BPTrends
BUSINESS PROCESS TRENDS

Email Advisor

Volume 8, Number 1 January 12, 2010

The Year Ahead

We don't believe anyone can accurately predict how the economy will perform in 2010. Most stock markets are up and many signs point to a recovery that is gaining some momentum. At the same time, the latest US labor statistics report that unemployment is high and not anticipated to decline in the short term. We suspect economic growth is going to vary widely, by country and by industry, over the next 6-12 months.

The latest BPTrends survey indicates that most companies continued to work on BPM programs in 2009 and that while many companies expect some growth in 2010, most expect to spend about the same in 2010 as they did in 2009. One has to keep in mind, however, that the data for our survey was gathered in September of 2009 and that many people are probably more optimistic now than they were 3-4 months ago.

To make predictions even more complex, BPTrends has always tried to take a very broad view of the BPM market. We are just as interested in the growth of Lean and Six Sigma and Business Rules Management as we are in Process Redesign, Business Process Architecture, Balanced Scorecard, and the use of software tools to Model or Automate the Management of Business Processes. As a broad generalization, these different approaches to process improvement vary as the economy changes. Business Process Architecture tends to be undertaken when organizations are feeling expansive and organizations are preparing for the future. Redesign and Improvement projects are often undertaken when companies are feeling under pressure and want to cut costs.

We predict that companies are going to be doing lots of process work in 2010. The question is whether they will be focused on retrenching and trying to cut costs or cautiously expanding and preparing for growth. And that, as we suggested above, will vary largely by country and by industry.

Let's step back a bit and see if we can shed some light on some historical trends. Organizations have been talking about "process" in one form or another, since the Eighties, when Rummler-Brache and Six Sigma were popular. The Nineties saw enthusiasm for process automation, with Business Process Reengineering, and then ERP and Workflow. And, this past decade saw considerable interest in Business Process Management Systems (BPMS) and on methodologies and approaches to improve the systematic and centralized governance, management and measurement of processes.

The popular business and IT press hates to use the same word for more than about 3 years in a

row and is always looking for the "next new thing." Many of these writers have decided that "business process management" is passé and have moved on to "innovation" or some other focus which is usually just process improvement under another name. At least a couple of writers have declared BPM "dead," though it isn't clear exactly what "BPM" they are talking about.

Moore and the New Technologies Lifecycle

We have always placed a great deal of faith in Geoffrey Moore's ideas on technology markets. Moore is a high tech marketing guru who has been involved in numerous technology launches and he wrote a very popular book, *Crossing the Chasm*, (Harper Business, 1991) which describes the lifecycle of new technologies and the problems they face gaining widespread acceptance. His popular overview is illustrated in Figure 1. (For a more detailed description of Moore's life cycle curve, check our Jan 17, 2006 Advisor.)

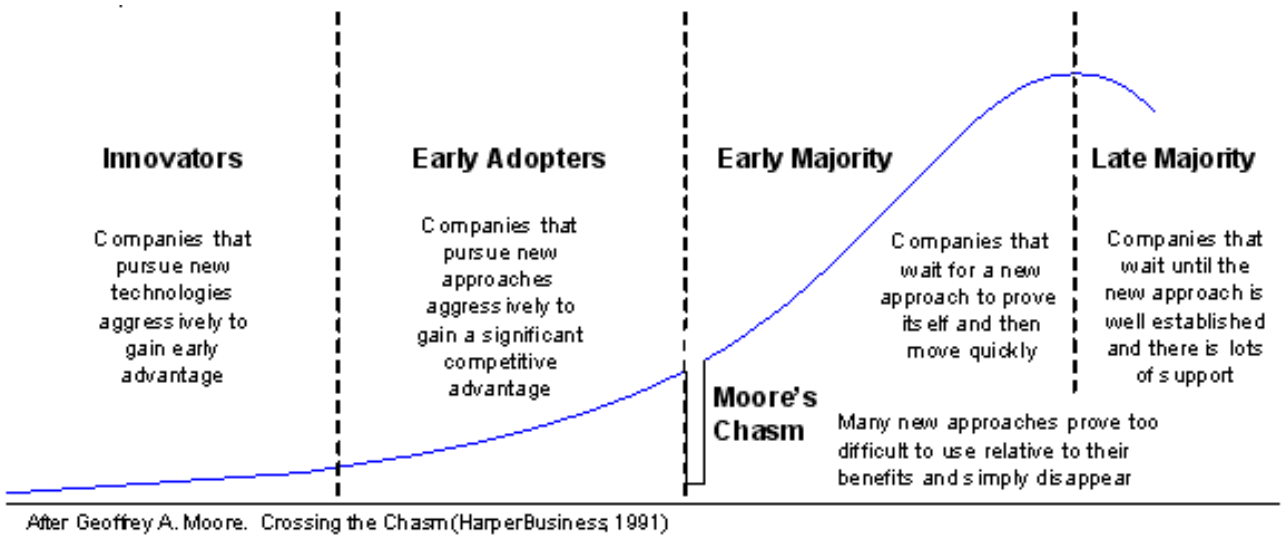

Figure 1. Moore's technology adoption life cycle curve.

Moore's Chasm looms between Early Adopters and the Early Majority. Lots of technological innovations that are tried by Early Adopters fail to gain sufficient acceptance to pass the criteria of the Early Majority. The new technology gets lots of publicity, for awhile. Conferences are launched to provide information about the technology and it is described in glowing articles in all the high-tech magazines and business publications that are always touting the next new thing. Ultimately, however, the technology fails to produce enough concrete proof of usability and benefits to convince the Early Majority to make an investment, and the technology drops out of sight.

When you go to conferences and hear vendors talking about the new technology features of their product and why it is better technology than whatever came before, you are in an Innovator's Market. When the market begins to transition to Early Adopters, you begin to hear more business cases and get information on specific benefits. This is also the time when vendors focus on gaining wider acceptance and become concerned with standards, user

interfaces, and assuring their products can work with legacy applications. If the technology is really successful and crosses the chasm, the technology conferences tend to drop away and the vendors begin to show up at traditional business shows and promote their products as a cost-effective way to solve a class of business problems. The Majority don't care about technology. They just want to solve business problems quickly and effectively and to stay ahead, or at least even with, their competitors.

When a new technology is first introduced, lots of relatively small vendors rush to offer products. As long as the market is small, ironically, the number of vendors is large. No one vendor makes very much money, but they are full of optimism, each believing that their technology is superior. As the market grows and customers become a little more sophisticated, they begin to demand more comprehensive products and features and support for evolving standards. It is not uncommon for products to go through 3-4 generations in the course of 2-3 years. The cost of constantly developing new versions of one's product, coupled with the need for more aggressive advertising, makes it difficult for the smaller vendors to survive.

Sometime during the Early Adopter phase, the major vendors begin to incorporate the technology into their more comprehensive offerings, and begin to promote the technology. In effect, the large vendors guarantee that the new technology is safe. As the competition heats up, most of the small vendors disappear. Some are acquired by large vendors. Many decide to specialize in industry or niche specific markets. Others simply fail and drop out of sight. The key thing, however, is that Majority companies only buy from established vendors who they are reasonably confident can provide the rather extensive support they will require and who they are sure will still be in business 5 or 10 years from now. Thus, if a new technology succeeds in crossing Moore's chasm, the leading vendors will be companies like IBM, Microsoft, and SAP. One or two of the new startups may have been successful enough to have grown into a 100 million dollar company and still be viable in the Majority market, but most won't make it as stand alone competitors.

Applying Moore's Analysis to the Future of BPM

It's hard to apply Moore's analysis to the BPM market as a whole because it is so diverse. Instead, one has to apply it to one approach at a time. Here are a few considerations.

Business Process Improvement

Used very broadly, business process improvement has been an active force in business since 1911 when Taylor published his book on *Scientific Management*. The idea of business process improvement isn't new. It is an established part of management. The interest in process improvement goes through periods when senior management is much more focused on operations or processes and other periods when senior management is more focused on finance or acquisitions.

Process improvement, in one form or another, has been in ascendency for the past couple of decades and we believe this will continue. The world is going through a major transition as markets and economies integrate on a worldwide scale. Most of today's companies were created in an era when they were designed to work within a very different economy. Today, leading companies are moving beyond national boundaries and struggling to evolve to become

global companies. One sign of this is the excess of companies in each given industry. There are too many car companies in the world. There will be consolidation and change until a few global car companies emerge. And, as long as that's the case, all aspects of process will be critical to senior management. Of course, those same managers will be concerned with how to finance their global ambitions, but they will need to solve the challenges of where they manufacture and how they manage global supply chains - and, how they design, market and service their products to meet the demands of customer requirements and gov't regulations in global markets.

Process, ultimately, deals with how work gets done. Change requires that organizations continually adapt to a rapidly changing market place and as change continues to accelerate there will be a growing need for companies to manage their organizations' processes in order to respond to these demands. So, process improvement initiatives aren't going away. In fact, we predict that large and midsize organizations that don't manage and measure their organizations from a process perspective, will eventually fail. The only question is when.

Lean Six Sigma

Lean and Six Sigma were both established in the Eighties and are both very much in the quality control tradition. In the eyes of many, they have "married" in the course of the past decade, and Lean has expanded the scope of most Six Sigma practitioners. We would say that Lean Six Sigma is established among the Early Majority, but their grip isn't as strong as they might wish and it is easy to imagine that they might backslide. In essence, even with Lean, Six Sigma is too narrowly defined. Lean Six Sigma practitioners need to expand and merge with several other process technologies to assure their continued success.

Business Process Redesign

Process Redesign continues to be alive and well. Where Lean Six Sigma tends to reflect a quality control background, Process Redesign tends to incorporate more from IT and process automation, which is an ever-growing element in large scale process improvement efforts. Indeed, to many, Process Redesign is simply a variation on Business Analysis, which is very much in the IT tradition. Process Redesign needs to integrate many of its tools and techniques with those found in traditional Business Analysis and Lean Six Sigma, and vice versa.

Business Rules Management

Just as Lean and Six Sigma have merged, Business Process Redesign and Business Rules Analysis are in the process of integrating. Lots of problems that process analysts might have tried to diagram a few years ago yield more readily to a rules analysis. No one has quite figured out how this merger will occur, but we are confident it will.

Business Process Management Systems

The Internet created the underlying technology that made a broad merger of software tools possible. We are currently witnessing the merger of Process Modeling, Workflow, Enterprise Application Integration, ERP, Business Intelligence, and Business Rules Management. This IT-led process movement dominated the thinking of many analysts during the course of the last decade. Indeed, if you were to read most of the literature produced by the software vendors, BPMS was the same as BPM. The consolidation is by no means over. There are still a large number of players in this market and more are joining every day. On the other hand, leading players like IBM, Oracle, Microsoft, SoftwareAG and SAP have all staked out major positions. In

spite of their acquisitions, however, the major players have yet to introduce truly integrated products, or even to produce consistent marketing messages. BPMS products have not crossed Moore's chasm just yet and companies are still exploring how best to use these tools.

Business Process Management

At this point, we are using the phrase "Business Process Management" to refer to corporate efforts to systematize and manage their overall approaches to process improvement. The popular business process analysts have devoted most of their attention to software-based BPM tools. But we have seen organizations becoming more interested in figuring out how to integrate and manage their various initiatives for business process before investing in BPM tools. Leading organizations have devoted considerable time to trying to establish business process architectures, enterprise-wide process measurement systems and governance systems that assign individual managers responsibility for the performance of major processes.

Business process frameworks, like the Supply Chain Council's SCOR, and the TeleManagement Forum's eTOM, have played a major role in this emerging emphasis on managing processes in a more systematic way. Similarly, the use of Balanced Scorecard systems to align process measures continues to grow.

For all the interest organizations have displayed in managing their process efforts, few have achieved a mature level of sophistication and an objective observer would have to say that BPM is still in the early adopter phase of Moore's curve.

In the past couple of years it has become clear that BPM and BPMS are linked. The gurus that originally proposed automating the management of business processes were referring to something much more extensive than the modest EAI or workflow projects that have passed for BPMS applications during the course of the last decade. In essence, most companies have used BPMS tools as software development tools and used them to do what they could just as well have done with an EAI or workflow tool in 2000. The really interesting BPMS applications, where large scale business processes are controlled and changed by business managers on an ongoing basis, are only beginning to appear.

The main reason for the slow development of a really sophisticated BPMS market is the fact that companies need a BPM infrastructure before they are ready for BPMS applications. If you don't have process managers to begin with, or a clear definition of your major value streams, you don't have anyone who is prepared to advocate or use a BPMS software application that could help manage that value stream. This isn't an impossible problem, but it will take time to solve. Most organizations will need to become more sophisticated in their understanding and management of processes before they are in a position to undertake major BPMS implementations.

It hasn't helped the overall development of the BPM market that the world arrived at the brink of a financial meltdown in 2009. Luckily, the worst seems to have been avoided. As confidence returns and companies begin to spend more money, business process work in all its forms will regain momentum. Even with renewed momentum, however, we would have to say that BPM is still an emerging market. There are lots of process technologies in need of integration. As process practitioners figure out how to merge technologies and as business executives establish

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better ways of organizing company-wide process management efforts, the overall BPM market will continue to grow, finding a wider and more enthusiastic audience. With luck, 2010 will be the year the process movement gains significant momentum. It won't be the year it arrives at its destination; that's still several years in the future.

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