Commentary

IBM's Tivoli Software Brand Continues to Make Progress

Tivoli has made some significant progress during the past two years. Although IBM's On Demand strategy will raise visibility for management, revenue will be slow to ramp up.

Corporate Strategy

Although IBM does not break out the financials for its different software brands, Gartner believes that Tivoli had new license revenue of $1.38 billion in 2002, which is about 1 percent higher than in 2001. Although only a slight gain, it occurred in a market experiencing decline during a two-year period. While taking advantage of the trend in vendor consolidation and the strong IBM sales channel, Tivoli has also turned around its reputation from three years ago when many customers were considering replacing Tivoli software with competitive solutions because of poor product reliability.

Tivoli's turnaround came after a change in the executive team in mid-2001, including the appointment of its current general manager, Robert LeBlanc. LeBlanc's selection represented a major strategy shift from non-IBM management to a management team experienced with running other IBM software divisions. Besides implementation of standardized IBM processes, which improved product reliability and customer satisfaction, this also brought a shift in culture from its heritage of fierce independence to one of coexistence and leverage across IBM. Tivoli has been brought into the IBM fold and corporate strategy, which has had positive implications for Tivoli in terms of corporate awareness, integration into company strategy and cross-brand sales. However, it also risks the appearance of being propriety, which could pin its success solely on the success or failure of its parent. Thus far, Tivoli has not tilted this tricky balance too far toward IBM and continues to focus its solutions on cross-platform IT operations management, security and storage solutions.

Making money for IBM is only one of Tivoli's key objectives. The other is to support IBM's major initiatives, including taking a leadership role in IBM's On Demand and autonomic computing initiatives (see "Can IBM's 'On Demand' Strategy Build Real-Time Enterprises?"). IBM and Tivoli hope that these initiatives will place renewed market attention on the need for IT operations management software, much like the framework wars did in the mid- to late-1990s (but this time, with broad customer success). In addition, Tivoli plays a major role in the delivery of shared components (system management, identity management and access management) to other brands in the IBM Software Group. In this era of market consolidation and reduced IT spending, management is seen by IBM to offer differentiation and, thus, drive revenue for other IBM software, hardware and service solutions.
For enterprises seeking the safety of large organizations in the continuing "economic roller coaster," Tivoli is a safe bet for long-term survival. IBM's heritage is in providing reliable, available and secure products and services. To this end, Tivoli will continue to play a major role. Furthermore, although its product portfolio is a mix in terms of innovation (some very strong, some weak) as is typical for product suites, Tivoli has continued its propensity to invest in areas of emerging customer interest, such as its entry into the emerging market for business service management.

**Product/Services/Technologies**

Tivoli segments its market into three categories:

- Storage management
- Security management
- Performance, availability, configuration and operations (PACO) management

Although viewed as a technology leader in some parts of the storage management market (such as enterprise backup/restore), overall, Tivoli lost ground in 2002 because of the impact of storage-focused vendors such as Veritas Software. As a comparison, Veritas owns 47 percent of the backup and recovery market, while Tivoli comes in second at approximately 17 percent (see "Backup Vendors Compete for the Enterprise"). In an effort to assert a more competitive position in a market that is key to its growth, IBM purchased TrelliSoft (now called IBM Tivoli Storage Resource Manager) to create a broader portfolio of storage management offerings. Tivoli has integrated its storage products with other product segments including the Tivoli Event Console (TEC) and the Tivoli Data Warehouse through Tivoli Business Systems Manager (TBSM) and Tivoli Service Level Advisor (TSLA). Gartner estimates that, in 2002, Tivoli's new license storage management revenue was $226 million, or approximately 16 percent of revenue.

The security software market (an estimated $250 million new license revenue for Tivoli in 2002, or about 18 percent of revenue) is another area where Tivoli turned to the acquisition market to strengthen its position. Access360 became one of the newest products in Tivoli's arsenal to enhance its identity management portfolio (see "IBM Buys Access360 to Improve Tivoli Identity Manager"). Together with Tivoli Access Manager (formerly Tivoli Policy Director and based on technology acquired from Dascom in 2000), Tivoli has fielded a collection of technologies that it continues to embed in other products such as WebSphere. One area that Tivoli needs to continue to address (via its Risk Manager product) is the relatively new category of security management, which focuses on managing security from an operational standpoint (see "The Emerging IT Security Management Market"), although it was a highly rated challenger (in a field of no leaders) in the inaugural Magic Quadrant in this area (see "The IT Security Management Magic Quadrant Lacks Leaders").

Although the largest component of Tivoli's revenue stream (approximately 65 percent of new license revenue or $900 million in 2002), the PACO organization is also the most problematic for the brand, primarily because of the complexity of the foundation framework technology that is used in some of its products. The key areas of focus for PACO include:

- Business service management
- Event correlation and automation
- Systems and application monitoring
- Configuration and operations
Business service management includes products such as TBSM (see "IBM TBSM Is Best-Suited for Mature IS Organizations") and TSLA. Another new focus for the brand is the Tivoli Data Warehouse (TDW), which is positioned to be the repository for all systems-management-related data (historical today, real-time in the future). Although initially off to a poor start, TBSM has had several successes during the past year, in part, because of Tivoli’s investment in simplifying the implementation and integration processes. On closer inspection, the product is a rich, but complex, amalgam of technology that requires customization and professional services for implementation. Likewise, the new TDW and TSLA (which uses TDW) require significant investments in personnel support and overall corporate commitment (at least one-third of the cost of a traditional data warehouse environment is tied up in staffing).

The second part of PACO focuses on automation and event correlation technology. The traditional cornerstone in this area for Tivoli has been the TEC, which is prevalent in the market but is hampered by a difficult rule engine based on a Prolog language base (see "Magic Quadrant for Enterprise Event Management, 2003"). Although Prolog offers the ability to code complex correlation rules, customers shy away from doing so, because of its complexity and lack of skills. Added to this is the fact that IBM has several event-handling and automation platforms — System Automation for OS/390, System Automation for Linux, Tivoli NetView for z/OS and Tivoli Monitoring. While this may be construed as exceptional flexibility, it also makes for tremendous difficulty in developing an automation policy that is platform-consistent and easy to maintain.

The third piece of PACO consists of the "Tivoli Monitoring for" series, which includes support for databases, applications, Web infrastructures, business integration, messaging and collaboration, security and transaction performance. Historically, these products have not fared well against products from BMC Software, Precise Software (now part of Veritas) and Quest Software. The reasons are threefold:

- Many require the underlying Tivoli Framework (deployed as part of Tivoli Monitoring), which, although very functional, is difficult to support
- The products have not offered the depth (and sometimes breadth) provided by these alternatives
- Often these products have not delivered the same level of performance

Some progress is being made. Tivoli has re-architected these offerings around the resource model concept that delivers substantial "out-of-the-box" monitoring capabilities and includes extraction, transformation and load tools that help in the construction of reports that can be run against the TDW.

The final component of PACO is configuration and operations. These products include the IBM Tivoli Workload Scheduler tools and IBM Tivoli Configuration Manager (ITCM), both of which are ranked as challengers in Gartner's Magic Quadrants. When Tivoli was launched in the early 1990s, ITCM (for inventory and software distribution) was very innovative and early to market, and was often cited as the key reason to deploy the Tivoli framework. In time, however, Tivoli has reduced its focus on this area and, consequently, has not kept up with market requirements. However, with its acquisition of Think Dynamics, Tivoli will likely re-invest in configuration management to bolster its end-to-end provisioning story, as part of IBM's On Demand initiatives (see "IBM Buys Think Dynamics for Real-Time Infrastructure Base").

One major IT operations technology area for which Tivoli is lacking a solution is in the area of service desk software (for example, problem and change management), which it divested to Peregrine in late-2000, much to the chagrin of its customer base. With a major thrust by its large customers to manage IT as a business, a service desk is deemed the critical component for workflow and customer communications. Tivoli will re-enter the service desk market by year-end 2004 to round out its IT service management suite of software and messaging (0.8 probability).
A major part of Tivoli's recent research and development investment and strategy is in software to enable IBM's On Demand vision (see "IBM's RTI Vision: The On Demand Operating Environment"). Here, Tivoli is leading IBM's efforts in the area of automation, where it is building a cross-platform IT service governor (see "Architecting the Real-Time Infrastructure"), adding to the foundation gained from its acquisition of Think Dynamics. Furthermore, with IBM Systems Group, it is investing in cross-platform workload optimization (code-named bWLM), which will integrate with transaction performance management and the IT Service Governor.

Critical to achieving this strategy is instrumentation of IBM's software stack to provide transaction management, root-cause analysis and dynamic optimization. IBM is banking on its ability to move from passive monitoring to active management — a required ingredient for achieving the on demand vision — which will drive differentiation in its products and services and, thus, increased revenue. This strategy has huge potential for success, but equal potential for failure, given the complexity of the distributed computing environment and escalating complexities of next-generation dynamic Web service architectures with unlikely agreement across suppliers of the standards required for management. Furthermore, risks abound in IBM's ability to move all of its brands consistently toward one vision, requiring a level of integrated cross-brand product planning and strategy that is unprecedented.

A significant opportunity for Tivoli is to package solutions and cross-sell to customers across its product segments. This will require a higher-level message and packaging of products directed to the vice president of operations and CIO level. We believe that Tivoli will use its On Demand charter to aid in these cross-selling initiatives.

**Customer Service/Product Support**

Previous Gartner research has identified the maturation problem that Tivoli products had when the brand was rapidly growing under IBM. To a large extent, we no longer detect issues with product quality, which is likely to the credit of LeBlanc and his staff. The organization is working to improve the knowledge and usage of its products via methods such as the Tivoli Developer Domain, the development of best practices embodying IT Infrastructure Library methodologies and providing access to emerging products via IBM's alphaWorks Web site.

Although we have detailed the difficulties encountered in deploying and using Tivoli's products, the brand does have the professional services "Quick Start" program designed to get the products up and running sooner (although in a constrained environment).

**Bottom Line:** The overall rating for IBM's Tivoli Software Brand is "promising." The organization provides a wide range of IT operations, storage and security management software, and has held onto (and, in some cases, increased) share in a declining market. Enterprises investing in Tivoli products should feel secure about their purchases, but they should manage expectations about product return on investment (because of product complexity). IT operations management has risen to strategic status inside IBM as a key focus area in its On Demand vision. This represents a huge opportunity for Tivoli, but it is not without major risks, including managing meager one-to-three-year revenue expectations for new On Demand research and development investments, while continuing its focus on current revenue-generating products. Long-term vision is critical to moving the industry forward, even if results are slower than the hype. For that, Tivoli has IBM to thank for its autonomic and On Demand initiatives, which have put the spotlight on the essential nature of IT operations management software.