BPM: A Global View

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The BPM Industry is not Counter-Cyclical!

After the global financial crisis started dominating the news in the Fall of 2008, I have read several press releases, blogs and statements from BPM vendors that the BPM industry is counter-cyclical. They claim that when times are tough and companies are forced to streamline or cutback their operations, the demand for BPM increases--or at least does not fall as dramatically as the rest of the market-- because companies see BPM as a way to help reduce cost and become more efficient.

On the surface this optimistic argument appears to make sense. Tough economic times demand that companies cut costs while continuing to deliver adequate amounts of goods or services. BPM provides the means for companies to optimize their processes that can help achieve this goal. Beyond optimization, BPM also provides the means to automate processes that can greatly reduce costs while at the same time making the processes more efficient. It can enable companies to do more with less, which is exactly the medicine the companies need during tough economic times.

However nothing is ever as simple as it appears on the surface. The economic crisis that the world faces is going to impact the BPM industry negatively, and the BPM vendors are not immune to the severe pain that the rest of the market is going through. There are several reasons for my pessimistic view that the BPM industry, especially in its current state of development, is not counter-cyclical.

First, BPM is not simply a technology that can be purchased and deployed, and suddenly companies can start reaping its benefits. Instead, BPM is a discipline - a way of conducting business and a cultural mindset. Technology is only a part of BPM, albeit an important part. Success with BPM is not the quick short-term fix that companies are seeking at times of economic crisis. BPM requires cultural change which takes time. Facing crisis, management generally does not have the luxury of time needed for BPM initiatives to bear fruit. Indeed, in a period of economic crisis, when employees are concerned about job security and their personal well-being, BPM is more likely to be perceived as a threat rather than an opportunity. This perception is not conducive to the kind of cultural change that BPM needs in order to thrive. Therefore, faced with the need for immediate action and reduced demand for goods and services, management is unlikely to invest in BPM which has a long term promise. BPM projects that are already well in progress are likely to be continued if their results are visible and significant. Mediocre projects are more likely to be canned, and new projects are less likely to be funded.

Second, BPM projects still rely heavily on professional services for the discovery, design, development, testing and deployment of processes. Because of this reliance on professional services, the deployment time for meaningful BPM projects ranges from two months to over a year depending on the complexity of processes and the amount of integration that is needed. This lag between making a decision to invest in a BPM project and when results can be ascertained, is another reason why management, facing the dire need to reduce cost today in the face of dramatically reduced demand, is less inclined to invest in new BPM projects whose payoff is months away.

Third, most organizations have complex processes. They all look simple on the surface, but as one starts peeling off the layers one finds the ever-present exceptions. The number of exceptions is generally proportional to the size of the organization. These exceptions are what make seemingly simple processes complex. And in many cases the processes are interlinked with each other. Simply automating one or two processes is unlikely to produce a major impact on the bottom line of a company. For tangible bottom line impact a company has to automate many processes which takes a lot of time. And management simply does not have the time or the patience when facing dire financial crises like the one we face today.

BPM cannot be rushed for the three reasons that I have listed. The financial crisis that the world is experiencing today will force management to make decisions that have a quick and short term impact. This does not bode well for increased investment in BPM and the prospects for the industry. Equally troublesome is the current state of the pure-play BPM vendors who are the driving force for innovation in the industry. Most of the pure-play BPM vendors are relatively small companies who do not have the necessary deep pockets to survive a major downturn. In almost all cases, these companies have raised a substantial amount of venture capital investment with plans to either go public or be acquired by larger software companies seeking a slice of the BPM market. Prior to the current financial crisis, Metastorm had already filed with the SEC, and Lombardi and Savvion have made noises in the past of going public. Most of these companies have already tried the M&A route and have been unable to find suitable acquirers willing to pay what they expect. Now with the state of the capital markets, the prospects of a public offering are nil. The pure-play BPM vendors will face tough times in 2009 with reduced demand for the reasons stated above, no prospects of going public and reduced prospects of acquisitions. Like many other companies, the BPM vendors will also have to take drastic actions to reduce cost and survive. Innovation will be impacted and there will be further pressure for consolidation on unfavorable terms. The larger software vendors eyeing the BPM space who have the financial wherewithal to ride the crisis will become even more dominant. While some may argue that consolidation is probably good for the industry, I have doubts about what it will do to innovation and agility for the industry.