

IBM, Tivoli -- 10 years later

Decade of prosperity followed purchase

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When [IBM Corp.](#) took the plunge and bought Austin-based [Tivoli](#) just 10 years ago, Tivoli was a relatively successful software startup with \$50 million in revenue and 300 or so employees working on server-monitoring technology.

Today, the division is one of IBM's fastest-growing and profitable divisions, bringing in about \$1 billion in revenues last year. First-quarter 2006 revenues from Tivoli software increased 24 percent over the same quarter last year.

Over the past decade, both IBM and Tivoli have seen their businesses grow to become a major contributor to Austin's economy.

Tivoli was founded in 1989 by former IBM employees Bob Fabbio, who now serves as CEO of Austin's Cesura Inc.; Steve Marcie, Todd Smith and Peter Valdes. Tivoli went public in 1995 and a year later, IBM acquired the company for \$743 million.

Al Zollar, general manager of [IBM Tivoli](#), says Tivoli and its 3,000 employees continue to be a major part of IBM's business. Overall, IBM employs about 6,200 people in Austin.

"Austin will remain a critical location for Tivoli in terms of critical skills that go into the development and marketing," Zollar says. "And of course, Austin is where a lot of this started. I'll always see Austin as the heart and soul of Tivoli."

At the time of the IBM purchase, Tivoli developed software that automated the management of enterprise computer systems. The company has since expanded its product portfolio to include security, storage systems and network management software.

And those products are growing every day through IBM's strategic acquisitions, Zollar says.

In the past year, IBM bought four companies that were folded into the Tivoli division -- San Francisco-based Micromuse Inc.; Roseville, Calif.-based Cims Lab Inc.; Redwood City, Calif.-based Collation Inc.; and Armonk, N.Y.-based Isogon Corp.

Wally Casey, vice president of worldwide sales for IBM Tivoli, was with IBM when it purchased Tivoli 10 years ago. He says the recent deals signal IBM's focus on growth.

"One of the things that have made us very successful with our acquisition strategy is that we were an acquisition," Casey says. "I think the reputation within IBM is one of where acquisitions take place. The people and products [from the acquisitions] have become an integral part of both Tivoli and IBM."

As Tivoli's products grow, so does its reputation in the industry. According to research firm IDC, IBM holds a hefty 15.4 percent of market share in the enterprise system management space. Tivoli was ranked at the top of its list in other categories such as network management software, server provisioning, output, storage, and others.

"Tivoli has grown from one of the smallest brands within the software group to most important brands," Casey says. "If we keep growing, we'll be the largest brand within the software group. I hope to see Tivoli at the forefront of the company."

But Tivoli and IBM's relationship hasn't always been wine and roses. In the days following the acquisition, IBM and Tivoli dealt with internal integration problems along with customer deployment issues.

"Any business that's looking to grow faces growing pains," says Zollar. "We've had to keep our attention on things like quality and delivery, and I think we've gone a great deal forward in improving the quality of our offerings."

Dan Sullivan, chairman of the [Austin Technology Council](#) and president and CEO of Austin firm Image Trends Inc., previously spent 25 years with IBM, most recently as vice president for Asia Pacific Technical Operations. Sullivan says when IBM picked up Tivoli, it was "the right deal at the right time." Sullivan says that at the time, IBM was getting into the integration space and Tivoli was ripe for the picking but still wanted to remain self-sufficient and competitive.

Ten years later, Sullivan says Tivoli has contributed in many ways to the Austin economy and tech community. Many people have come out of Tivoli to start their own tech companies or become important figures within the tech community, including Fabbio, Bill Bock of Centerpoint Ventures and many others.

"From Austin's point of view, it's been a mutually beneficial relationship," Sullivan says. "Tivoli has recruited people here in Austin and great entrepreneurs have come out of Tivoli."

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