

## IBM to Gain Strength in Development Tools With Telelogic Deal

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In buying Telelogic, IBM will boost its position in the embedded-development tool market and fill gaps elsewhere in its life cycle management offerings. Customers should expect few short-term product-line changes.

## NEWS ANALYSIS

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### Event

On 11 June 2007, IBM announced it will buy Telelogic, a Sweden-based provider of software development tools for enterprise life cycle management, for approximately \$745 million. The deal is expected to close in 3Q07. Telelogic will become part of IBM's Rational Software division.

### Analysis

This planned acquisition furthers the consolidation and broadening of product lines in the application life cycle management market.

Telelogic offers strengths in three areas:

- Requirements management
- Enterprise architecture
- Requirements, design and testing tools for the embedded-software market

Although there is product overlap between Telelogic and IBM in each of these areas, Gartner believes that differences in technology and positioning will permit IBM to maintain both product sets in parallel for at least the next several years.

The strongest impact of this planned deal will be in the embedded-software marketplace. We believe that Telelogic's sales and service organization, complemented by IBM resources, will continue its strong performance and broaden its already firm position in vertical markets. Although IBM Rational Software has offerings in the embedded-software arena (serving such vertical markets as telecommunications, aerospace, automotive and medical equipment manufacturing), the Telelogic products have been more broadly adopted, and at higher levels in client organizations (divisions vs. departments).

In the requirements management area, Telelogic Doors is a high-end product with a strong reputation and market share. Doors has significant use in product line management, as well as in the management of software requirements. IBM Rational Requisite Pro is focused on software requirements and takes a more document-centric approach. Both companies' products should be able to coexist in the market. Gartner expects Doors to benefit from the added breadth of IBM sales. The newer Telelogic Focal Point offering, positioned as a portfolio manager, but more accurately positioned as a product feature management tool, will likely have a less certain future. Telelogic had not yet established momentum for its positioning of Focal Point, and broader sales exposure won't help unless positioning is clarified.

On the enterprise architecture front, we expect Telelogic System Architect to continue to thrive and, again, benefit from IBM's sales coverage. The acquisition may accelerate an already strong trend to focus System Architect on enterprise architecture and de-emphasize other, development-oriented modeling capabilities such as Unified Modeling Language. System Architect will also benefit from the executive relationships (including business executives) that the IBM sales force enjoys in enterprise architecture.

## RECOMMENDATIONS

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Customers of IBM Rational and Telelogic:

- Expect few product line changes in the first year. We expect Telelogic products to continue to set direction in the embedded market, requirements and system architecture.
- Review the product road maps to ensure they will still meet your needs. In the other areas, expect gradual consolidation over two to four years, and an evolution of products to leverage IBM and Telelogic technologies in simplified product lines.

## RECOMMENDED READING

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- "Understanding Vendor Placement in the BPA Tools Magic Quadrant" — The market is evolving with a focus on modeling to improve business processes, while modeling as a precursor to process automation is on the rise. **By Michael Blechar**
- "Magic Quadrant for Business Process Analysis Tools, 2H07-1H08" — Although we are a long way from market consolidation, many of the leaders could be strong candidates for acquisition. **By Michael Blechar**

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