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The Tree of Tivoli
Company founded in 1989 has spawned a tradition of entrepreneurship

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Tivoli Systems Inc. operated in Austin for just seven years, but the software company's legacy remains a solid part of the city's business landscape.

The company produced a group of serial entrepreneurs who have launched or operated at least 40 companies, mostly technology companies and mostly in the Austin area. The effect has been out of proportion to Tivoli's size, which reached 300 workers before it was acquired by IBM Corp. (NYSE: IBM) in 1996.

Several former Tivoli managers say the company's underdog culture combined with high quality recruiting contributed mightily to its success while establishing a blueprint for ensuing ventures — especially those developing management software.

Tivoli was at the vanguard of developing products for decentralized networks rather than mainframe computers. Its workers took full advantage of that shift coupled with their Tivoli experience to subsequently produce a series of tools designed to manage various portions of such networks.

For example, SailPoint Technologies Inc., an Austin-based developer of identity management software, was founded in late 2005 by three former Tivoli executives. It marks the second post-Tivoli startup for all three executives.

SailPoint CEO Mark McClain and President Kevin Cunningham worked at Tivoli until 1999, while Vice President of Marketing Jackie Gilbert worked there until 2000.

In 2000, McClain and Cunningham launched identity management software maker Waveset Technologies Inc., while Gilbert joined Journee Software Inc., another Austin company. Waveset was acquired in 2003 by Sun Microsystems Inc. (Nasdaq: JAVA) for $150 million, and Journee was acquired in 2004 by Initiate Systems Inc.

McClain attributed the entrepreneurship emanating from Tivoli to the company's large number of managers who were encouraged to be aggressive while competing with New York-based CA Inc. (Nasdaq: CA).

"There was a David-versus-Goliath mentality and a focus on rallying the troops," he said. "I think it inspired a level of confidence. There were midlevel executives who thought, 'I can do this.'"

Founders
Tivoli was founded in 1989 by former IBM employees Robert Fabbio, Steve Marcie, Todd Smith and Peter Valdes. The company completed an initial public offering in 1995, one year before IBM acquired it for $743 million.

Fabbio, who is now CEO of Austin-based WhiteGlove Home Call Health Inc., founded several other companies also, including Dazel Corp., an Austin-based document management software company that was acquired in 1999 by Hewlett-Packard Co. (NYSE: HPQ).

Former Dazel CEO William Bock was previously Tivoli's chief operating officer. He's now chief financial officer of Austin-based Silicon Laboratories Inc.

In 1999, Marcie launched Tonic Software Inc., an application management software company that was acquired in 2005 by Utah-based Altiris Inc. for an undisclosed amount. Smith has spent his post-Tivoli time as an investor and consultant. Valdes, who died last year, returned to his native Philippines after the IBM acquisition and co-founded software maker Vinta Systems Inc. in 1998.

When IBM bought Tivoli 13 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 most profitable units, generating more than $1 billion in annual revenue.

Former Tivoli CEO Frank Moss, now the director of the highly regarded media laboratory at the Massachusetts Institute of Technology, co-founded three tech companies after Tivoli. He's not surprised at the number of tech companies launched by his former colleagues.

Tivoli grew so quickly because the nation was rebounding from an economic recession and Austin was gaining a reputation as an up-and-coming city. Those factors enabled Tivoli to recruit quality workers from Boston and Silicon Valley, Moss said.

Those workers got a firsthand look at what can happen when hard work is combined with innovative thinking, Moss said. "They acquired a lot of experience with the run we had."

Team players

Former Tivoli Chief Financial Officer Jim Offerdahl said Tivoli had the important ingredients for a successful startup: market opportunity, strong market position and quality investors backing quality personnel.

But it's not something that's easy to replicate. There's a little luck involved, said Offerdahl, now the chief financial officer of Convio Inc., which makes online software geared toward nonprofit operations.

Austin software maker Spiceworks Inc. was co-founded in 2006 by former Tivoli managers Francis Sullivan and Greg Kattawar, along with Scott Abel and Jay Hallberg.

Kattawar, Tivoli's 26th employee, said Tivoli's workers earned a reputation in the industry for a strong work ethic that attracted other bright and hard-driving technologists. "Tivoli was the place all the smart people went," he said.

They were smart enough to convert their successes into follow-on businesses, said former Tivoli executive vice president Martin Neath.

After Tivoli, Neath went on to be president of Works.com and chairman of NetBotz Inc. Neath is currently an Austin-based general partner for Adams Capital Management, a Pittsburgh-based venture capital firm.

Tivoli's 29th employee and vice president of sales and professional services, Chris Ostertag, is now at his ninth startup company, Austin-based Hyper9 Inc., where he is CEO. He said Tivoli's interview process weeded out people who weren't team players.

After the IBM acquisition, Gordon MacGregor, CEO of Austin-based SmarteSoft Inc., was the director of Tivoli's research and development unit from 1998 to 2001. He said when the original executive team departed in 2000, the then-IBM division's hard-charging culture changed dramatically.

Once nimble and quick as a speedboat, the business began moving more like an oil tanker, marking the end of an era, MacGregor said. “It was like running into a brick wall.”

Picking from the Tivoli Tree
2nd Wave Inc.: Bob Seebold
Agere Inc.: Robert Fabbio, Eric Rothfus, Ford Tamer (acquired by Lucent Technologies Inc.)
AlterPoint Inc.: Scott Harmon
Bowstreet Inc.: Frank Moss
BroadJump Inc.: Adam Chabib (acquired by Motive Communications Inc.)
BuildForge Inc.: Mike O’Rourke (acquired by IBM)
ClickForensics.com Inc.: Peter Norwood
Convio Inc.: Dave Hart and Jim Offerdahl
Dazel Corp.: William Bock and Robert Fabbio (acquired by Hewlett-Packard Co.)
Factory Logic Inc.: Tim Nichol (acquired by SAP AG)
Hyper9 Inc.: Chris Ostertag
Infinity Pharmaceuticals Inc.: Frank Moss
Journee Software Inc.: Jackie Gilbert, Martin Neath and Ben Rouse (acquired by Initiate Systems Inc.)
Legadero Software Inc.: Adi Mishra and Greg Rice (acquired by Borland Software Corp.)
Maples Investments: Mike Maples
Metreos Corp.: Mark Richards (acquired by Cisco Systems Inc.)
Motive Inc.: Tom Bereiter, Scott Harmon, Mike Maples Jr. and Brian Vetter (acquired by Alcatel-Lucent)
National Transcript Center: Russ Buyse (acquired by Pearson plc)
NetBotz Inc.: Mitch Medford and Martin Neath (acquired by American Power Conversion Corp.)
Rocketboom: Andrew Baron
SailPoint Inc.: Kevin Cunningham, Jackie Gilbert and Mark McClain
Sentient Ventures: David Lee
Silicon Laboratories Inc.: William Bock
SmarteSoft Inc.: Gordon MacGregor
Spiceworks Inc.: Greg Katawar, Francis Sullivan, Scott Abel and Jay Halleberg
Surgient Inc.: Dave Malcolm
Tango Health: Todd Praisner
Traq-wireless Inc.: Jim Offerdahl
Triactive Inc.: Glyn Meek
Tonic Software Inc.: Steve Marcie (acquired by Altiris Inc.)
United Devices Inc.: Ben Rouse
Ventix Systems Inc.: Robert Fabbio (merged with Motive Communications Inc.)
Vieo Inc., Tom Bishop: Robert Fabbio and Jim Mott
Vinta Systems Inc.: Peter Valdes
Virtual PR Director LLC: Heidi Johnson
Volantis Systems Ltd.: Jennifer Burack, Brett Nuff and Mark Watson
Waveset Technologies Inc.: Kevin Cunningham, Bill Kennedy, Mark McClain and Mike Turner (acquired by Sun Microsystems Inc.)
WhiteGlove Home Call Health Inc.: Robert Fabbio
WholeSecurity Inc.: Peter Norwood (acquired by Symantec Corp.)
Works.com Inc.: Martin Neath and Todd Praisner

Note: Not all people above are still at the companies they’re listed with. Several are listed with multiple companies.
Source: Staff research

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