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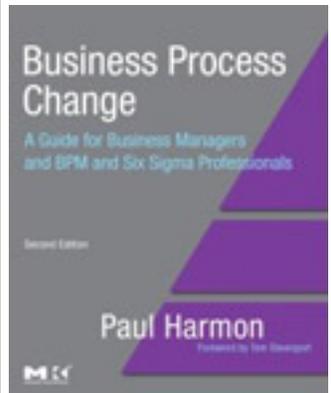
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The Year Ahead

Let's start with the broadest possible view - will an economic slowdown affect the market for BPM products and services in the coming year? We start here because at a recent BPM conference a surprising number of people asked us what we thought about the effects of the economy on the growth of BPM. Like many of our readers, we try to stay on top of the many sources of economic predictions, but we don't assume we have any special insight into such matters. Based on the reports of the problems many of the financial institutions are experiencing, one would be inclined to think the economy, at least in the US and Europe, will slow in 2008. On the other hand, everyone we talk with in the BPM community reports increasing budgets and programs and nobody has reported canceling or delaying BPM initiatives.

Based on our experience covering technology markets in the past, we usually found that a financial slowdown didn't filter down to IT or technology spending until the second year of a slowdown. In any case, Business Process Management is broader than IT and is a bit of an exception to all the rules, since companies need to improve their processes, come what may. In good times - and we would characterize 2007 as good times - companies seek to expand and change processes to allow themselves to offer new products and enter new markets. In slower times, companies seek to save money by improving existing process by eliminating unnecessary and redundant activities and making the remaining activities more efficient. In either case, companies keep spending on process work and several recent surveys suggest that processes continue to be



a high priority for most Fortune 1000 executives.

So, we expect 2008 to be a good year for BPM. We don't expect any economic slowdown to work its way through to most BPM initiatives in 2008. If a significant economic slowdown manifests itself, we can imagine it will affect BPMS sales in the final quarter of 2008, but if the slowdown is handled well by appropriate government agencies and is temporary, we don't expect to see any effect on BPM in 2008.

Getting a little more specific, let's consider BPM from three different perspectives: enterprise initiatives, process redesign and improvement initiatives, and implementation or BPMS initiatives.

Enterprise Initiatives

While most organizations today are focused on process level initiatives, leading companies all say that they want to improve the way they coordinate and manage processes at the enterprise level. Companies are working on business process architectures and on enterprise-wide process performance monitoring systems. More are setting up BPM centers of excellence to help them coordinate their process work across the enterprise. We estimate that only about 5 percent of the companies in the US and Europe are really good at enterprise process management, but we also expect that a lot of companies will continue to study this area and seek to improve their ability to manage their processes at the enterprise level. Outsourcing, coordinating worldwide supply chains, and the various other advanced business strategies that leading companies are exploring, all rely on a sophisticated ability to conceptualize processes in abstract ways at the enterprise level. We expect companies to continue to explore enterprise process initiatives in 2008 and, over the next 2-3 years, we expect to see rapid growth in the number of companies that embrace BPM at the enterprise level.

Process Redesign and Improvement Initiatives

Some observers of the current market like to contrast BPM and Lean Six Sigma. We've always argued that BPM was the umbrella that other business process change initiatives should operate under. Business Process Management is about the organization and management of any and all business processes in an organization. BPM embraces both process redesign and process improvement, just as it embraces process automation and process performance improvement. In an ideal situation, the BPM organization coordinates and prioritizes all the process efforts to assure that they are aligned in support of the organizational goals of the enterprise, top to bottom.

In 2003 and 2004, BPM began to get lots of attention and some authors suggested that BPM was gaining ground at the expense of Six Sigma. In 2007, however, we heard BPMS vendors talking about how their products would support Lean Six Sigma initiatives and we felt as though Lean Six Sigma was rapidly being integrated with other BPM initiatives. We predict that trend will continue in 2008. BPM embraces lots of technologies and methodologies other than Lean and Six Sigma, but it definitely embraces Lean Six Sigma. And, at the same time, Lean Six Sigma practitioners from Fortune 1000 companies are moving beyond earlier, narrower definitions of what they do and are embracing a whole range of new approaches, including BPM and BPMS. Process work is too important to be left to any one group or methodology. At any large company, process work must include enterprise methodologies like SCOR and Balanced Scorecard, process methodologies like Lean Six Sigma projects, and implementation methodologies and tools like BPMS applications and ERP.

In 2008 we will continue to see a newer, broader, more flexible definition of Business Process Management evolve. As companies

seek to become more process-centric they will draw on all of the different approaches and seek ways to integrate them to achieve their goals. BPM can only benefit from this more comprehensive vision.

BPMS Initiatives

Much of the talk these days is focused on the promise of software that can help managers manage their day-to-day processes. This was kicked into high-gear by the publication of Howard Smith and Peteringar's BPM book, *The Third Wave*, in 2003. A significant number of vendors who have been around since the 90s are repositioning themselves and offering BPMS products. Depending on who you read, you might imagine that BPMS includes Process Modeling Software, Workflow Tools, Enterprise Application Integration (EAI) products, Business Intelligence (BI) software, Enterprise Resource Planning (ERP) applications and Service Oriented Architecture (SOA) infrastructure initiatives. Indeed, the best of the BPMS suites support all of these technologies, and more. Based on such broad definitions, analysts like Gartner and Forrester suggest that the BPMS market is well over a billion dollars and set to grow to multiple billions over the course of the next couple of years.

There was a lot of consolidation in 2007 as leading BPMS vendors acquired technologies required to expand their offerings. Significantly, all of the major platform vendors are now active in the BPMS market and will undoubtedly become more active in 2008. At the same time lots of new vendors have entered the BPMS market in the last few months. We expect the consolidation to continue in 2008 but we don't expect to see the market mature and settle on 2-5 leading vendors this year.

The biggest problem is that users are still not very clear about what BPMS is really all about. There are so many vendors pushing a wide variety of tools that users can be forgiven if

they are uncertain whether BPMS is really just Workflow or EAI or Process Modeling with a new name, or if there is something else there. We looked at the applications that several BPMS vendors developed in 2007 and most of them were excellent Workflow or EAI applications that could just as well have been developed 5 years ago. On the basis of these applications, we might be inclined to say that BPMS really is just EAI or Workflow with a new name.

In fact, we believe that BPMS is much more important. We really believe in the vision offered by Smith and Fingar in 2003 - that companies can create applications that will empower business managers to control their own applications on a day-by-day basis. To get there, however, we need to move beyond EAI and Workflow. We need BPMS products that business managers can use to model the business problems they face, and we need products that can support dashboards that will let senior executives monitor their processes on a day-by-day basis. Most of the existing BPMS applications just begin to approximate this ideal. Most of today's BPMS applications are really software applications built by IT developers to accomplish IT goals. They do not offer a new software layer that will enable business people to coordinate and control their business processes.

This isn't to say that BPMS vendors don't want to build this type of application or that the tools are incapable of supporting this type of application. It's only to say that it takes time to educate business people regarding what BPMS can and should do.

In 2006 we said that the BPMS market would focus on SOA and in 2007 we suggested the market would focus on BI. In each case, that's what happened - the vendors acquired technology to make their tools more flexible. As we sit and think about what new technology might dominate 2008, we don't think of one. It seems to us that most of the leading vendors have acquired the technologies they need.

Now they have to integrate what they have and create better interfaces. If we were going to suggest a theme for 2008 it would probably be interfaces. Most of the current BPMS tools still have interfaces that were developed for IT developers. We expect the vendors best positioned by the end of 2008 will combine better integration with superior interfaces that business analysts and executives find easier to understand and manipulate. In other words, we predict that 2008 will be the year the BPMS vendors focus on making their products easier for business people to use.

Till next time,

Paul Harmon
Celia Wolf

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