

HP Expands into IT Governance Space

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When Hewlett-Packard bought Mercury Interactive for \$4.5 billion in July 2006, company officials had their sights set squarely on the IT governance space.

The purchase has given the Palo Alto, Calif., company a new \$2 billion software business, according to officials, and made it a player in an industry sector that analysts expect will explode in size over the next three years.

Together, HP's OpenView enterprise management software portfolio and Mercury product lines give HP "end-to-end management of the entire IT life cycle," HP President and CEO Mark Hurd said at the time of the acquisition. "This allows our customers to use IT as a business enabler, rather than serving as an obstacle."

Fueled by multiple business drivers, IT governance has gone from something of an afterthought to a booming business. Research company Research and Markets expects the IT governance market to grow from \$126.3 million in 2003 to \$1.8 billion by 2009, and the IT governance management space to expand from \$408 million in 2003 to \$2.7 billion by 2009.

Analyst company IDC, which groups IT governance and IT compliance together, expects that overall market to grow from about \$6 billion this year to \$11 billion in 2010.

And with the growing importance of IT governance comes greater

attention from vendors looking to add those capabilities to their offerings.

HP is among the latest companies to join the IT governance ranks and, thanks to the Mercury deal, has become one of the sector's power brokers. Other players include CA, which pegs its IT governance business at about \$2.5 billion; IBM, with its Tivoli system management software; and BMC Software, which says its business service management offerings also provide IT governance-type products and services.

All four companies offer ways for enterprises to take stock of their IT systems, set policies on how best to use that capability and automate as many of the processes as possible. " - CA and BMC - are focusing their efforts on helping customers understand how to apply their business service management and solutions with prepackaged automated workflows," said analyst Rich Ptak, of Ptak, Noel & Associates.

The demand for IT governance capabilities comes at a time when companies are looking for ways to better link their IT infrastructures and business needs, according to industry observers. Companies are running 24/7 front-facing Web sites, focusing more on data center operations, and trying to find ways to reduce monthly power bills associated with power and cooling of all that hardware.

In addition, new government regulations, both foreign and domestic - such as the Sarbanes-Oxley Act in the United States and Basel II in Europe - require enterprises to maintain control of all company data for years at a time for e-discovery and litigation purposes, analysts and vendors say.

"We have a really simple definition of IT governance: Making fact-based decisions between IT and its customers about where IT is going to

spend its money," Carl Landers, senior vice president of marketing at CA, in Islandia, N.Y., told eWeek. "The 'governance' is about significant investment in IT by the enterprise."

About a decade ago, as the technology sector grew rapidly with the rise of the Internet, companies used to "throw as much money at IT as they could" to solve business problems and serve customers, Landers said.

Not anymore.

"After the collapse, a lot of IT investment started to be questioned. That was when we saw the rise of IT governance. Companies said, 'Look, we're not going to be spending that much more on IT, so let's make sure it's in the right place,'" Landers said. "They're still saying that today."

CA has had IT governance products and services for more than 10 years, Landers said. Its package of products and services, CA

Clarity, includes software that gives managers real-time controls and custom views of a company's IT portfolio, financials, business relationships and risk assessments.

Clarity also allows managers to map IT costs to services consumed and provides a systematic approach to managing risk and controls, Landers said. The software runs on Solaris, HP-UX, AIX, Windows and Linux environments.

"We've been in this business, if you can call it that, for quite a long time, and it's really not a case of 'should we do it or not' for IT organizations. It's really a matter of 'how are we doing it,' 'how can it be done better' and 'is it being done effectively,'" Landers said.

For its part, HP is aggressively ramping up its IT governance business.

The company in November rolled out Project and Portfolio Management Center 7.0, an IT governance product based in large part on what HP gained from Mercury. In March, HP announced an upgraded version of the software, Version 7.1.

Jan Sondergaard, who came to HP from Mercury in the merger and who now is vice president of products at HP, said Project and Portfolio Management Center tackles more than just IT governance.

"We didn't want to call it 'HP ITG,' because we thought that was too limiting," Sondergaard said. "P&P 7.1 reflects our view that IT resource management also includes data and application optimization, Sarbanes-Oxley compliance, and other management initiatives, to name a few. Our center is designed for global use, unlike others."

Project and Portfolio Management Center 7.1 "sits between IT and the business in order to optimize the business result within IT," Sondergaard said.

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