Vendor Rating: Managed Objects

Managed Objects was the early seminal leader defining business service management. It faces increasing competition as new startups and large enterprise management software vendors enter the BSM market.

Managed Objects Overall Rating: Promising

What You Need to Know: Continued steady execution and improved predictability on the part of the engineering organization will position Managed Objects well to take advantage of the growing enterprise interest in business service management, although this will also make it an attractive acquisition target. Challenges will be in qualifying prospects and turning away enterprises that do not have mature, service-oriented IS organizations, because these will result in failed engagements and unhappy customers. Enterprises will have success with BSM tools only when they have a strong enterprise management architecture in place, and have good dialogue between business units and the IS organization. Neither of these is under the control or influence of Managed Objects. Thus, enterprises should look internally or to systems integration/consulting companies to mature their management processes, reduce superfluous events and develop relationship management with their business unit customers prior to launching a BSM initiative.

Analyst Comments: In the face of new competition from major enterprise management software vendors, Managed Objects has succeeded in staying a step ahead, adding product functionality and sophistication not yet found in the other vendors’ initial releases.

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Corporate Viability: Strategy (Rating: Positive) — Capitalizing on the increasing demand for the alignment of IT with the business, Managed Objects’ strategy is to deliver products that document the relationships and dependencies between IT infrastructure components and end-to-end IT services, and provide a business-oriented display of how well IT services are performing in support of critical business processes. This enables the IT operations group to understand how problems in the underlying technology affect business processes. Enterprises that succeed at deploying a business service management (BSM) product report shorter problem resolution times because IT support focuses on solving high-business-priority issues, improved availability of business services and a new ability to visualize IT operations management data in business-relevant terms. This allows enterprises to more credibly communicate with business unit constituencies.

Managed Objects recognizes that enterprises are not interested in a complete overhaul and replacement of their installed management software. Its strategy is to provide an independent, vendor-neutral BSM solution that integrates events and alarms from multiple management products into a single business service view. Thus, it has built a wide range of adapters that enable its software to leverage status and performance information from almost any management data source in the IT infrastructure, including BMC Software’s Patrol, Computer Associates International’s Unicenter, Hewlett-Packard’s OpenView, IBM Tivoli’s Enterprise Console, Mercury Interactive’s Topaz, Micromuse’s NetCool and NetIQ’s AppManager. Reference customers often mention that they chose Managed Objects over competitors because of the range and openness of adapters, along with price and ease of deployment.

With its small company size, Managed Objects has correctly stayed focused on BSM and has been pragmatic and fairly conservative in its growth strategy. It has a manageable, supportable installed base of 55 customers deployed and paying maintenance. Managed Objects has not become distracted by developing management agents for multiple platforms or trying to be a replacement for enterprise event management and correlation systems. This is a positive strategy, but enterprises need to be aware that if they invest in BSM from Managed Objects, they will be dependent on one (or more) additional vendors for event correlation, and they will have to rely on Managed Objects to maintain a positive working relationship with their event management vendor(s). This has become more problematic because those event management vendors have developed their own BSM products that compete with Managed Objects’ Formula product.

Financial (Rating: Caution) — Managed Objects is privately held and venture-capital-funded. Since its inception in 1997, Managed Objects has raised four rounds of venture capital funding, totaling $50 million. Based on the number of new customers and the average sales price of Formula, Gartner estimates that Managed Objects exceeded $12 million in revenue in calendar year 2002. The bulk of the revenue (70 percent) is from software license sales, 20 percent from maintenance fees and 10 percent from professional services. According to Managed Objects, it was cash flow positive for the first time in 4Q02. With the most recent venture capital investment of $5 million in May 2003 and the current burn rate of expenses, it believes that it has enough cash to fund the business for a minimum of three years. As with many privately held startup companies, the unpredictability of income and the lack of history result in a “caution” rating for financials.

Marketing (Rating: Positive) — For a small company with limited marketing resources, Managed Objects amazingly has been able to introduce and popularize a new market category of “business service management” tools. With much larger vendors such as BMC, IBM Tivoli, Mercury Interactive and Micromuse attracted to this market, Managed Objects faces considerable competitive marketing challenges, but it can also ride on the coattails of the market education and awareness that these larger competitors are creating.
Organization: (Rating: Promising) — Managed Objects has approximately 75 employees, with 25 in research and development (including product management), 25 in sales (including technical pre-sales support), 12 in consulting/support and the remaining in general and administrative functions. The management team has been relatively stable, with half of the team members dating back to the first two years of its operation. Management team changes include the recent loss of its vice president of marketing and plans to add a new member who will focus on business development and indirect channels. Maintaining quality while managing growth will be the key challenges for Managed Objects.

Market Offerings: Product (Rating: Promising) — Managed Objects’ Formula product enables IT objects to be defined, complete with interrelationships and dependencies, and linked to logical business services. Availability and performance data from multiple enterprise management products is inherited up to the higher-level business services through potentially complex calculations and weightings. The granularity and sophistication of views, relationships and weightings differentiate Formula from newer entrants to the BSM market. Different users (for example, business managers vs. systems administrators) can receive different views and status messages based on their roles. Defining the linkages between IT infrastructure components and business services is a manual, time-intensive process, as is maintaining and updating these linkages. Managed Objects provides some assistance in easing the change management burden by exploiting standardized naming conventions that an enterprise may be using through a wild card feature that enables previously undiscovered objects to automatically be entered into a service group; however, this is only a partial solution. Mature change management procedures are critical to keep the information up to date and ensure that the tool remains accurate and useful.

Based on customer demand to add a historic perspective and service-level reporting, Managed Objects developed its Business Service Analyzer (BSA) product. BSA introduced the concept of capturing and analyzing the state of a business service over time. A number of Managed Objects customers were instrumental in defining the BSA product requirements and even funding some of the advanced development through consulting engagements. The early adopters who worked with Managed Objects through the development of this product appreciated the ability to influence and extend the product’s features; however, this made Managed Objects late in getting production-quality releases out the door. To move this product from early adopters to mainstream buyers, Managed Objects will need to be more predictable in delivering the planned features at the expected time.

Some enterprises use the measurement of end-user experience or end-to-end application transaction response time as a first step toward BSM. Recognizing this adjacent product, Managed Objects has recently introduced its Business Experience Manager (BEM) product, which monitors end-user transactions, issues synthetic transactions and monitors Java 2 Platform, Enterprise Edition instrumentation. This is the first time that Managed Objects has done direct monitoring. Although Managed Objects does not intend to sell BEM as a stand-alone product and views it exclusively as an add-on to a Formula implementation, this move will bring it up against new competitors in the transaction measurement arena, such as Mercury Interactive. It will be a difficult balancing act for Managed Objects to have the openness to support adapters that connect to any vendor’s transaction measurement product that a customer may have chosen, while at the same time offering its own competing product.

Technology (Rating: Positive) — Managed Objects has created a reliable, scalable object-level technology foundation for its products, coded in Java. It has built up a significant amount of intellectual property, understanding the major enterprise management products and developing adapters for bidirectional command and control integration. As it develops new adapters, it needs to be focused on corroborating the accuracy of the information exchange and maintaining the performance of the solution.
With a growing product portfolio and increased customer pressure to deliver new features, development has slowed and deliverables have not always come out on time. Managed Objects needs to establish technology partnerships to link Formula to change management functionality that will help keep business service models current. Lack of mature change management is one of the key inhibitors preventing the mainstream adoption of BSM.

**Pricing Structure (Rating: Positive)** — The average sales price of a Formula implementation is $250,000 to $300,000, with some pilots or entry-level projects being sold for $150,000. Overall, this is in line with competitive alternatives; however, this is a small, emerging market, which makes it difficult to establish pricing averages and baselines. Managed Objects pricing is based on the three factors:

- Number of Formula servers ($110,000 per server)
- Number of adapters to connect Formula to various enterprise management data sources (prices range from $16,500 to $50,000 based on the complexity of the adapter)
- Number of concurrent users that connect to Formula (price varies from $250 for Web viewers to $1,200 for Formula operators with administrative privileges)

Additional modules on top of Formula, such as BSA and BEM, are priced separately. Although it is not inexpensive, customers find this to be a logical pricing methodology and a refreshing change from the per-agent or per-monitored-server license fees that are charged by many enterprise management software vendors.

**Customer Service/Support: Sales/Distribution (Rating: Caution)** — Managed Objects conducts 90 percent of its business selling directly to enterprise customers with a sales force of 25 people, including technical pre-sales support resources. In Australia and some European and South American countries, Managed Objects is represented by resellers, accounting for the remaining 10 percent of its business. As new, much-larger competitors such as BMC, IBM Tivoli, Mercury Interactive and Micromuse have entered the BSM market, the Managed Objects sales force is facing increasing pressure from well-funded organizations with vastly more “feet on the street.” A BSM sale requires access to the highest levels of the IS organization and it is difficult for a small startup vendor to gain that access and achieve credibility. Another cautionary note is that Managed Objects’ new BEM product will require a different sales model with more emphasis on reseller and indirect channels and the creation of a new telemarketing sales group within the company.

**Consulting Deployment Methodology (Rating: Caution)** — Defining business-relevant services and documenting a syntax that will be understandable to IS organizations and business units is a complex process. The hard work for a BSM deployment is establishing the communications between the IS organization and the business units. Often, cultural and organizational changes are required because this is more than the installation of a software product. Achieving BSM benefits usually requires significant process re-engineering. Managed Objects does not have the manpower or the core competency to deliver this kind of consulting, facilitate communications between groups, interview stakeholders, discover logical relationships and define business service views. Especially as the customer base grows, Managed Objects will need to expand its partnerships with consulting organizations to fill this role. Accenture, Computer Sciences Corp. and International Network Services, for example, have used Managed Objects’ Formula in delivering some of their outsourcing contracts. There will be no exclusive relationships, however, because the consulting organizations will want to keep their options open to use whatever BSM product their customers prefer.
Support (Rating: Promising) — Managed Objects’ product support is generally rated highly by customers. However, with only 12 people in the product support group, Managed Objects is at risk of spreading these resources too thin and damaging its good reputation in this area. Some exceptions are already being noted as Managed Objects hires new staff to support its growing customer base.

Many early customers, understanding that they were early adopters in an immature market, formed deliberate partnerships with Managed Objects and acted almost like an extended research and development arm of the company. This model, where customers bypass the field and technical services and have direct access to engineering for support and customization, cannot be sustained. As the company grows, it will become increasingly difficult to scale up and deliver product support services at a consistent level. Managed Objects must keep a close eye on training and quality as it goes through these “growing pains.”

Related Research and Ratings: “Business Service Management: Lessons Learned”

“Tools to Help Manage IT as a Business Service”

Rating Definition:

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| Strong Positive | Solid provider of strategic products, services or solutions.  
  • Customers: Continue investments.  
  • Potential customers: Consider this vendor a strong strategic choice.  |
| Positive     | Demonstrates strength in specific areas, but is largely opportunistic.  
  • Customers: Continue incremental investments.  
  • Potential customers: Put this vendor on a short list of tactical alternatives.  |
| Promising    | Shows potential in specific areas; however, initiative or vendor has not fully evolved or matured.  
  • Customers: Watch for a change in status and consider scenarios for short- and long-term impact.  
  • Potential customers: Plan for and be aware of issues and opportunities related to the evolution and maturity of this initiative or vendor.  |
| Caution      | Faces challenges in one or more areas.  
  • Customers: Understand challenges in relevant areas and begin to assemble contingency exit plans as needed.  
  • Potential customers: Note the vendor’s challenges as part of due diligence.  |
| Strong Negative | Difficulty responding to problems in multiple areas.  
  • Customers: Exit immediately.  
  • Potential customers: Consider this vendor only if there are no alternatives.  |

Acronym Key

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**Core Topic**
Infrastructure Management ~ Enterprise Management

**Managed Objects**
Headquarters: McLean, Virginia
Web Location: www.managedobjects.com