Consolidation in the BPMS Market

Last month, a Canadian enterprise content management vendor, Open Text, offered $182 million for US BPMS vendor, Metastorm. This is only the latest in a multi-year string of BPMS acquisitions that has led, once again, to discussion of consolidation in the BPMS market.

My running list of acquisitions by major players began in 2002 when IBM acquired a leading modeling vendor, Holosofx. That list currently includes some 27 acquisitions or mergers and I'm sure I've missed several important ones. Clearly, there has been quite bit of consolidation, however, there are still a large number of BPMS vendors, and new vendors continue to enter the market.

In most software market segments, every year new types of software products are launched and multiple vendors enter the market and compete for dominance. Then, in a few years, one to three vendors are left dominating the market. Moreover two are usually major platform companies – like IBM, Oracle, SAP or Microsoft. In essence, the major companies wait until the new software technology has proved itself, and then acquire one of the leading products, integrate it with the appropriate suite, and then use their marketing clout to grab most of the emerging market for the new software. We've all seen this scenario played out in domains as diverse as mainframe and PC operating systems,
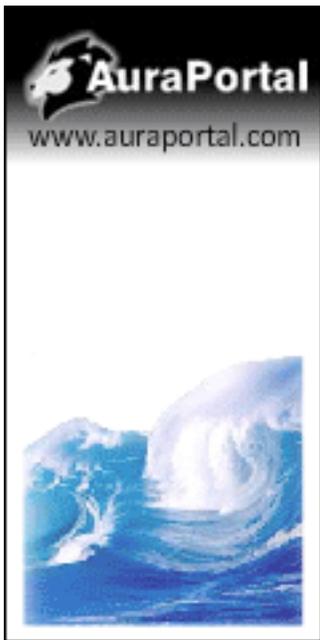
ERP suites, Network browsers, spreadsheets and word processors.

The business process management software market, however, has always been somewhat different.

To begin with, the idea of BPMS was announced in a book by Howard Smith and Peter Fingar, *Business Process Management,* in 2003. Before that, the ideas and the software products that were described in Smith and Fingar's book were already in existence – they just hadn't been combined in quite the way Smith and Fingar proposed. In essence, Smith and Fingar suggested that workflow and EAI (enterprise application integration) software could be combined with process modeling and newly introduced Web protocols (e.g. XML) to create a software tool that would allow business process managers to oversee and manage their own processes.

The suggestion was very much like the suggestion of James Martin in the late 80s that launched the CASE (Computer Aided Software Engineering) market, but with a key difference. Martin suggested that software tools could be developed that would allow business managers to create software. Smith and Fingar suggested that software products that already existed could be combined with Web protocols to create the new software.

To be more precise, Smith and Fingar assumed that new tools would be created and would use Pi Calculus, an approach which would create very flexible products. In reality, however, vendors that already had workflow products or EAI products rushed to reposition themselves as BPMS vendors and launched a market with tools that couldn't possibly satisfy Smith and Fingar's ideal, but which rapidly attracted attention and effectively modified the meaning of BPMS.

The early market was dominated by vendors who already had established products that performed one part of the BPMS vision, and who sought to extend their tools to create a complete BPMS offering. Thus, workflow vendors acquired EAI vendors and vice versa. And both workflow and EAI vendors bought modeling vendors.

As the resulting BPMS products became more comprehensive, they also became more complex, and the leading vendors rapidly realized that they were creating software for software developers and abandoned any pretense of creating software that business managers might use.

To make matters more complex, the years from 2003 on have witnessed major changes in software infrastructure. The initial BPMS vendors offered products running on servers. Most struggled to rework their products so that their products could function online using XML protocols. Even as the leading BPMS vendors were struggling to become more XML focused, the market began to embrace the idea of a Service Oriented Architecture (SOA) – a distributed component system designed to function on Web protocols. Recently, the market has begun to focus on Cloud Computing and some BPMS vendors are now redesigning their products to support this approach.

New vendors in a new market don't usually have a lot of capital, and they begin to fall by the wayside as the market demands the kind of redesign involved in integrating EAI and modeling products into workflow environments, let alone redoing all three tools to work in an SOA environment.

Meanwhile, the changes kept coming. By

the late Zeros, leading BPMS vendors weren't satisfied with just EAI and workflow, and they added business rules (e.g. inference engines) and BI (business intelligence and data mining) capabilities. In most cases, the vendors did this by means of acquisition and were then faced with integrating still more software.

So, yes, there has been a lot of consolidation – but it has yet to result in mature BPMS products.

The platform vendors who started with the most sophisticated EAI tools – IBM, SAP, Oracle – have acquired the most companies. At the same time, they are the vendors most interested in embracing BI, Rules, SOA and Cloud Computing. As a consequence, leading platform companies have acquired several different tools and now have the problem of integrating them into a single package and explaining to business users why they might want to use all this technology. Along the way, they continued to move further and further away from developing products that business managers or even business analysts can use and they have now created complex products that only IT developers can use. And, even among the platform vendors, we are hardly down to 2-3 vendors. IBM, SAP, Oracle, Software AG, and Microsoft are all still pursuing BPMS development.

Equally interesting, as the large platform vendors have acquired products and sought to create complex BPMS platforms, the smaller vendors who, for the most part, began as workflow vendors, or even as strategy or architecture tool vendors, have continued to innovate. If the idea of business manager friendly process tools is alive anywhere today, it is among the dozen leading vendors who have not been acquired and who are still focused on examining processes, at least initially,

independent of any automation considerations.

If I look around for the process methodology that comes closest to the ideal originally championed by Smith and Fingar, it's the Supply Chain Council's SCOR methodology. The Supply Chain Council is a consortium of companies who are invariably represented by business managers who head supply chain operations at their respective organizations. These business executives meet to determine how to improve their supply chain processes, and, in some cases, they work to coordinate with other company managers to create cross-company supply chain systems. You don't find many IT folks at a Supply Chain Council meeting. But, you do find a number of small software vendors – primarily process modeling vendors – who offer tools that help supply chain managers assemble and monitor SCOR models. These vendors are supporting business managers who are working to improve their processes, exactly as Smith and Fingar proposed.

The market for BPMS has divided into at least two major groups. One group is creating complex BPMS platforms that IT can use to support IT-focused process work. Many of these tools are being used in an effort to improve the way ERP is handled.

The second category includes smaller vendors who are still trying to create tools that business managers or business analysts can use. Some of these tools are generic and some are more narrowly focused on specific industries, or on particular problems, like linking strategy to process or creating enterprise process architectures. And, as I suggested, there are a number of these smaller vendors that are doing quite well and they are being joined by new vendors all the time.

So, no, the BPMS market is not yet consolidated in the traditional sense of the term, and no, it is not mature. There is a lot of innovation going on and companies face a wide variety of choices as they consider how they might want to support their process change efforts. And, there is still the possibility that one or two really great new software products will emerge from all this turmoil, although it isn't clear which specific tool it will be…Yet!

Till next time,

Paul Harmon