



summit

IT service management vendor report card 2006

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IT service management vendor report card 2006

IT service management (ITSM) is now widely recognized as a critical enabler of dynamic IT infrastructure environments. All major IT management software vendors, including BMC Software, CA, IBM and Hewlett-Packard (HP) acknowledge the need to support internationally recognized best practices such as ITIL and ISO 20000. This report card evaluates how well each major vendor's ITSM strategy and mid-to-long-term strategic roadmap aligns with emerging customer requirements and addresses emerging demands for ITSM links to application lifecycle management.

Key messages

Ovum Summit has been tracking and rating major vendor ITSM strategies for several years. We evaluate the market leaders in terms of how well their announced product and service portfolios, go-to-market programs and long-term development roadmaps align with the emerging needs of the market. This assessment helps us determine which vendors are doing the best job of differentiating themselves from their competitors.

All major enterprise-class IT management software vendors currently incorporate ITSM themes in their go-to-market messaging and value propositions. All also advocate IT's adoption of business-oriented governance and best-practice integrated workflows such as those described by ITIL and ISO 20000 guidelines. With the introduction of ITIL version 3 in 2007, the industry discussion will increasingly focus on a new, broader definition of IT services – one that connects overall IT governance, application development/test/QA, runtime operations, and management of third-party services ranging from outsourcers to software-as-a-service (SaaS) providers. We call this new view of IT service management 'service lifecycle management'.

This trend aligns with the results of our recent North American IT infrastructure and management survey. The survey clearly showed that organizations deploying virtualization and/or SOA in conjunction with ITSM processes and tools are twice as likely as non-ITSM adopters to report high levels of satisfaction with their infrastructure investments and day-to-day operations. During 2007–2010, we expect to see customers and vendors increasingly prioritize this connection between application lifecycles, runtime operations and third-party service environments in order to reduce operational risk, improve business and IT alignment and enhance the overall productivity of IT staff and end users.

This report card rates IBM and HP as doing a better job than others in articulating a services lifecycle management vision, although whether they can deliver all that they promise remains to be seen. BMC shines in the area of partner enablement



and empowerment and is clearly laying the groundwork for a bigger role in connecting operational processes such as problem management with application performance monitoring. CA has clearly made progress in righting what was once a sinking ship and positions itself to become more of a force in 2007. This report card provides a brief summary of the progress each of these four market leaders has made in the last year. It is designed to help customers, investors and partners ask the right questions when they sit down at the table with each of these vendors.

Emergence of service lifecycle management

Until recently, data center operations and application lifecycle management were rarely connected in terms of IT staffing, planning, operations or governance. Nor were they aligned with strategies used to manage third-party outsourcers, SaaS vendors and network services providers. Looking to 2007 and beyond, the IT management software vendor community is moving to line up behind a much more expansive view of management – one that drops the 'IT' focus and instead emphasizes end-to-end services that are enabled across application lifecycles, runtime operations and external services provider resources. When ITIL version 3 is unveiled in 2007, we expect the new view of services to resonate throughout the document.

With this vision in mind, ITSM vendors are aggressively broadening their value propositions, enhancing product portfolios and improving the flexibility of their architectures. The real question is, of course, what are IT managers and CIOs going to want to buy in the coming year? Are they ready to integrate application lifecycle management with runtime operations? Will they prefer highly integrated, purpose-built portfolios or those that are more model-based and modular?

As our 2006 IT infrastructure and management customer survey showed, dynamic computing technologies are shifting data center architectures away from reliance on tightly coupled silos and towards use of shared, virtualized, reusable infrastructure service delivery platforms. (For some of the key survey results, see our three-report series published in the *SummitStrategies@Ovum* Dynamic Computing Best Practices module.) Customers increasingly understand how virtualized environments that support multiple applications and business process need to define, track and deliver end-to-end services in a consistent and coordinated manner.

Over the next two years, we expect the categories of ITSM, business service management (BSM), application lifecycle management, service desk, and IT portfolio and asset management to blend into a single category that we are calling 'service lifecycle management'. In developing this year's ITSM report card, we paid special attention to how well each vendor is positioned to make this transition.

This report card is designed to provide the reader with a strategic overview of how each of four major vendors approaches this marketplace. Our goal is to help customers, partners and investors evaluate how well each vendor's mid-to-long-term vision and roadmap aligns with top priority market requirements. We begin

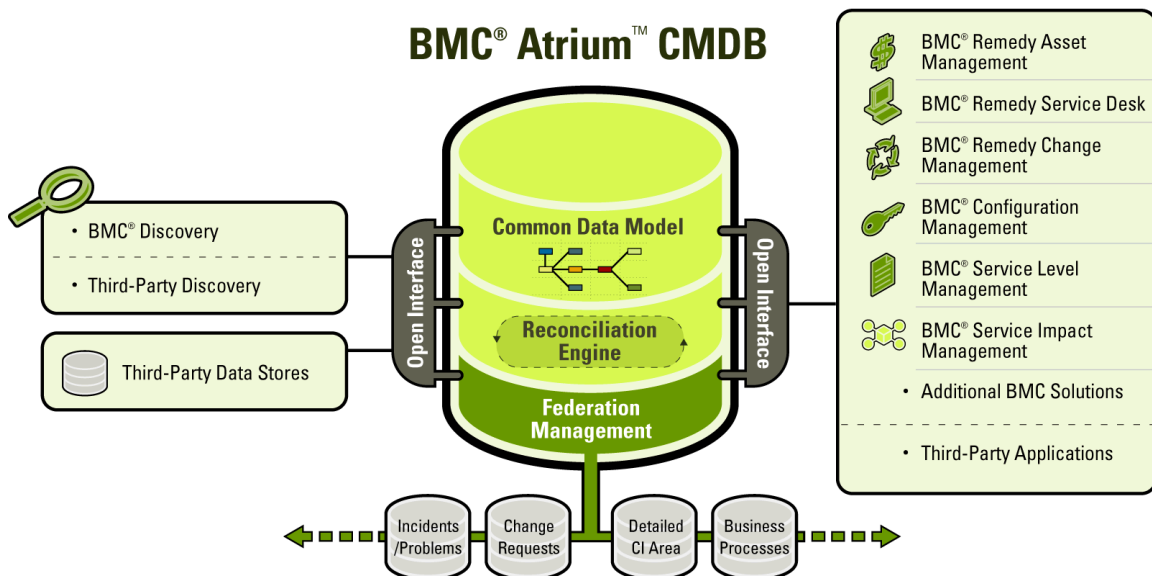


with a status report on each vendor's overall vision, message, portfolio and architectural achievements in the past year. The report concludes with a comparison of how well each vendor is differentiating itself from the competition in eight report card categories.

BMC Software looks to Atrium 2.0 to increase BSM market traction

In 2005, we gave BMC Software big points for the introduction of its Atrium architecture, its ITIL-aligned BSM message and its solution-oriented BSM 'routes to value (RTV)' approach. The latter addressed specific ITIL process areas such as service-level management, configuration management and problem and incident management. Building on the popularity and market presence of the BMC Remedy IT Service Management product line (developed on the BMC Remedy Action Request System), BMC became an early configuration management database (CMDB) leader and got a lot of airtime with customers that were just beginning to take ITIL seriously.

By early 2006, however, the BMC BSM story was getting a little stale, and sophisticated customers who were getting value out of the individual RTVs wanted to connect silos without having to invest in custom integration and development. To address these requirements, in June 2006 BMC introduced BMC Atrium 2.0 and a new set of integrated workflow solutions designed to automate links between the RTVs. As shown in *Figure 1*, the BMC Atrium 2.0 architecture introduces a second-generation CMDB data model, a more robust reconciliation engine, an improved ability to accept data from a wider range of federated sources, an updated graphical interface and improved access to third-party tools and management information databases.

Figure 1 **BMC Atrium 2.0 architecture**

Source: BMC Software

The BMC Atrium CMDB 2.0 reduces the need for custom-built point-to-point product interfaces to support configuration data sharing by relying on standard open interfaces to provide access to data collected by BMC and third-party applications. The BMC Atrium CMDB 2.0 maintains detailed relationship and configuration information (CI) related to application, middleware, network and computing hardware components. A new browser-based product, the CI Relationship Viewer, enables the BMC Atrium CMDB to gain federated access to data discovered and managed by third-party tools and a number of BMC products.

BMC understands that many of its customers have made investments in a wide range of other vendors' management products and tools. It also acknowledges that many customers have trouble implementing broad-based cultural and work process transformation, even when the executive team has set a long-term direction consistent with ITIL and delivery of IT as end-to-end services.

As a result, the firm continues to actively market each of the eight major standalone BSM RTV that span the gamut of major IT management activities. These include incident and problem management, service-level management, change and configuration management. However, for those organizations that are ready to integrate across these individual processes, the more robust BMC Atrium CMDB 2.0 environment facilitates data sharing across different functional areas.

Beyond the enhanced CMDB, BMC has launched four major integrated workflow solutions that take advantage of the BMC Atrium 2.0 architecture. These are targeted at more sophisticated customers who are ready to integrate workflows



across RTVs. Each workflow solution instantiates the BMC ITIL-based best practices view of cross-product workflows and data sharing models. They are:

- Proactive Incident and Problem Management: provides improved root cause analysis and more automated capture and transfer of data between performance and service desk tools. Based heavily on the widely used BMC Remedy IT Service Management product line, along with BMC Performance Management and BMC Mainview products, this workflow solution is one of the firm's strongest integrated offerings
- Closed-loop Client Management: connects BMC Remedy Change Management functionality with BMC Configuration Management (formerly Marimba Configuration Management). It is particularly designed to support compliance reporting requirements related to change, configuration tracking and release management activities. It also includes integration with BMC Identity Management offerings to enable user and group-based client management
- Data Center Optimization: links asset and configuration discovery capabilities with capacity planning and analysis tools to help customers reduce capital spending by increasing total levels of systems utilization and improving capacity-planning activities
- Unified Service Level Management: helps customers to link proactive problem management results, service and support metric tracking systems, and IT performance management reporting data using a common interface and single pane of glass.

BMC has also been taking steps to extend its visibility into application performance monitoring and problem management workflows. To this end, the firm is actively working to leverage its May 2006 acquisition of Identify Software, which added application performance problem detection, documentation, tracking and resolution capabilities to the portfolio. BMC has also launched partnerships with – and built integrations to the BMC Atrium CMDB for – IDS Scheer AG and Oracle's BPEL Process Manager. As a result, customers can more quickly design business service models around business processes and associate infrastructure performance and configuration data with end-to-end business process impacts.

When coupled with BMC's existing synthetic and actual response time offerings (BMC Transaction Management Application Response Time and BMC Transaction Management Real Experience Monitor), it's clear that the firm is laying the groundwork to more deeply connect its data center operations management capabilities with application development lifecycle and problem resolution processes. To date, BMC has yet to fully articulate its strategy, but we expect the firm will apply its workflow integration strategy to this domain, optimizing process specific integration points such as application problem detection, service-level monitoring, and service desk trouble-ticket management.

BMC is also beginning to expand its business/IT alignment capabilities with a strong emphasis on synchronizing day-to-day operations and performance with business needs. Specifically, in October 2006, BMC introduced BMC Analytics, a business service performance reporting toolkit. The product enables deeper



analysis and better ad hoc reporting that draws data from a wide range of sources. These can include the CMDB, asset management databases, contracts, warranty, financial, HR and other sources needed to help IT develop a full view of its costs and contribution to the business.

Although not undertaking a major rewrite of its core code, BMC is clearly committed to significantly extending its footprint and moving up the service lifecycle management value chain. While we applaud the firm's pragmatic commitment to minimizing customer pain, we remain concerned that the current strategy's reliance on purpose-built workflow integrations may prove unwieldy in the future when customers want to extend workflows more broadly across the full service lifecycle. Because few customers have yet to implement a comprehensive BMC Atrium CMDB 2.0 federation strategy or broadly deploy widely integrated workflow solutions, the jury is still out on how well BMC solutions will scale and expand over time.

Clearly the BMC Atrium refresh, the cross-IT workflows and effort to begin linking operations to applications are all evidence that BMC continues to be an important player in the ITSM market. But, beyond these investments, we think BMC's biggest area of progress in the past year has come in its ability to get the word out to the market via its network of more than 400 channels partners.

Over the past year and a half, BMC has set the standard for training and empowering channel partners to sell and implement ITSM solutions. First, the vendor pruned its list of partners down from more than 600 to concentrate on 400 partners who showed significant interest in the BSM message. Then BMC assisted these select partners in a number of critical ways, including:

- providing intensive, in-region training and opportunities for ITIL certification to partners. Unlike most organizations that separate internal and partner training programs BMC invites partners to participate in the same sessions that it uses to train its own sales and consulting staff
- creating a Partner Consortium to facilitate information and implementation best-practices sharing across its top 25 channel partners. This has been particularly helpful in EMEA where channel partners often need to team up with one another to support a mix of local language requirements
- developing 'Flight Deck', a sophisticated online hosted demo of the entire integrated BSM environment that significantly reduces the cost and complexity of demonstrating workflow solutions that cross BSM RTV. Vertically oriented partners such as Turing, which services the telecommunications industry, are invited to develop vertical-specific demos that BMC then hosts and supports on the Flight Deck infrastructure.

BMC focuses its direct sales and support activities on its top 2,000 accounts globally. Business outside that group, defined by BMC as 50,000 'emerging growth' accounts, is primarily sold and delivered by channel partners. BMC also routinely contracts out implementation and support work to partners to help support larger direct services engagements.



As ITSM moves beyond the confines of the Global 2000 and into mainstream mid-market and smaller enterprise accounts, BMC's investment in channel partner ITIL certification and training is likely to pay major dividends.

CA ramps up its ITSM strategy

Having suffered from a series of financial and market miscues, CA is attempting to unite the firm around a common vision, dubbed Enterprise IT Management (EITM). EITM is designed to offer customers a series of roadmaps and solutions to unify and simplify IT management and security. All of the firm's product development and marketing programs are now organized around four primary EITM themes.

- **Manage risk** by better understanding, measuring, managing and reducing operational and business risk.
- **Manage cost** by optimizing the value of IT by managing operating and capital costs through process automation and efficient use of assets.
- **Improve service** by better defining and delivering IT services to the business when and where they are needed, as cost-effectively as possible.
- **Align IT investment** using consistent, quantifiable measurements of costs and benefits, and mapping IT assets and services to business processes.

Under these four themes, business units focus on specific domains including enterprise systems management, storage, security and the flagship business service optimization (BSO). The firm is in the process of rebranding all products under the CA label, a move designed to signal a new commitment to cross-product integration enabled by shared architectures and software components.

The BSO portfolio is the focal point for ITSM innovation and is home to many ITSM solutions including asset management, service desk, service catalog, service-level management, IT governance and project portfolio management. More traditional data center activities are supported by the Enterprise Systems Management portfolio, which includes such well-known products as Unicenter Network and Systems Management and eHealth.

The Wily Introscope application and business process performance management product line has recently been shifted from the Enterprise and Systems Management Portfolio into the BSO organization, signalling CA's growing commitment to stronger integration across applications and infrastructure going forward. Wily products are also getting high priority for integration with the broader BSO portfolio and the enabling CMDB data-sharing and dependency mapping environment.

Until recently, integrating workflows and information across this diverse portfolio required extensive reliance on professional services. This brittle and difficult to integrate environment was one of our chief concerns regarding CA in the past. In 2006, however, the firm took a major step to improve its ability to integrate data and processes with the acquisition of Cendura, which added a comprehensive

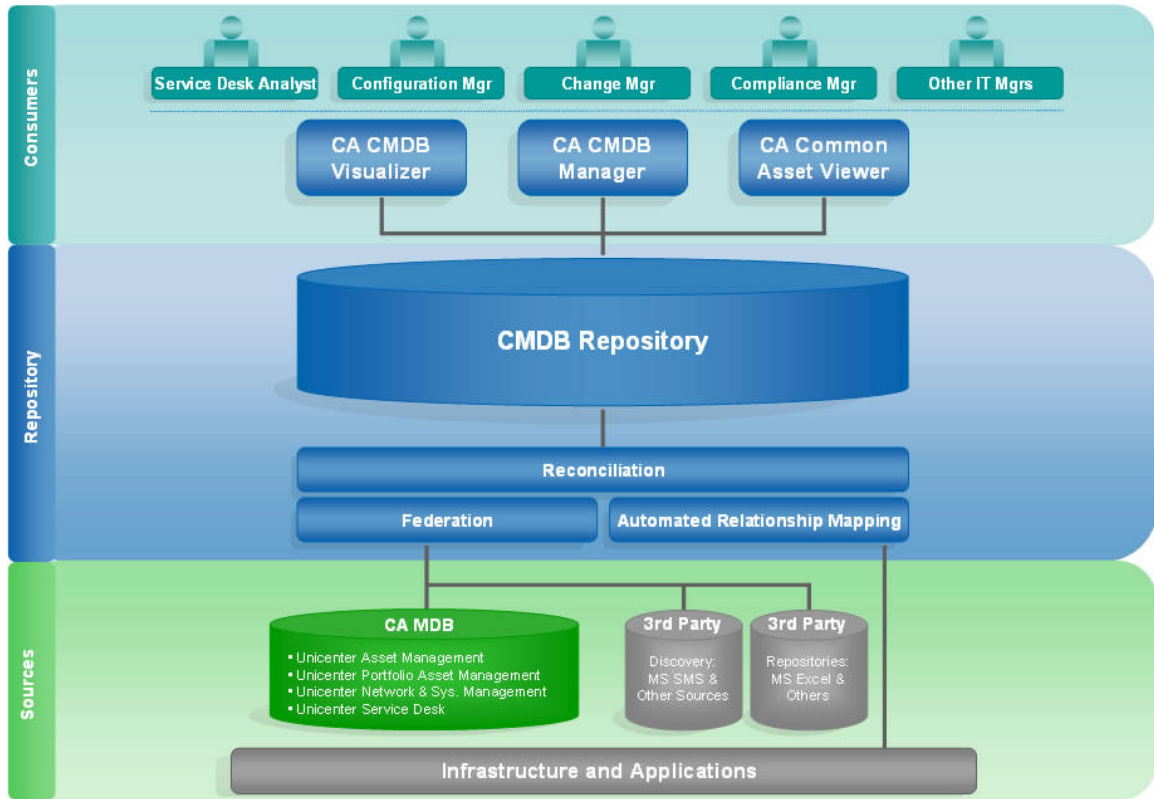


CMDB architecture and out-of-the-box discovery tools for major application suites to the CA portfolio.

Cendura, launched in 2002, had developed almost 200 application models, called Blueprints, that standardized and accelerated the ability to collect information about individual applications' performance, security and availability, as well as detailed configuration files, executables, log files and DLLs. The Cendura Cohesion database stores this information in domain- and application-specific service management databases that record relationships and dependencies between various software components; administrative and maintenance-related files and directories; updates, patches, hot fixes and recommended settings, rules, and best practices. Periodic application state snapshots track changes, detect controls, violations, and notify staff to execute remediate changes.

Leveraging the Cendura CMDB, CA is moving quickly to support significantly improved, federated information sharing across the Management Database, the service desk platform and many other BSO products, including Wiley Introscope and the Niku portfolio management Clarity product line (see *Figure 2*). This new CA CMDB environment can be purchased and deployed on a standalone basis or implemented as part of a broader federated environment.

Figure 2 **New CA CMDB architecture**



Source: CA



In mid 2006, CA also introduced a set of Service Management Accelerator programs designed to help customers bridge process, cultural and technical gaps related to the rollout of ITIL-based best practices and supporting tools. These accelerators include ITIL assessment services and Integrated IT Flow Reference Models, as well as more traditional implementation services.

Over the next year, CA will continue to strengthen and standardize points of integration across its broad product lines. It will also continue to be a major player in the ITSM standards groups, where thought leaders from the firm are actively contributing to a number of emerging standards including the CMDBf working group that is hammering out better models and standards for federating and reconciling data across multi-vendor environments.

In terms of go-to-market activities, CA continues to struggle to increase the level of business coming from indirect channels. The vendor's top 3,000-4,000 global accounts are sold and serviced directly by CA, and they have traditionally accounted for the vast majority of the firm's revenues. Recognizing that it needs to grow the business by reaching out to more customers than it can touch directly, CA has been developing partnerships with global systems integrators such as BearingPoint and Accenture. BSO solutions are frequently taking the lead in these engagements.

Looking into more mainstream markets, CA is also beginning to get some traction with smaller resellers in North America by providing them with simplified out-of-the-box solutions and best practices that are easier to market than the firm's comprehensive, and at times confusing, portfolio.

CA says it is committed to investing in a new generation of CRM and channel partner management infrastructure, databases and enablement tools. It is aggressively ramping up telesales lead generation programs to benefit channels, and plans to launch a much more customer centric ca.com website in early 2007. Although noticeably improved, the reach and sophistication of CA's channel programs is still immature in comparison to most of its competitors.

Overall, CA has made substantial improvements during the past year. Its portfolio is more organized and increasingly solutions-oriented rather than product-oriented. The BSO message resonates well and the product development roadmap is aligned with the firm's vision and mission. However, turning a ship the size of CA takes time. Whether CA can move fast enough to catch the pack as service lifecycle management becomes a priority in leading-edge accounts remains to be seen, but compared to recent years, its chances of success are substantially increased.

Can HP and Mercury successfully turn IT on its head?

With the close of the Mercury acquisition in November 2006, HP Software is now working hard to reposition itself as an end-to-end service lifecycle management provider, rather than merely a vendor of OpenView infrastructure management and



monitoring tools. As part of this effort, it has launched a major new marketing campaign designed to convince customers and partners that HP can reinvent IT and business governance, portfolio management, service delivery and runtime operations.

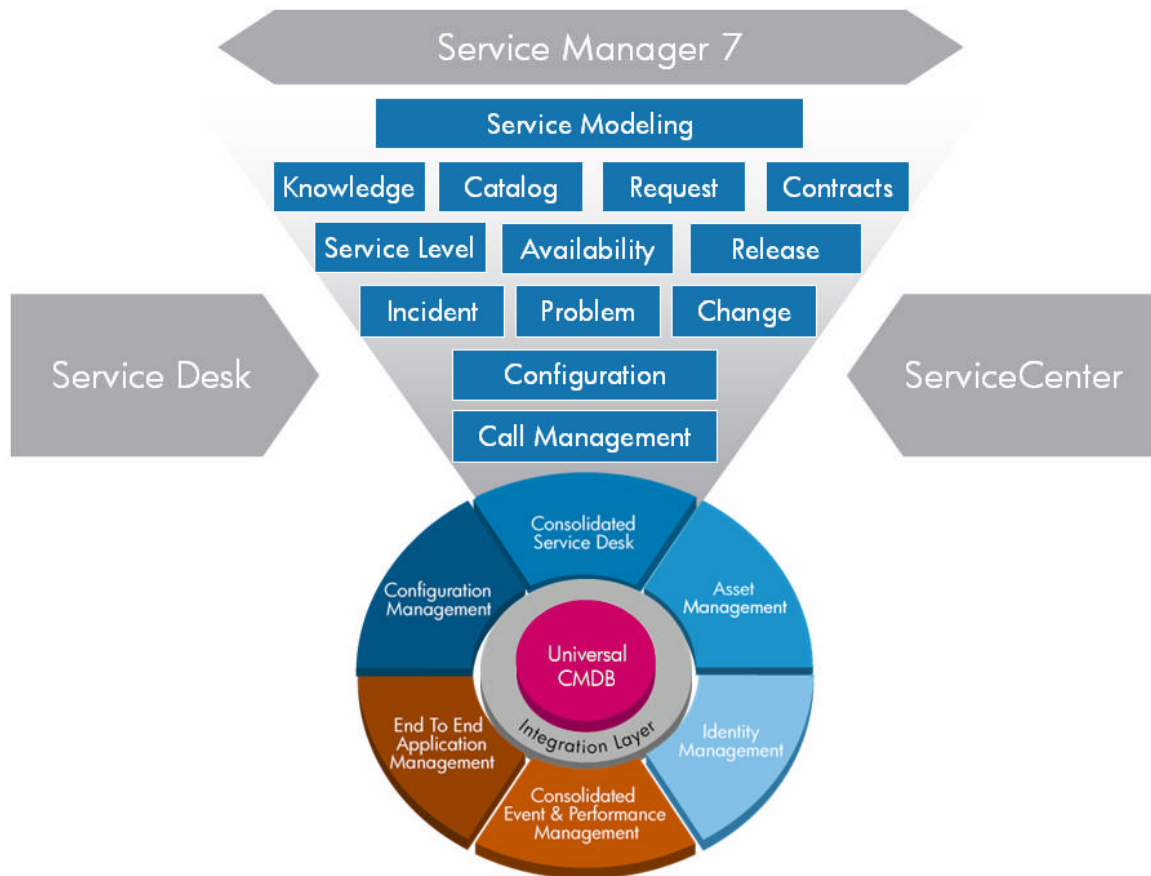
Leading with an emphasis on 'business outcomes', HP aims to convince the market that the HP Software group can compete with the likes of IBM, Microsoft and the open source community when it comes to defining, developing, testing, launching and operating business applications and end-to-end composite and SOA services.

The market is used to hearing about Mercury's Business Technology Optimization (BTO) solutions, which spotlighted IT governance, portfolio management and workflow management capabilities. HP's 'business outcomes' message goes beyond Mercury's BTO themes to emphasize the connections between Mercury's application lifecycle capabilities, HP's ServiceCenter and AssetCenter products (acquired from Peregrine), and the infrastructure management capabilities delivered by OpenView. OpenView's sister product OpenCall has long been used by the network service provider industry, providing HP with some credibility and visibility in the management of third-party services as well.

By year-end 2006, HP promises to unveil several lifecycle solutions that will link across these various product domains using common governance and end-to-end service-level reporting frameworks. These lifecycle solutions will be taken to market as integrated 'centers' using Mercury's model for packaging related products under larger functional banners. These will be supported by extensive go-to-market promotions and programs to get the word out about the new HP Software group and, we expect, will feature tighter connections to HP's Consulting & Integration (C&I) professional services group, which has recently identified ITSM services as one of its top priorities.

Going forward, HP plans to tightly integrate and automate planning, reporting and workflow activities within and among its integrated 'centers' to provide customers with a unified end-to-end management environment that connects applications and infrastructure. To achieve this vision, the firm will replace the HP Active CMDB, based on Peregrine technology, with the Mercury Universal CMDB. In a head-to-head evaluation, HP determined that the Mercury Universal CMDB was significantly ahead in terms of supporting federated integration, extensive data synchronization and database copying.

Of course, HP will continue to push ahead with rationalizing and upgrading the rest of its portfolio as well. One of the most visible improvements is the planned phase-out of HP's legacy Service Desk product in favor of the Peregrine ServiceCenter product. The resulting and renamed Service Manager 7 product will integrate the best features and functions of the HP Service Desk to support a comprehensive ITSM workflow environment as shown in *Figure 3*.

Figure 3 **New HP service management architecture**

Source: HP

HP also continues to invest in enhancements to its core infrastructure and systems management portfolio. One example: in June 2006, HP introduced the Insight Control product with the HP BladeSystem c-Class to help customers improve system and storage resource utilization and upgrade HP's ability to efficiently provide customers with systems and storage support services.

As the dust settles in late 2006, two big questions remain: 1) Can HP quickly and effectively blend a strong and well-defined Mercury culture with the existing HP Software organization? 2) Are HP's channels and direct sales teams capable of effectively selling a complex integrated service lifecycle management portfolio?

In a telling move that suggests answers to these questions, the HP Software executive team has tapped a number of Mercury executives to take on vital roles. These include: Onagh Ash – Professional Services; Boaz Chalamish – Research & Development; Yuval Scarlat – Product Strategy/Application Delivery Products, and Sue Barsamian – Global Operations. HP's David Gee continues to drive marketing



while Paul Good remains in charge of Customer Support. Deb Traub (formerly Peregrine) heads Product Strategy/Management Products.

Together, these executives bring HP significant depth and understanding in application and portfolio management markets. Many of Mercury's existing sales and channel organizations will also stay in place, although we do expect HP Software to execute a complete review of channel partners to prune out those that really cannot step up to the new integrated solution story.

To help get partners and direct sales teams up to speed quickly, we expect HP Software to invest aggressively in solutions-in-a-box type marketing enablement programs that will tightly define integrated best practice solutions that can be implemented by channels as well as HP's own service organizations. These solutions will be coupled with a significant push to up-sell Peregrine ServiceCenter and AssetCenter customers that have never used OpenView and/or Mercury products at the same time HP begins to promote the upgrade and migration to Service Manager 7.

Overall, in the past year, HP has not only significantly strengthened its core ITSM solution portfolio and architecture with the move to Service Manager 7 but, with the Mercury acquisition, it has finally found a strategy to deliver on its longstanding goal to play in the SOA management and the infrastructure management space.

We believe many legacy HP OpenView, Mercury and Peregrine customers are ready and willing to give HP the airtime required to pitch its new portfolio and service lifecycle delivery vision. The catch: HP needs to get it right first time if it is to convert this opportunity into real revenue upside that will push HP Software revenues and operating profit growth rates well ahead of the industry.

IBM Tivoli joins with Rational to expand service management

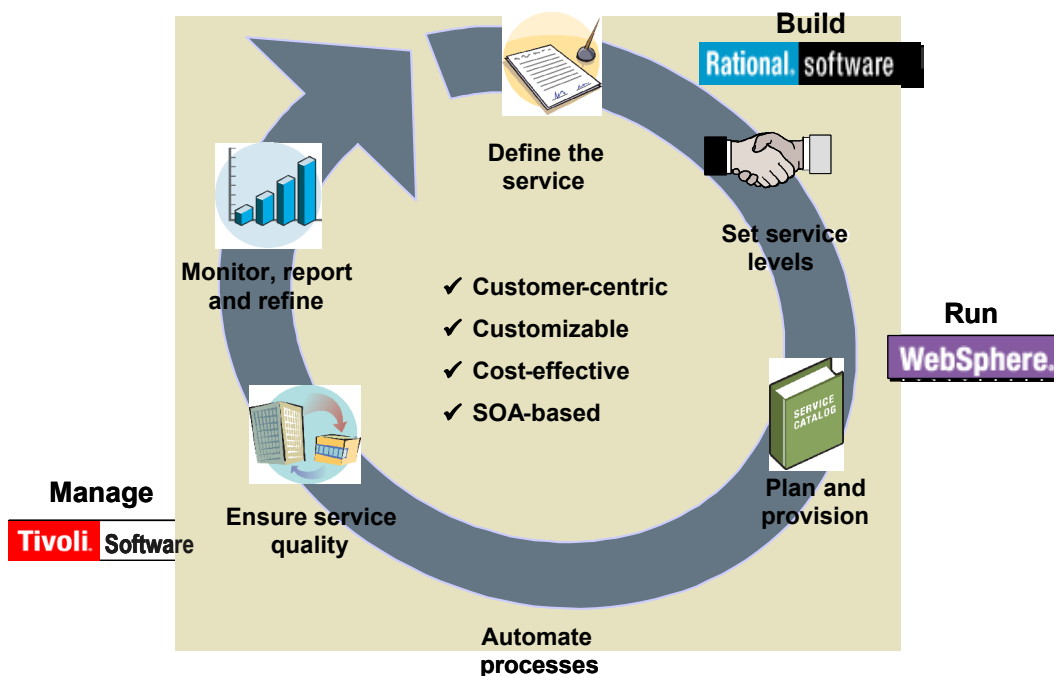
IBM's Tivoli organization is increasingly going-to-market in lockstep with IBM's Rational and WebSphere product groups under an SOA solution banner. In 2007, look for a heavy cross-brand emphasis on IT governance, risk mitigation and service management. As a result, the Tivoli infrastructure, composite application management, security and virtualization management products are now consistently promoted as critical enablers of SOA success.

This alliance with Rational and WebSphere, coupled with the recent acquisitions of Micromuse and MRO Software, have motivated Tivoli to drop the 'IT' from its ITSM program. Tivoli has instead chosen to rebrand most of its ITSM solutions as 'IBM Service Management' solutions. Although subtle, this repositioning is designed to communicate a new, more expansive, integrated lifecycle view of services delivery. Service Management reaches across development and testing, through deployment, operations, audit, planning and asset management, to incorporate



management of network-based, third-party SaaS and business process solutions (see Figure 4).

Figure 4 **IBM Software's new SOA go-to-market program joins Rational, WebSphere and Tivoli**



Source: IBM

As part of its expanded service management vision, Tivoli is emphasizing its ability to:

- manage and monitor a well-defined set of end-to-end business service levels
- automate end-to-end process workflows in a way that adds consistency and predictability to operations
- automatically enforce business policies including security, compliance and cost related policies
- dynamically optimize cost and performance across multiple service delivery options (such as internal infrastructure, third-party hosted services and utility computing farms)
- track an ever-increasing range of business assets that make up the end-to-end business services. These can include typical IT client and networked devices, as well as emerging 'IT' assets, such as RFID-enabled pallets, products and vehicles.

By edging its solution branding away from tight alignment with the ITSM language of ITIL and ISO 20000, IBM not only hopes to help enterprise customers create integrated end-to-end management environments. It also hopes to drum up



business for Tivoli with telcos and other network service providers that would have rarely considered a pure Tivoli option for operating their service delivery networks in the past.

IBM is betting on the Micromuse acquisition to give it a solid foot in the door with these third-party service providers as the firm's popular NetCool products become a major element of the Tivoli portfolio. IBM's recently announced intent to acquire wireless network service assurance software vendor Vallent, is further evidence of Tivoli's commitment to this market.

Simultaneously, with the MRO Software acquisition, the Tivoli team bit off a second and potentially bigger set of business aspirations: the management of ALL business assets, not just those under the control of the IT staff. MRO Software has long been recognized as a leader in business asset management. Its portfolio includes many modules optimized for the asset management requirements of a number of different vertical industries. These modules help customers create asset inventory catalogs and provide automated forms-based workflows to streamline the management and tracking of those assets. In recent years, MRO Software had begun to apply these core technologies to the management of IT assets, both hardware and software, and to the development of a service desk platform that incorporates a well-defined set of problem and incident best practice workflow automation routines.

Post acquisition, IBM is now merging the MRO Software IT management products into the Tivoli portfolio. The existing IBM Change and Configuration Management Database (CCMDB) will continue to house the Tivoli configuration data model, discovery, provisioning and dependency mapping capabilities. Meanwhile, the MRO Maximo product will provide service desk management workflows and integration with corporate ERP and HR systems. Initially, the two systems will share data via the Tivoli CCMDB data federation model, although IBM plans tighter integration during 2007. The entire package will be marketed as part of the IBM Service Management solution.

The rest of MRO's vertically-oriented asset management products will continue to carry the Maximo brand and will serve as a launch pad for the development of numerous vertically-oriented Enterprise Asset Management solutions. These solutions will increasingly incorporate best practices harvested from IBM's Global Services vertical industry groups.

As noted, IBM intends to retain tight architectural alignment across the Tivoli CCMDB and the Maximo data repository. Doing so will allow IBM to leverage the business service-level monitoring provided by the IBM Tivoli Composite Application Manager products, the infrastructure configuration data collected by the CCMDB and the business asset data managed by Maximo. As more and more business assets, from products to office furniture, become actively monitored, IBM envisions a day when all assets will be managed by the same Tivoli/Maximo system.

Executing on this multi-level expansion of its mission and vision is sure to put Tivoli, and its now significantly expanded management team, to the test.



Successfully pulling off one major acquisition is hard enough, so simultaneously taking on two acquisitions that have such potential to transform the business is asking a lot.

Additionally, this new vision will create cognitive dissonance among customers and channel partners who think they know what Tivoli stands for and where its products might add value. IBM faces a challenge to educate customers about this new vision and to train enterprise and service provider customers, as well as its own sales teams and its go-to-market-partners, on what it means when it says 'service management'.

As part of this education effort, IBM has introduced a number of new partner tools and resources, including substantial enhancements to its IBM Unified Best Practices reference model, which provides detailed information about IBM's implementation and operational best practice guidelines in an ITIL-style framework. The firm also announced a new global service management technical program to encourage business partners to embrace service management offerings. Known as the IBM Service Management Partner Ecosystem, this program provides ISVS, SIs, consultants, resellers and distributors with technical and enablement support related to implementing a number of service management solutions based on IBM's CCMDB. The Tivoli partner Knowledge Center now also features an IBM Service Management resource page.

The firm has also launched an external IBM Service Management site using a Webzine format to host a wide range of articles, podcasts, webcasts, videos, and other resources to help educate customers and partners. In Q1 2007 Tivoli will kick off a 29-city IBM Service Management roadshow to get the new vision out to its customers around the world.

In the short term, IBM's customers need to stay focused on their immediate requirements and assess whether this expanded service management product portfolio solves a current business and/or IT need. As IBM begins to provide more detailed roadmaps for how it will execute on its service management vision across Rational, WebSphere and Tivoli, customers should take the time to learn more. IBM's service management vision is compelling and on target for the emerging world of virtualization, SOA and automated lifecycle management, but it is also ambitious and requires collaboration across very different cultures, both inside IBM and across customer organizations.

Over the long term, the vision being suggested by IBM merits consideration by organizations that are serious about taking an integrated lifecycle services view of applications, infrastructure and third party services. But adoption and rollouts on a broad scale are likely to take a couple of years in many organizations.

Customer feedback and report card ratings

In recent surveys customers have consistently told us they are searching for server, storage and SOA management solutions that:



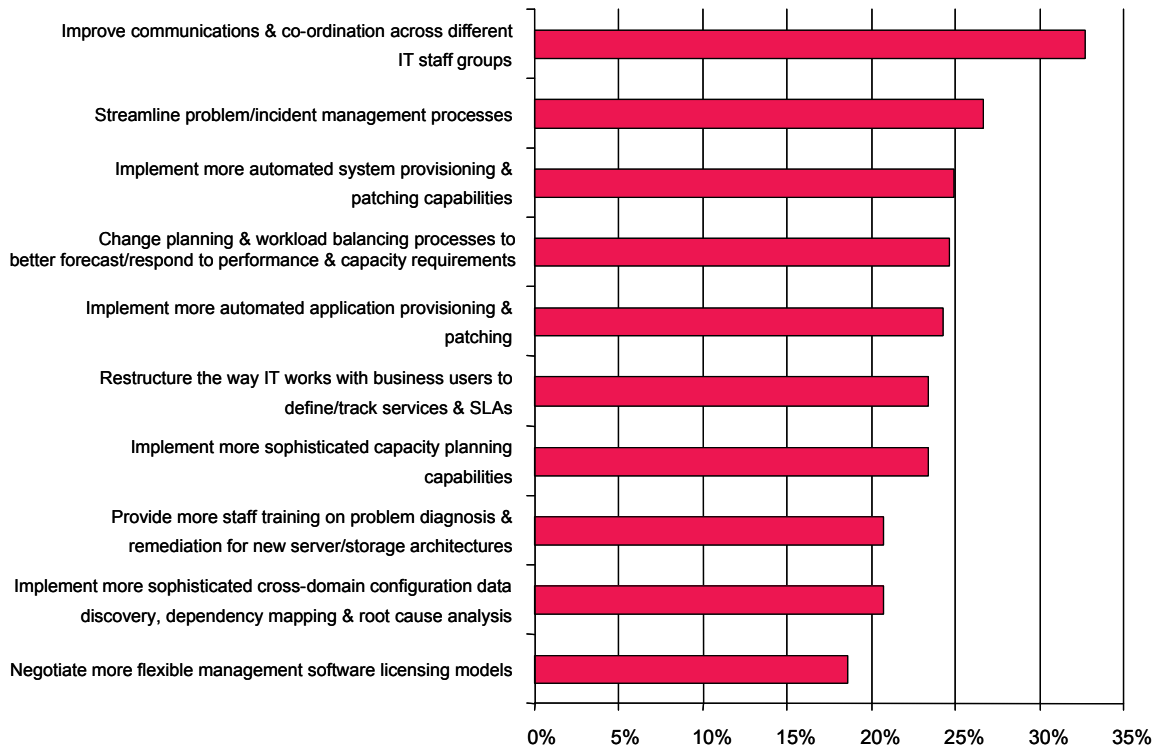
- improve communications across IT groups
- improve end-to-end performance reporting
- streamline problem and incident management
- enable more automated system and application provisioning and patching
- enable improved change planning, workload balancing and capacity planning
- improve understanding of the relationship between SOA and infrastructure
- support better discovery, dependency mapping, end-to-end diagnostics and root cause analysis.

We believe these customer priorities (detailed in *Figures 5 and 6*) are a strong endorsement of the services lifecycle view of IT management. As a result, in the vendor rankings below we give extra points to IBM and HP for attacking this opportunity head-on, although we believe in both cases the visions are much more aggressive than what can be delivered on the ground today. While we think both BMC Software and CA recognize this trend as well, their visions are somewhat less well defined at this time, leaving them with just on par rankings in several areas. We do expect both to have a lot to say in this area in 2007.



Figure 5 **Top 10 server and storage management concerns**

What do you believe will be the most important IT management changes required to successfully execute your server and storage strategy over the next three years? (Please select up to five)



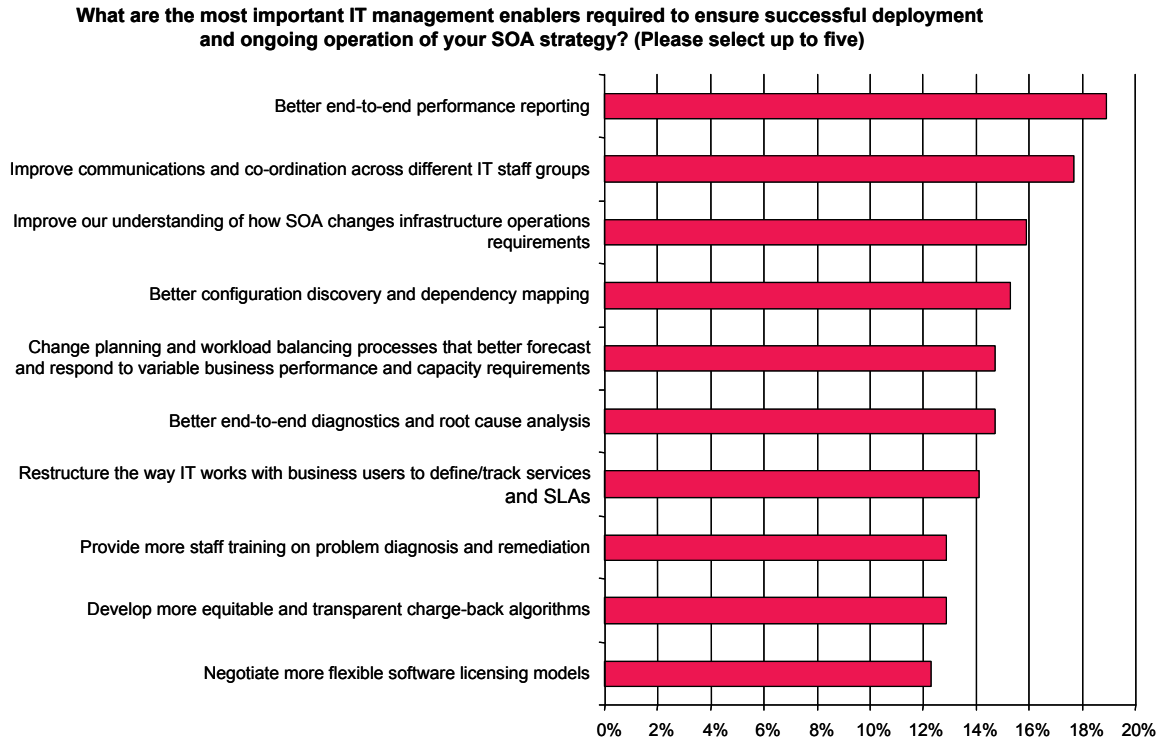
N=333

Multiple selections permitted from list of 14 options provided

Source: Ovum Summit



Figure 6 **Top 10 SOA management concerns**



N=333

Multiple selections permitted from list of 13 options provided

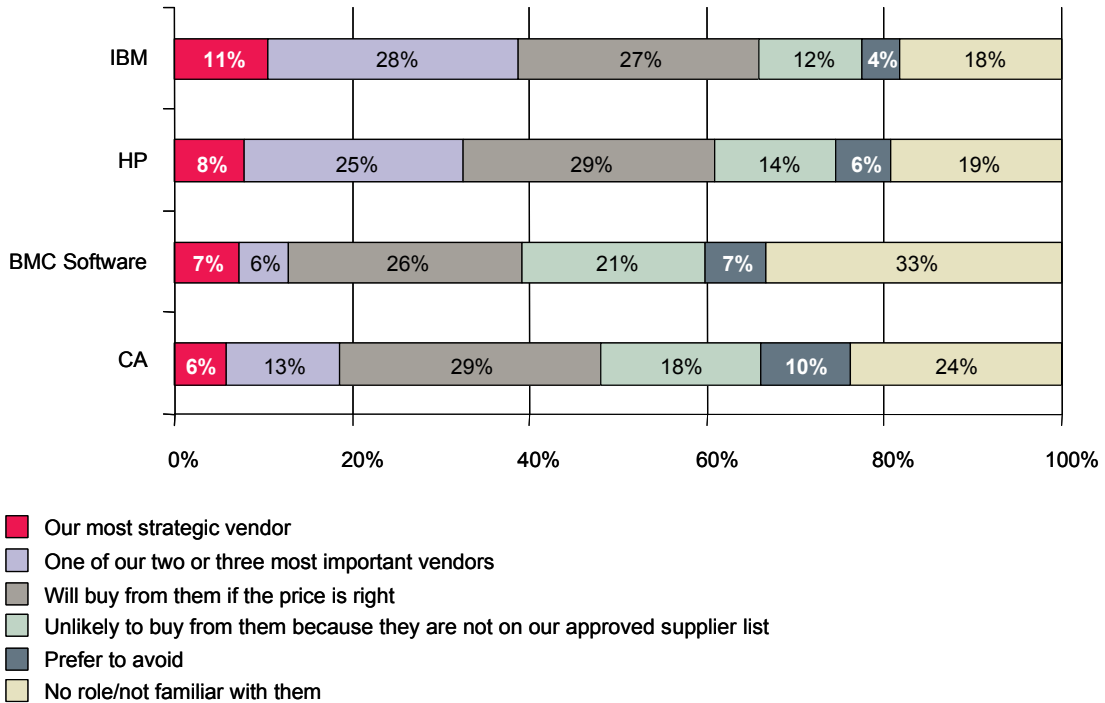
Source: Ovum Summit

BMC Software and CA also suffer somewhat from weak strategic positioning with customers. As shown in *Figure 7*, IBM and HP are neck-and-neck when it comes to being ranked as either a number one strategic vendor or as one of a customer’s top two or three vendors in the management software space. By comparison, BMC Software and CA are more frequently seen as tactical, price-based product purveyors. Their rankings in the areas of market credibility reflect this situation directly.



Figure 7 **Customer feedback on strategic role played by major ITSM vendors**

What role will the following vendors play in helping your organization implement its IT management software strategy over the next three years?



N=333

Source: Ovum Summit

Despite the strong marks we give IBM and HP for articulating visions for the future of service lifecycle management, we have a number of concerns about their ability to execute as completely and quickly as they plan. Both firms face the challenge of managing large acquisition integration processes, educating sales and channel partner teams, and still keeping the core businesses up and running.

In the near term, we expect IBM and HP to take the lead in championing service lifecycle management visions. We expect BMC to stay focused on selling solutions that target specific operational process requirements and to connect development, test and QA with runtime deployment and problem management. Given that BMC is an IT management software pure play, this strategy makes a lot of sense. However, we remain concerned about the long-term viability of its workflow integration strategy over the long term.



CA continues to solidify its position and stabilize its business. The firm has clearly improved in terms of getting its whole organization moving in the same direction and is making progress in winning back the respect of customers and competitors. Its corporate portfolio certainly provides a number of building blocks on which to craft a more comprehensive service lifecycle management strategy. At this point we are most concerned about CA's ability to implement its channel and go-to-market programs quickly and effectively. Execution and time to market will be critical for CA in 2007.

In summary, all four vendors will continue to sell customers solid products that address current ITSM requirements, while building market support for their individual visions for the future. With the introduction of ITIL version 3 we expect many savvy customers to embrace this more end-to-end view of services and service lifecycle management, and that a vendor's ability to help customer adopt this more integrated approach to service management will become a critical differentiator as the year goes on.

As a result, IBM comes out as the player with the greatest basis of differentiation (as shown in *Figure 8*), thanks to its service management message, high market credibility survey rankings and a long-term commitment to SOA/IT governance and business/IT alignment.

HP, with the Mercury acquisition completed, now has solid grounds on which to become a major direct competitor across the full service lifecycle, but it's still too early to tell how well the Mercury acquisition will play out.

BMC emerges as a stable, proven player that can solve important operational IT problems today, and is well positioned with a highly educated and motivated channel partner network.

CA gets the award for most improved player, and is now in a position where it can be taken seriously as a major player in this space.

Figure 8 2006 ITSM report card rankings

	BMC	CA	IBM	HP
Overall ITSM strategy	On par	On par	Differentiator	Differentiator
ITSM value proposition	On par	On par	On par	On par
Portfolio competitiveness	On par	On par	Differentiator	Differentiator
Business/IT alignment	On par	On par	Differentiator	On par
Partnering effectiveness	Differentiator	Liability	On par	On par
Market credibility	On par	On par	Differentiator	Differentiator
Ability to execute	On par	On par	On par	On par

Source: Ovum Summit



Criteria definitions

- **Overall ITSM strategy.** The scope and scale of each vendor's ITSM vision, differentiators, including their ability to effectively leverage broader corporate dynamic computing initiatives and the ability to extend their portfolio effectively into the service lifecycle management environment.
- **ITSM value proposition.** The general relevance and proof points used to demonstrate the uniqueness of the firm's ITSM value proposition and its connection to customer management priorities.
- **Portfolio competitiveness.** The comprehensiveness of the vendor's ITSM toolkit and roadmap with attention to support for ITIL, CMDB technology, application lifecycle management, asset, financial and portfolio management, the overall level of tools and process integration across the portfolio, including the comprehensiveness of announced product roadmaps.
- **Business/IT alignment.** How well the firm's ITSM offerings can dynamically link infrastructure performance to end-to-end business processes, and how well the vendor connects runtime operations with IT/SOA governance systems, service desks, service catalogs, asset management, portfolio management and related business tools needed to keep IT service delivery in realtime synch with business priorities.
- **Partnering effectiveness.** The breadth and depth of partnering programs, including vertical solutions, partner programs and the vendor's ability to attract and retain high priority partners.
- **Market credibility.** Customer awareness and perception of the vendor as a strategic management software supplier based on our most recent survey rankings.
- **Ability to execute.** The vendor's ability to deliver on what it is promising based on factors including the IT management software team, financials and track record.



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