



Knowledge Management Companies Join Forces: ServiceWare and Kanisa Create New Entity

As the enterprise software industry continues to mature, part of that maturation takes the form of mergers and acquisitions, some that make obvious sense, others that are more curious. One that makes obvious sense is the merger of ServiceWare Technologies, Inc., and Kanisa Inc. Though both companies position themselves somewhat differently, they've also competed heavily over accounts during the past couple of years. The combination brings the usual synergies in accounting/financial departments, product development, as well as a larger customer and revenue base to create a stronger competitor in the KM market.

Though the newly-formed company hasn't yet been named, Mark Angel (ex-Kanisa CTO) has been named CTO of the new company and said, "ServiceWare's core strength is in capturing knowledge and creating a tremendous amount of structure and precision in the way that agents capture problems and facilitate re-use of

resolutions. On the other side, Kanisa has focused on reaching across the enterprise, bring in completely unstructured content and automatically classify and organize that information. "From a technology perspective, we see a new capacity to combine the strengths of the structured and unstructured approaches to knowledge management into a single environment, a blended knowledge management hub."



Scott Schwartzmann

Though the companies have vied for many of the same accounts over the last year, Scott Schwartzmann, (ex-ServiceWare COO) and COO of the new entity, said, "The merger makes a lot of sense because ServiceWare has a dominant position in addressing large help desk and enterprise service desks as well as significant traction in key verticals including government, financial services, and telco. Kanisa has had success in targeting large customer service organizations and large self-service implementations with traction in high tech and other key verticals."

If that is indeed the case, the merger means immediate cross-sell opportunities since the company says they have few common customers. It also means larger deals going forward as the products are merged and applied to larger projects or divisions within customer organizations.

This all stock transaction creates a base of more than 170 customers with an expected revenue of \$25-30 million which provides market stability and opens doors to customers that require financial viability from their vendors. "The new combined company will also have an application suite that addresses every single help model with every single pipe of service resolution application and technology," adds Schwartzmann. He also added that the new company is committed to supporting and maintaining loyalty within the customer base with sales and support functions maintained at levels customers "have come to expect." Both product lines have been developed in J2EE which "should help in merging functionality as well as the development groups and deliver new features," adds Angel.

Both companies recent history of profitability suggests that this merger creates a company that should become even more stable and profitable.

Under terms of the agreement, Kent Heyman, CEO of ServiceWare, will become chairman of the board. Bruce Armstrong, CEO of Kanisa, will become CEO of the combined company, which will be headquartered in Cupertino, California. The new name of the combined company has not yet been determined. Though the company will maintain a significant presence in Pittsburgh, PA, it will be headquartered in Cupertino, CA.

Kanisa stockholders will get about 40% of the total shares of the merged company or what's expected to be about 35,000,000 shares. ServiceWare also agreed to purchase 4,239,231 shares of common stock at an exercise price of \$0.72 per share to the Kanisa stockholders. The Kanisa stockholders will receive shares and warrants based on an exchange ratio determined in accordance with Kanisa's charter documents. The merger is expected to close in the first quarter of 2005.

Though a product roadmap is still being developed, customers can expect to see a combined product offering within 12-18 months of the close of the deal. "It's always been our philosophy to have an integrated knowledge platform so our intention is to bring together

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some of the core KM capabilities into an integrated code base,” said Angel.

Angel also says “It’s important to note that customers aren’t interested in buying point solutions anymore. Most enterprises are tired of buying multiple packages to support the front office and then tying them together. This [merger] gives us a broader suite of applications and functionality for an integrated knowledge infrastructure.”

In a market in which size is beginning to matter with ATG’s acquisition of Primus, this merger not only makes sense but could be viewed as necessary.

In the short term, little should change for customers as the combined company promises to do what’s necessary to maintain customer loyalty. The long term is dependent on the company’s ability to merge the strengths of each product line into a cohesive offering and develop strong packages for specific vertical markets. There are still details missing from the product roadmap and other important areas, this merger does create a more financially-viable entity with the potential to deliver an excellent product suite.

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Mark Angel

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