in the form of a website dedicated to the
many business aspects of the company. This website can be as simple as a single webpage
with a company logo or several pages that outline products, customer service, software
downloads, e-commerce, white papers, company history, and other information. On the day of
the legal close of the acquisition, a “splash” page is placed in front of the original content,
indicating to the public that Cisco has acquired the company. Redirect links are placed
directing users to the older website and to Cisco’s own public website.

At the time of the announcement, the web specialist on the ITAI team administers a remote or
onsite assessment of the acquired company’s website. This assessment involves lengthy
discussions with the acquired webmaster to determine any and all information surrounding the
operation of the website. This discussion may include a description of user and administrator
access to the site, the number of servers hosting the site, the number of pages involved, any
partnerships with other companies on which the site depends (for example, hosting), as well as any
in-house or third-party applications that run in conjunction with the site.

When the assessment is complete, the web specialist conveys this information to the appropriate
business unit web contact. The web specialist simultaneously gathers a virtual team of contacts
from responsible departments such as engineering, marketing, and business development, as well
as the webmaster from the acquired company to discuss the future strategy of the integration. The
departments that affect the website determine the number of the members on the team. It is then
the responsibility of the primary business unit contact to make decisions about what older content,
if any, should be converted and brought to the Cisco website. The web specialist on the ITAI team
is only a facilitator in this process and does not make decisions about content.

At the time of the acquisition close, a new site index, or “splash” page, alerts visitors to the fact that
Cisco now owns the company, but that the old website will be available for the next six months. The
page contains corporate logos of both Cisco and the acquired company. Links are posted to the
Cisco public site, as well as the acquired company’s old site. At the end of the six-month period, the
acquired website is removed and Cisco assumes the domain, severing any partnership with older
hosting companies or any other parties involved with the operation of the older website.
Appendix B

Master Site Assessment Outline

Following is the outline of the Master Site Assessment (MSA) document. The purpose of the MSA is to gain an understanding of the acquired company’s IT environment and to begin discussions on possible integration approaches.

1.0 Introduction
2.0 Sponsorship and Project Team
3.0 Cisco Standards
4.0 Initial Company Information
5.0 Desktop Computing Environment
6.0 Server Environment
7.0 File-Sharing Infrastructure and Administration
8.0 Data Backup Infrastructure
9.0 Data Center and Server Room
10.0 Network
11.0 Web (Intranet and Extranet)
12.0 Lab Infrastructure
13.0 Printing
14.0 Business Systems
15.0 Multiple Sites
16.0 Telecom
17.0 Other
Appendix C

Business Systems Assessment

1.0 Project Description

2.0 Sponsorship and Project Team

2.1 Client (Acquired) Project Manager or IT Contact

2.2 IT Acquisition Integration Program Manager

2.3 IT Acquisition Integration Business Systems Analysis

2.4 IT Track Engagement Contact(s): Finance, Manufacturing, Sales, Customer Advocacy, and Human Resources

2.5 Other Stakeholders

3.0 Situation Analysis

3.1 Business Factors and Objectives (to be completed by ITAI team)

3.1.1 Causes, History, and Influencing Factors

3.1.2 Vision of Desired Outcome

4.0 Project Purpose and Metrics

4.1 Project Detail

5.0 Contingencies and Scenario Planning

6.0 Environmental Analysis

6.1 Overall Business Context

6.2 Overall Technical and Operational Context

6.3 Manufacturing Specifics

6.4 Finance Specifics

6.5 Sales Specifics

6.6 Marketing Specifics

6.7 Customer Advocacy and Support Specifics

6.8 Human Resources Specifics

6.9 Engineering Systems

7.0 Proposed Schedule