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The SLM/BSM Software Market

Which Services Must Be Managed: Those Of IT Or Those Of The Business?

This is the 12th document in the "IT Management Software Market" series.

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EXECUTIVE SUMMARY

The service management software market is a growth segment within the IT management software market, thanks to interest in converting IT operations into a services-centric organization and resulting investments in process automation and service catalog development and reporting. While most enterprises are still in this transition phase, the goalposts have moved from the measurement and reporting of IT services to an emphasis on business services and metrics. Successful service-level management (SLM)/business service management (BSM) vendors should educate their customers about this trend and provide solutions that enable their customers to report and prove the true business value of their services.

MARKET DESCRIPTION AND SEGMENTATION

Managing IT as a service is the new mantra of IT organizations, and most enterprises are now busy implementing progress improvement programs and investing in automation software for IT service management. Forrester defines SLM as being the activities related to the creation and monitoring of service levels as agreed with IT users. This involves defining and documenting a service catalog as well as the associated service-level agreements (SLAs) and then reporting against the metrics contained in the SLAs with a varying degree of sophistication. However, most IT operations are still organized along technical domains, such as network, server, and database, and this often determines the services and, consequently, the processes used in the organization. Compounding the problem, many infrastructure management software vendors still provide products that fundamentally address these competency silos, as they are, by far, the largest and easiest market to reach.

As processes and procedures for ensuring the continuing health of the IT infrastructure develop, more complex workflows and organizational handoffs are required — with the need for enterprise-class tools to support this service management paradigm. Today, there is widespread acceptance among larger and more complex organizations for a structure following the Information Technology Infrastructure Library (ITIL) model for service management, and tool vendors are following with products that assist in ITIL implementations. Smaller organizations and those that are not ready to make wholesale changes to structures and processes nevertheless want tools that are robust, simple to install and configure, and easy for technicians to use. For these organizations, incident and problem resolution remains a key focus, often with an additional emphasis on desktop life-cycle management with — but not at the expense of — workflow, tracking, and reporting tools.

BSM is an additional intelligent layer that supports all the management processes involved in the delivery of IT services. BSM solutions map multiple applications and the infrastructure resources they depend on to the business function they provide. This is applied by integrating multiple management categories, from event management to change management and capacity planning. BSM and the configuration management database (CMDB), which includes application dependency mapping, are the embodiment of this evolution. However, despite abundant literature and many claims from product vendors, BSM implementations face multiple hurdles. While BSM and the CMDB are fundamentally strategic choices, many decisions about IT management software are consequently still very tactical. Thus, while BSM and the CMDB are in the early stages of global adoption, the need to better adapt the IT organization and especially IT operations to this new direction is leading to the revival of process rationalization methodologies, such as ITIL, COBIT, and ISO.

One of the key elements in SLM/BSM solutions is the ability to create infrastructure models of applications that can then serve as templates for monitoring services, aggregating data, and reporting on service levels. One important advance in recent years has been the ability to discover automatically an application's dependencies on infrastructure components and thus achieve the quasi-automated creation of service models. BSM and SLM are linked at the hip: One provides a dynamic definition of IT business services for use in all management disciplines, while the other manages "contracts" between the business and IT. While the concept of bridging the gap between IT and the business by grouping IT components into service views is not new, application mapping technology and its integration in the CMDB has enabled it. The major players in this market have either acquired, developed, or sourced through OEM agreements a CMDB technology. 2006 saw the emergence of this market; 2007 is the year it is taking off.[1]

The solution composition and project justification that vendors should use for SLM/BSM projects vary across these three loosely coupled market segmentation parameters:

- **The size of the managed IT infrastructure.** Larger organizations — defined as having an infrastructure of 5,000 servers or more — are more likely to invest in comprehensive SLM/BSM solutions. Higher expectations from business users and a deeper level of IT pervasiveness into day-to-day business operations require IT organizations to establish a solid SLA library and prove their value to the business. These companies are investing extensively in customer service, service catalog management, SLM, and management reporting systems to meet those needs. Medium-size IT organizations — with between 1,000 and 5,000 servers — are also investing, while organizations with fewer than 1,000 servers tend to be more concerned with the operational aspects of their systems than service quality.

- **The service maturity of the IT organization.** IT organizations are at differing stages of maturity in terms of understanding that they are responsible for a service and in regarding business users as customers, which is reflected in their working culture, organization, and workflow processes. The adoption of process improvement programs, such as ITIL and COBIT, generates the need for process automation and reporting — a need that SLM and BSM solutions satisfy.

- **The organizational complexity of the managed environment.** The accelerating tendency to outsource specific IT services to managed service providers has resulted in an increasingly complex service environment, with related challenges in service management and reporting. Many IT organizations are now essentially aggregators of services from a multitude of providers and must break down a series of single-consumer SLAs, which seem simplistic to the business consumer, into a multiprovider services "materials list" with more levels of detail.

To support these segment dimensions, vendors of SLM/BSM solutions must be able to qualify each sales situation and propose the most suitable solution configuration with the appropriate arguments. The best approach for a larger, complex IT infrastructure might require a long-term strategic proposal with a series of individual projects, while a service aggregator might need a solution that both the provider and consumer will implement. The more mature the IT organization, the more likely it is to want to grow its current SLM installation into a more capable BSM solution.

MARKET SIZE AND COMPOSITION

Forrester estimates that this segment will see high growth — up 23% in 2007 compared with 2006 — to reach $470 million in software license and maintenance revenues in 2007.[2] While most enterprises already have enough monitoring tools in place, many IT organizations are now seeking to become more industrialized and professional by investing significantly in their applications portfolio — which essentially means IT asset management, the service desk (SD) organization, and software for SLM/BSM. The market estimate for SLM/BSM does not include investments in the CMDB; although it is often part of a BSM project, we have included it in the adjacent IT management software market segment of change and configuration management.

As incumbent suppliers, the traditional infrastructure management tool suppliers have a head start in identifying service management project opportunities in their customer base, but there is also a strong group of more focused IT service management (ITSM) vendors that can install their solutions on top of most monitoring systems. The ITSM vendors focus on service catalog management and management reporting.

MARKET LEADERS

The big four IT management software vendors dominate the large enterprise segment of the SLM/BSM market; the combined share of BMC Software, CA, HP, and IBM is now more than 40%. Managed Objects is another leading solution with a focus on BSM and management reporting. These five suppliers, plus more than 40 other software vendors, also address the midrange market.

Companies that lead in service catalog management solutions are Compuware (which acquired Proxima), Digital Fuel Technologies, Oblicore, and newScale.

Here's how the market leaders shake out within the following categories:

- **Industrial-strength enterprise solutions.** BMC Software, CA, HP, and IBM continue to lead this pack, issuing important and significant product releases through 2007. BMC Software's ITSM Version 7.1 provides important new service catalog functionality while addressing more mature BSM needs with a comprehensive solutions portfolio, strongly leveraging the Atrium CMDB. CA's Unicenter Service Catalog and Service Assure products are very modern application solutions that are now well integrated with its Wily product line. HP now has an SLM/BSM solutions set based on an integration of its Peregrine and Mercury acquisitions. IBM continues to enhance its ITSM offering. As incumbent vendors, each now has the best chance to establish their CMDB product with their leading customers — an important strategic SLM/BSM product footprint. However, Managed Objects has built an impressive list of enterprise customers by providing a capable reporting and dashboard solution — supported by a CMDB — on top of the big four's monitoring systems. The service catalog vendors Compuware (Proxima), Digital Fuel Technologies, Oblicore, and newScale also have significant traction in this space.[3] Forrester has also identified several performance and transaction management vendors that provide a BSM flavor to their reporting; these include Indicative Software, ProactiveNet (now acquired by BMC Software), and OpTier.[4]

- **Robust midtier options.** In addition to the companies mentioned above, other companies offering robust SLM/BSM solutions are: eG Innovations, Interlink Software Services, FrontRange Solutions, Touchpaper, Nimsoft, InfoVista, Quest Software, Numara Software, Symantec (Altiris), iET Solutions, and the SaaS-only vendor, Service-now.com.

MARKET EVOLUTION AND TRENDS

Service management is a common inquiry topic, revealing increased client interest in creating and managing a service catalog of standard service requests or service products. SD vendors and ITSM solution providers can address these needs equally, so the currently separate IT management software segments of SLM/BSM and SD could merge in the future. Forrester also sees the following developments in the SLM/BSM market in the next few years (see Figure 1):

- **Business service orientation.** The development of interest in reporting IT systems at the level of business service metrics will continue and ultimately dominate. IT organizations that concentrate only on what they provide — an IT service — will inevitably lose out to their competitor: the managed service provider. Vendors that do not support the analysis of services at the business level will not have long-term success.

- **CMDB integration.** While there are many successful projects achieving short-term BSM objectives that do not involve a CMDB, Forrester believes that the CMDB will establish itself as the central knowledge system about an IT infrastructure and the business services it supports. Not all SLM/BSM vendors offer such a CMDB product, although they may label their product database as one to take advantage of the current CMDB "hype." All SLM/BSM solutions in production will have to integrate with the central CMDB that the customer designates; this integration will be through a federation concept based on standards.

Figure 1 SLM/BSM Software Trends And Vendors

Trends	Leading vendors	"Wild cards"
SLM/BSM		
• Business service orientation • CMDB integration • Integrated service catalog management	Tier one BMC Software, CA, HP, IBM, and Managed Objects Tier two Compuware (Proxima), Digital Fuel Technologies, and Oblicore	newScale

43303 Source: Forrester Research, Inc.

RECOMMENDATIONS

PROMOTE BUSINESS SERVICE MANAGEMENT AS THE SERVICE MANAGEMENT STRATEGY

IT organizations are maturing their processes, culture, and organizational structures toward a true service management discipline, often through the adoption of ITIL best practices. The latest ITIL refresh emphasizes better integration between incident/problem management and other essential IT processes, such as change, configuration, and capacity management — or even data center automation processes, such as event management and provisioning. It also emphasizes the importance of reporting in business service terms as opposed to IT-centric metrics. While it may be easy to provide short-term, pragmatic, IT-centric solutions, successful SLM/BSM vendors will continue to educate the market about the advantages of a BSM strategy and include business service analysis in their solutions portfolios. Vendors should:

- **Sell service management as a business application, not a system management tool.** The decision to invest — or even to reinvest — in SLM/BSM technology will invariably hinge on an extensive return on investment (ROI) calculation, among other business drivers. The most successful vendors will plan for this phase in their sales project and will probably provide tools and reference cases to help their customers justify the investment.

- **Remember the managed service providers.** The buying center for SLM/BSM solutions may often include a service provider and its client. Solution requirements around reporting and functionality are different for each constituency, so vendors must be able to provide the full breadth of these functions and present the right value proposition to each party.
- **See ITIL process support as a commodity; service request and catalogs will be the differentiator.** CA, HP, and BMC Software have raised the stakes at the upper end of the market with the introduction of service request and service catalog offerings. Other vendors will need to keep up, both in terms of products and marketing, as the battlefield moves away from basic ITIL support.

ENDNOTES

1 Over the past 12 months, Forrester has interviewed more than 50 companies that have either already completed BSM projects or are currently implementing them. Forrester also surveyed 10 companies in 2006 as best-practice examples of BSM projects, after leading BSM software vendors identified these companies as pioneers in this respect. See the February 6, 2007, "Business Service Management: Early Birds Are Catching The Worm, But IT Still Doesn't Get It" report.

2 As IT finally enters the industrialized era, Forrester sees a new way of managing IT, creating a renewed interest in refining existing implementations and creating a new wave of solutions. Consequently, IT management software will be a high-growth market over the next few years. See the March 9, 2007, "The IT Management Software Market" report.

3 Curiously, the success of newScale as a service catalog management vendor — 90 enterprise customers, including 20% of the Fortune 100 and 84% of the Fortune's "Most Admired" companies — is probably due to the fact that it can also provide a library of thousands of typical IT services that would populate such a catalog.

4 Forrester evaluated leading business service management (BSM) vendors across 26 criteria and found that BMC Software and Managed Objects have established early leadership, thanks to their strong product portfolios. HP, Digital Fuel Technologies, IBM, Oblicore, and Proxima Technology are leaders as well, while OpTier, Indicative Software, CA, and ProactiveNet are strong performers. While all the products performed well in this evaluation, Forrester favored those that truly make the connection between infrastructure and business services as well as conduct business impact analysis. See the March 28, 2007, "The Forrester Wave™: Business Service Management, Q1 2007" report.