



Guardium Receives Strategic Investment from Cisco

Market Event

Waltham, Mass.-based Guardium received a strategic investment from Cisco as part of a strategic funding round totaling \$6.3 million. Cisco's investment in the four year old company is the first investment in this market by a major technology company and provides strong validation of Guardium's market leadership and the new database access control product category that provides companies with the ability to track and control access to sensitive data in their critical business systems and ensure regulatory compliance. Cisco, for a relatively small investment, gains access to new technology which may help drive Cisco revenue in the future as the company expands and refines product offerings.

Aberdeen Analysis

The Series C strategic round was lead by Cedar Fund and Ascent Venture Partners and included additional participation from all existing equity investors including Stage One Ventures and Veritas Venture Partners. The infusion of the latest round brings the total equity investment in Guardium to \$21 million. While Cisco's investment does not represent either a significant portion of Guardium's total venture financing, nor a significant portion of the networking giant's own \$24.8 billion (FY2005) revenue, the act of providing the investment carries more value to both companies than the actual dollar amount.

Impact to Guardium

Guardium, founded in 2002, was one of the first companies to begin providing network based products that allowed companies to monitor application access to sensitive data (i.e., Social Security numbers, personal data, financial information) stored in SQL-based business applications in a way that was application independent and did not require any rewriting or replacement of application code. This database access control technology allows companies to ensure that application users are adhering to regulatory requirements dictated by regulations, such as SOX and Basel II, and not inappropriately accessing or misusing information. Guardium's technology monitors and audits all user and application access to data within a database, and actively blocks inappropriate types of access.

Like any new technology startup that is introducing a new product category, the initial challenges to market penetration (beyond the actual product development) are educating the target market on the importance of the solutions and the long-term viability of a young company. The addition of Cisco as a strategic investor validates:

1. The importance of the solution to database access control;
2. Guardium's leadership in this market through its penetration and maturity of technology; and
3. The long-term viability of both Guardium and Guardium's market.

Announcement

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According to Phil Neray, Guardium's vice president of Marketing, "Guardium's biggest competition is... IT managers that simply aren't aware that new technologies now exist to solve this problem in a non-disruptive manner. For example, some people mistakenly believe the best way to gather compliance information for auditors is to turn on database-resident logging and use home-grown scripting to extract the relevant information." There are certainly some situations where home-grown solutions may be adequate to meet needs, but the impact of logging on database performance and the cost of maintaining these systems may outweigh the short-term cost savings. Companies should carefully consider performance and maintenance overhead to internally build solutions to validate advantages over solutions such as Guardium's, which integrate easily into existing environments with no impact to database performance. Cisco's strategic investment shows that it, as the leader in networking solutions, clearly believes that scripting and logging may not be enough to meet today's security requirements and regulatory mandates in the long term. In the upcoming AberdeenGroup report *The Compliance Gap: Aligning Risk Management Priorities Between IT and Finance*, we will show that two of the highest risk management priorities for finance departments are meeting regulatory requirements, and increasing controls for audit and compliance. Guardium's solutions align well with the priorities that we uncovered in our survey.

Also, and just as important, Cisco's investment represents the first by a large technology player (excluding the investment community) in this product category and shows the importance of the problems and the potential of the market. The investment also gives Guardium higher visibility within Cisco, which may pay off in the future if Cisco customers seek database access control solutions and Cisco chooses to refer these customers to Guardium. Guardium will gain the greatest advantage of the relationship with Cisco if it can leverage and partner with Cisco's channel sales and marketing organizations. Only time will tell if Cisco chooses to bring its relationship with Guardium to the next level.

Impact to Cisco

Cisco invested \$3.3 billion in 2005 in research and development. Comparatively, Cisco's strategic investment in Guardium is not particularly significant. What *is* significant is that it represents Cisco's first investment in the application data security space. With Cisco's current dominance of network infrastructure appliances, the challenge is maintaining revenue growth beyond equipment upgrades. This requires a broadening of product offerings. Moving into data security and compliance management is a comfortable space, considering Cisco's core security competencies.

Truly effective information security requires multi layered defenses, which Cisco offers by providing solutions at the host level (Cisco CSA) all the way up through intelligent switches to the firewalls. While the industry has focused greatly on keeping the bad guys out of the network, the tougher problem is making sure that people who must access sensitive data as part of their daily work not misuse that access. In AberdeenGroup's recent *Insider Threat Benchmark Report*, we learned that only 41% of respondents had implemented solutions to control insider misuse of information, which clearly shows that this is a far from saturated market. All Best in Class companies that had implemented some type of insider misuse solution valued tools that integrated with their existing infrastructures, which is exactly the type of solution Guardium delivers.

Cisco's investment in Guardium gives Cisco some ownership in a critical and new market and a product solution that fits well with Cisco's long-term product strategy.

Impact to Customers and Competitors

The direct impact to customers of either company is minimal in the short term. Certainly, current Guardium customers have had their vendor and product choice validated by having Guardium tied to Cisco. Potential new customers of Guardium, who may have been nervous about committing to a young company and new technology, will have another data point to support the long-term viability of Guardium's solutions.

Competitors of Guardium (such as Tizor and IPLocks) would probably have preferred Cisco invest in their companies, but certainly gain equally from the validation of the market and solution approach the Cisco investment entails. This is a very new market and there is plenty of growing room for all players in this space.

Recommendations for Action

- √ Determine if your current risk management plan addresses the protection of sensitive information stored in corporate databases.
- √ Consider how effective your current solution is in meeting regulatory requirements that apply to your company, and how much effort is required to maintain your current solution or create a new solution in house.
- √ Consider Guardium for adding application data access visibility and control to your risk management plan.



Related Research

[Insider Threat Benchmark Report: Strategies for Data Protection](#), January 2006

The Compliance Gap: Aligning Risk Management Priorities Between IT and Finance (to be published in June 2006)

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