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# The Megavendors In IT Management Software

by Jean-Pierre Garbani and Peter O'Neill  
for Vendor Strategy Professionals

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SWOT Analysis For BMC Software, CA, HP Software, And IBM Tivoli, Q2 2008

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## EXECUTIVE SUMMARY

Forrester's IT spending outlook for 2008 forecasts that software investments will fare better than average, with 19% growth in 2008 compared with 12% growth in 2007. The four IT management software megavendors — BMC Software (BMC), CA, HP Software (HP), and IBM Tivoli — are continuously growing their market share by acquiring smaller companies; they represented 43% of the market in 2007. The potential — and hopefully temporary — weakness of the US domestic market will lead to increased competition between these megavendors in both the US market and abroad, where currency exchange rates make markets even more attractive. In this context, the SWOT analysis of these four megavendors is especially significant. Although not intended as a direct comparison of the four companies, Forrester's SWOT analysis for Q2 2008 regroups the market contenders by category for an easier evaluation of their respective strength, weaknesses, opportunities and threats.

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Forrester interviewed four vendors: BMC Software, CA, HP Software, and IBM Tivoli.

### **Related Research Documents**

"Market Overview: The IT Management Software Market In 2008"

March 18, 2008

"Implementing BSM"

April 18, 2006

"The 'Just Enough' CMDB"

April 12, 2006

## FORRESTER'S IT MANAGEMENT SOFTWARE SWOT

The IT management software market has gone through a wave of acquisitions over the past few years.<sup>1</sup> Once again, clients are particularly interested in the capabilities of the larger, more integrated vendors in the space as they prepare to make strategic decisions around such topics as business service management (BSM) and configuration management database (CMDB).<sup>2</sup> Forrester published four separate research reports in Q4 2007 on the current strengths and weaknesses as well as the opportunities and threats (SWOT) of the four largest vendors in the IT management software market. We are now continuing in 2008 with further SWOT assessments of the leading vendors in the market but in one report.

### The Four Megavendors At A Glance

The SWOT analysis positions each vendor relative to the IT management software market; it is not intended as a direct comparison of the vendors. It is interesting, however, to show a panoramic view of all four megavendors side by side, as it helps highlight the one salient point on which each should concentrate to reach even further into the IT management software market. This “at a glance” chart condenses the major strengths, weaknesses, opportunities, and threats for each vendor into an “elevator pitch” format that should serve as a focal point for refining their message and strategy (see Figure 1).

### BMC Software: The BSM Reference Point

BMC focuses purely on the IT management software market, has offices worldwide, and employs approximately 6,000 employees. Its fiscal revenues for IT management software for 2007 were more than \$1.6 billion, reflecting 8.5% growth over 2006. Several years ago, BMC pioneered the BSM concept as a way to help better align IT operations with business needs. BMC accomplished its trek to BSM in several steps: 1) it acquired a tier one IT service and asset management solution and what would become a major workflow platform, Remedy, as well as service impact management solutions via IT Masters and provisioning solutions via Marimba; 2) internally, it created an application mapping technology, which eventually became part of the BMC Atrium CMDB; and 3) it developed a comprehensive partner ecosystem. BMC exposed customers to the technology through a strong marketing message called “Routes to Value,” which emphasized an incremental approach to BSM implementation. An equally strong sales strategy now complements this.

All these efforts seem to have paid off; the reward is solid strategic customer acquisitions.

Our SWOT analysis reveals that (see Figure 2):

- **BMC continues to be *the* BSM reference.** BMC’s BSM success is not only based on internal technology or acquisitions; it is actually the convergence of strategic vision, technology buildup, and marketing and sales execution. While BMC may not be the absolute leader in every single category, the whole is far more than the sum of its parts. Putting strategy, technology, and execution together is what makes BMC the BSM leader.

- **BMC should not rest on its laurels.** The world of enterprise IT management software is a very diverse one. BMC has traditionally had some weaknesses in point solutions like network management, which may be an issue with entry-level prospects. IT process automation is a potential integration solution that BMC could use to its advantage when it comes to building BSM from disparate components. BMC should emphasize these capabilities.
- **Data center automation (DCA) is fast becoming another battleground.** The acquisition of Bladelogic, combined with its existing DCA offering, should place BMC in a strong competitive position. It should announce any progress swiftly, as the competition is quickly mounting.

**Figure 1** SWOT Analysis Of The Megavendors At A Glance

	Strength	Weakness	Opportunity	Threat
<b>BMC Software</b>	BSM leadership based on the strength of the complete “package”: vision, technology, and execution.	Traditional weakness in some point solutions such as network management may compromise entry-level sales.	The answer to the “beyond BSM” question solidifies BMC’s position as a thought leader.	Needs to start thinking more about the IT to business technology (BT) future evolution.
<b>CA</b>	Building up a complete vision on top of the largest product portfolio and a strong customer focus.	Still playing catchup in some technological areas such as data center automation (DCA).	The Opalis agreement is an opportunity to reinforce DCA and the global integration message.	CA must be careful not to engage in too many entry-level sales in areas that will be commoditized eventually.
<b>HP Software</b>	Very strong overall portfolio and potential, including Converged Service Delivery offerings.	Lack of a complete and competitive mainframe story, particularly around service-oriented architecture (SOA) integration. This is important for key verticals like financial services and telcos.	HP is mostly shortlisted as a strategic partner for IT management software.	More traditional, midrange customers and partners feel a little neglected in the forward-thinking communications.
<b>IBM Tivoli</b>	Very broad operational management product set and synergy with global software portfolio and IT services.	Missing a unifying tagline or key end-state description. Tivoli vision of converged enterprises and asset management is ahead of customer readiness.	Stress new approach to service management with operational management decision-making, common data model, and knowledge management.	At a disadvantage in new business due to clients’ perception of a lack of innovation.

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Source: Forrester Research, Inc.

**Figure 2** SWOT Analysis: BMC Software, Q2 2008

<b>Company attribute</b>	<b>Strength</b>	<b>Weakness</b>
Coherent brand/portfolio strategy	<ul style="list-style-type: none"> <li>• Constant progress in adapting the BSM message to the new market and technology realities. BMC remains the thought leader in IT management software.</li> <li>• Process automation message reinforces the value of the BSM message.</li> </ul>	
Product/solution portfolio performance	Solid performance of the BSM portfolio.	Traditional weaknesses in some point solutions (network management) may be a temporary difficulty in some emerging accounts/markets.
Consistent sales and go-to-market strategy	<ul style="list-style-type: none"> <li>• Successful and balanced sales model between direct and channel partners.</li> <li>• Clear and successful go-to-market strategy on par with the value of the BSM message.</li> </ul>	The mainframe market should not be neglected as we see a renewed interest in mainframe management and automation.
Value chain and market alignment	Clear understanding of the market diversity and of the need to approach the different levels of client maturity. Clear understanding of the need for integration and process alignment of the management disciplines.	
Stability and viability	Solid and experienced management team.	
<b>Market attribute</b>	<b>Opportunity</b>	<b>Threat</b>
Market dynamics	The “beyond BSM” question is answered with a realistic approach that takes into account the diversity and heterogeneity of the IT management market.	Needs to think of the IT to business technology (BT) evolution and how to build a long-term message on IT-to-business alignment.
Competitive position	Excellent on the BSM front.	Needs to clarify the DCA message now that all the pieces are in place.
Client perception and adoption	Good perception, steadily improving.	Caution around clients that are not directly supported by BMC. Complex solutions may be too much for some channels to handle.

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Source: Forrester Research, Inc.

## CA: Transformation, Phase Two

CA is one of the four IT management software megavendors and the market leader in revenues. CA's solutions cover all aspects of service and system management — and all platforms from mobile to mainframe. CA has offices worldwide and approximately 15,000 employees. For its fiscal year 2007, which ended in March 2007, CA's revenues were approximately \$3.943 billion.<sup>3</sup> In Q3 2008 (ending December 2007), it took \$1.1 billion, a 10% increase in revenues (or 4% in constant currency). For the first three quarters of fiscal year 2008, its total product and services bookings were \$3.069 billion, up 9% from the \$2.805 billion reported in the first three quarters of fiscal year 2007.

The first phase of CA's transformation was a technology renewal through spectacular acquisitions: Concord and Aprisma in network management; Wily Technology in application performance management; Cybermation in workload management; and Cendura in the autodiscovery of application dependencies and the building of CA's CMDB. CA recently announced an OEM agreement with Opalis, one of the leaders in IT process automation, a move that signals the beginning of a second phase in CA's transformation. We could construe the first phase of transformation as tactical and the second phase as strategic: CA is now clearly articulating its BSM message; it's building up its DCA message to a par with the competition; and deep thinking around a future vision like software-as-a-service (SaaS) is underway. The vision of enterprise IT management promoted by CA is exemplified by the acquisition of Niku (now Clarity) as a foundation for the governance strategy and by the acquisition of Netegrity, which adds to CA's security capabilities. In the meantime, CA continues to reinforce customer value, as witnessed by a new mainframe strategy based on understanding customer issues and offering original and well-thought-out solutions.

Our SWOT analysis reveals that (see Figure 3):

- **CA's strategy is coming together quickly.** The company message of enterprise IT management, built on the three pillars of governance, management and security, is starting to resonate with prospects and clients. The particular attention paid to customer value is also a strong element of continued success. The strategy around BSM is also well articulated. The Opalis agreement should help position CA on the DCA map against its competition.
- **CA should be careful to balance its tactical and strategic efforts.** The strength and breadth of CA's portfolio is a blessing and a curse: It allows CA to compete with everyone in the IT management software market. But some of the battles at the very tactical level are no longer worth fighting, and CA should leave these to smaller point product vendors and open source solutions.

**Figure 3** SWOT Analysis: CA, Q2 2008

<b>Company attribute</b>	<b>Strength</b>	<b>Weakness</b>
Coherent brand/portfolio strategy	Strong technology presence in all important areas. Clear message around governance, BSM, and security.	Still playing catchup in some technological subjects, such as DCA and process automation, although progress is imminent.
Product/solution portfolio performance	Good tactical performance of the product portfolio with a 9% growth rate year to year.	Integration of the product portfolio to be completed.
Consistent sales and go-to-market strategy	<ul style="list-style-type: none"> <li>Working hard and well to define a solid software-as-a-service (SaaS) strategy. Solid effort in emerging Asia Pacific (APAC) markets, which will become increasingly important and where CA's portfolio is well suited to local enterprises' maturity level.</li> <li>Spectacular increase in new licenses (+48% year to year) in Q1 2008.</li> </ul>	
Value chain and market alignment	The mainframe business unit has a strong focus on customer support and ease of use and is a clear advantage in this market.	Still very tactical in approaching the market and articulating a long-term strategic vision.
Stability and viability	<ul style="list-style-type: none"> <li>Experienced management team in place, rejuvenated with imported blood.</li> <li>High level of R&amp;D means well-rounded and quality products.</li> </ul>	
<b>Market attribute</b>	<b>Opportunity</b>	<b>Threat</b>
Market dynamics	Agreement with Opalis should help CA catch up with BMC and HP in terms of process automation and make a difference by addressing higher issues than these competitors.	CA must be careful to pick the right fight: The competition is with the other three large vendors, not at the level of increasingly commoditized products, such as network management, against open source or specialized vendors.
Competitive position	CA is an extremely strong competitor when it comes to tactical solutions, which makes it a strong contender in emerging markets.	The long-term strategic message should be stronger to compete with the latest messaging of BMC and HP.
Client perception and adoption	Perception steadily improving. Strong emphasis on quality and customer support helps create a renewed perception of CA.	

### HP Software: A Megavendor Erector Set

HP is one of the Big Four vendors in the IT management software market through its HP Software business unit; this is spread around the world, with major centers in France, Germany, Israel, and the US. HP has a total of 172,000 employees, and Forrester estimates that there are now well over 2,500 sales specialists selling HP Software products. Fiscal revenues in 2007 for the HP Software business unit were \$2.33 billion, with global IT management software representing 82%, according to HP's public statements. Strong organic growth plus acquired revenues from Mercury and Opsware has increased HP Software's share of the IT management software market by almost 50%, from 6.4% to 9%. HP Software's solution portfolio covers all 12 segments of the IT management software market.

Our SWOT analysis reveals that (see Figure 4):

- **HP is well positioned as a strategic partner.** The size of HP's organization and its presence in data centers around the world allows it to use the synergy between all aspects of IT to its advantage. HP Software has now reached a point where it can take full advantage of the HP organization.
- **HP Software has to be careful in articulating its BT message.** There are still some shortcomings in its articulation of the BT message, and some pieces are missing from its portfolio: the lack of software development products and, in particular, the lack of mainframe solutions. Mainframes are present in all large enterprises and are enjoying renewed interest, so HP's lack may be problematic in some markets.

### IBM Tivoli: Streamlining And Clarifying

IBM Tivoli is one of the Big Four IT management software vendors and provides comprehensive solutions for the management of IT. According to Forrester's estimates, IBM Tivoli's IT management software revenues in 2007 for Forrester's 12 categories were \$1.533 billion. However, the company has significantly changed its approach — from that of a solution provider with multiple products that solve specific problems to a more holistic approach of managing the life cycle of a service. This depends on a variety of components, but IBM's focus is on the service, rather than the system and technology components. It is now bringing to market its integration of Tivoli technologies with MRO Software products, which it acquired in fall 2006.

Our SWOT analysis reveals that (see Figure 5):

- **IBM is also a very strategic partner.** IBM also enjoys a broad data presence in data centers around the world, with the added advantage of a mainframe monopoly and a strong presence in all software and service aspects. IBM can address any aspect and any facet of the IT market in general, and that makes it a formidable competitor.

- **Its abundance of goods can sometimes be a problem.** Too many capabilities sometimes make the IBM Tivoli message confusing and complex. Conscious of this, IBM Tivoli has engaged in simplifying and streamlining its product portfolio. It should now focus its efforts on making the message simpler, even if it appears less rich: It is sometimes too much for a client to digest.

**Figure 4** SWOT Analysis: HP Software, Q2 2008

<b>Company attribute</b>	<b>Strength</b>	<b>Weakness</b>
Coherent brand/portfolio strategy	<ul style="list-style-type: none"> <li>• Very strong overall portfolio and potential, including Converged Service Delivery offerings.</li> <li>• Most products integrated already. Looks good in new business situations.</li> </ul>	Lack of complete and competitive mainframe story, particularly around application management integration. This is important for key verticals like financial services and telcos.
Product/solution portfolio performance	Business profitability now consistently positive.	
Consistent sales and go-to-market strategy	HP salesforce now understands the value of the HP Software business.	HP Software salesforce has a large influx of new employees in ramp-up phase.
Value chain and market alignment	Alignment with HP Consulting and Integration completes offering to enterprises.	
Stability and viability	<ul style="list-style-type: none"> <li>• HP Software is now a key cornerstone in the overall HP story.</li> <li>• Recent acquisitions are the source of management for the BTO organization within HP Software. Less experienced than predecessors.</li> <li>• R&amp;D expenditure and operating margin in line with market benchmarks.</li> </ul>	Field management team continues to build up its influence within the sales organization.
<b>Market attribute</b>	<b>Opportunity</b>	<b>Threat</b>
Market dynamics	<ul style="list-style-type: none"> <li>• HP is mostly shortlisted as a strategic partner for IT management software.</li> <li>• HP is well positioned to take advantage of the SaaS trend.</li> </ul>	Shortcomings in BT positioning and portfolio (e.g., mainframe management) could affect the opinions of business stakeholders.
Competitive position	Big marketing initiative following the rebranding has produced tangible results.	
Client perception and adoption	Client reactions to overall brand are positive.	More traditional midrange customers and partners feel a little neglected in the forward-thinking communications.

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Source: Forrester Research, Inc.

**Figure 5** SWOT Analysis: IBM Tivoli, Q2 2008

<b>Company attribute</b>	<b>Strength</b>	<b>Weakness</b>
Coherent brand/portfolio strategy	<ul style="list-style-type: none"> <li>• Very broad operational management product set.</li> <li>• Coverage of mainframe and distributed system space.</li> </ul>	<ul style="list-style-type: none"> <li>• Missing a unifying tagline or key end-state description.</li> <li>• Tivoli vision of converged enterprise and asset management is ahead of customer readiness.</li> </ul>
Product/solution portfolio performance	Profitable growth rate.	Tivoli not growing at strength of other IBM software brands.
Consistent sales and go-to-market strategy	<ul style="list-style-type: none"> <li>• Consistent go-to-market strategy established.</li> <li>• Converged offerings for enterprise and service provider (in some areas).</li> </ul>	
Value chain and market alignment	Addressing SMB space with Express products.	
Stability and viability	<ul style="list-style-type: none"> <li>• Very senior management team.</li> <li>• R&amp;D expenditure and operating margin in line with market benchmarks.</li> </ul>	
<b>Market attribute</b>	<b>Opportunity</b>	<b>Threat</b>
Market dynamics	Stress new approach to service management with operational management, decision-making, common data model, and knowledge management.	<ul style="list-style-type: none"> <li>• Too much to digest for less mature customers.</li> <li>• Balancing investments between core Integrated Technology Solutions (ITS) and MRO integration could slow progress on both.</li> </ul>
Competitive position	Stressing the value chain of service management from top-down and bottom-up.	Clients still view Tivoli implementations to be services-intensive to achieve success.
Client perception and adoption	Installed base sees IBM's service management solution as good enough not to switch.	At a disadvantage in new business due to clients' perception of a lack of innovation.

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Source: Forrester Research, Inc.

## SUPPLEMENTAL MATERIAL

### Companies Interviewed For This Document

BMC Software

CA

HP Software

IBM Tivoli

## ENDNOTES

<sup>1</sup> . In 2008, the IT management software market will again experience significant growth. The key trend in IT management software spending will be the widespread adoption of IT process automation technologies across the whole IT management software spectrum. The two main drivers for customers' investment will be economic considerations around a further reduction in operational IT spending and the quest to sustain competitive advantage through superior quality of service. See the March 18, 2008, "[Market Overview: The IT Management Software Market In 2008](#)" report.

<sup>2</sup> Business service management (BSM) dynamically links business-focused IT services to the underlying IT infrastructure. Therefore, a complete BSM system maps business processes and infrastructure resources, dynamically links the two together, and provides end-to-end management for the whole system. See the April 18, 2006, "[Implementing BSM](#)" report.

A configuration management database (CMDB) is a unified repository of information related to all the components of the information system. It helps an organization understand the relationships between these components and modify their configuration. The CMDB is a fundamental component of an ITIL framework. The CMDB records configuration items (CIs) and details about the important relationships between CIs. A CI is an instance of an entity that has configurable attributes — for example, a computer, a process, or an employee. A key success factor in implementing a CMDB is the ability to automatically discover information about the CIs — autodiscovery. See the April 12, 2006, "[The 'Just Enough' CMDB](#)" report.

<sup>3</sup> For more information about CA, visit [www.ca.com](http://www.ca.com).

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