

# QUICK TAKE



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## UGS Spawns A PLM Software Innovation Network

Manufacturers Will Benefit From UGS' Nascent PLM Software Ecosystem

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### EXECUTIVE SUMMARY

UGS' acquisition of Tecnomatix — a digital manufacturing software vendor — and its strategic alliance with Microsoft signal the rise of Software Innovation Networks in the PLM market. Who will benefit? Growth-seeking industrial firms vying to integrate their globally distributed design and manufacturing activities.

### UGS SEEDS A .NET-CENTRIC PLM SOFTWARE INNOVATION NETWORK: USERS WIN

UGS kicked off 2005 by acquiring Israel-based Tecnomatix Technologies for \$228 million to round out its PLM offering — which got a big shot in the arm from Microsoft when Redmond struck a strategic alliance with UGS in October 2004.<sup>1</sup> As PLM continues to grow into an enterprise-class solution, IT buyers are looking for a credible vendor that can combine internal capabilities with external best-of-breed partnerships to deliver a comprehensive PLM solution. Through its selective acquisitions and strategic partnerships, UGS wants to demonstrate its ability to deliver such an end-to-end PLM solution.

In the process, UGS is reshaping the PLM market dynamics by spawning a Software Innovation Network — a dynamic ecosystem made up of global software and service partners that supply a portfolio of software and service innovations, which meet customers' unique demands.<sup>2</sup> UGS' industrial customers — from aerospace & defense to auto to CPG — will benefit from such a PLM software ecosystem as users gain access to:

- **An enterprise-scale PLM backbone.** UGS is a founding member of Microsoft's Collaborative Product Development (CPD) program, which is aimed at helping manufacturers speed collaboration and product development. By anchoring its Software Innovation Network to Microsoft's .Net-centric platform, UGS can deliver to users the scalability and security needed for cross-functional and multifirm PLM activities.<sup>3</sup> Forrester believes that Microsoft is a better partner for UGS than IBM, SAP, and Oracle — all of which also offer similar platforms.<sup>4</sup> Unlike these other vendors, Redmond does not compete with UGS, and UGS gains access to millions of MS Office users — who could end up using their MS Word and MS Excel tools as the front end to UGS Teamcenter, enabling the PLM app's rapid enterprise adoption.
- **Best-of-breed PLM functionality.** UGS' acquisition of Tecnomatix won't preclude UGS from pursuing its "open by design" strategy, which calls for XML-based interoperability between UGS' PLM offerings and best-of-breed design and manufacturing tools. Already, third-party manufacturing app vendors like Visiprise have signed up for UGS' Open Manufacturing Backbone.<sup>5</sup>

Similarly, best-of-breed design tool vendors like Formation Systems and Freeborders are poised to be drawn into UGS' PLM Software Innovation Network as they yield to users' demands to deliver seamless integration between R&D activities and shop-floor operations.

## ENDNOTES

- <sup>1</sup> On October 25, 2004, at the PDMA 2004 conference, Microsoft unveiled a new program for Collaborative Product Development (CPD) that is aimed at helping manufacturers speed collaboration and product development. Initial CPD program partners — HP, UGS, Immedient, Pcubed, Sopheon — are committed to developing PLM solutions anchored by Microsoft technologies.
- <sup>2</sup> Vertical-specific Software Innovation Networks will become the hotbeds for technology advances, with multiple networks battling it out in each vertical. These networks — made up of ISVs, service providers, and forward-thinking users — will collaboratively develop and market industry-specific solutions built on top of software platforms from IBM, Microsoft, Oracle, and SAP. See the October 21, 2004, Trends “Software Innovation Networks Go Vertical.”
- <sup>3</sup> At the PDMA 2004 conference, in addition to unveiling its participation in Microsoft's CPD program, UGS also released a full PLM solution entirely built on the Microsoft platform.
- <sup>4</sup> Forrester believes that the top-tier platforms that support Software Innovation Networks will come from IBM, Microsoft, SAP, and Oracle. Why? These four vendors have billions in the bank and strong customer bases of many thousands — thus they boast viability and offer a readily available market for hoards of partners to tap into.
- <sup>5</sup> UGS' Open Manufacturing Backbone is a digital platform that provides an open environment for third-party application developers to independently create software solutions that seamlessly interoperate with one another in a single digital manufacturing system.