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The BPMS Market

At the recent IRUM UK BPM Conference in London, I had a discussion with a software company that was considering repositioning its tool as a BPMS suite, and wanted my advice on the market, and their chances for success.

One of my first questions for the vendor was what market segment were they planning to target. Were they targeting IT groups involved in automation or were they targeting business managers responsible for designing, managing and measuring business processes. It became clear that the vendor hadn't thought this through and wasn't clear about who their intended customer was.

The BPMS Market as an IT Market

The BPMS market, today, is largely an IT market. Let's quickly review the history of how we got here.

In the early days of computing—say the 1970s—software applications were developed in languages. COBOL was the first important software application development language, created to speed the development of back office applications to support processes such as payroll and accounting. Later, the world of IT got more complex as software developers learned to keep interfaces, databases and actual applications independent of each other, and created separate languages for each use.

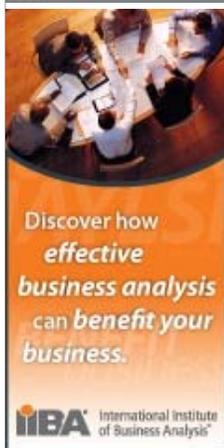
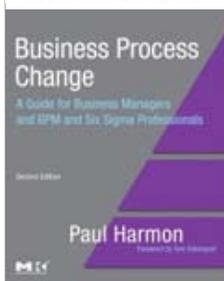
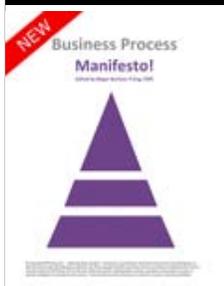
In the Eighties we had application development languages like C and, later Java. By 1990 it became obvious that most applications were only slight variations on basic patterns, and that one-off development was prohibitively expensive. Toward the end of the Nineties, most companies shifted to off-the-shelf applications (usually called ERP or CRM applications). These applications were initially offered by a variety of different companies, but the ERP market quickly came to be dominated by SAP.

In keeping with the spirit of the Nineties which was heavily influenced by Business Process Reengineering, SAP and other ERP vendors often positioned their applications as support for business process reengineering efforts [1]. It became popular for IT to argue that it wasn't simply developing software to handle some specific task, but that it was, instead, developing software to support major business processes.

The problem with off-the-shelf applications was that they tended to force companies to standardize and constrain their business processes to match the specific ERP application's way of thinking about a given process. This wasn't a major problem if the process or application in question was a support application, like Provide New Employees, or Manage Pensions. But, when it came to an organization's core processes, standardization all but eliminated any competitive advantage an organization had in the marketplace. The ERP vendors tried to downplay this problem by arguing that companies could tailor their ERP applications, but companies quickly found that trying to tailor ERP applications was rather like developing a new application from scratch and it was very expensive and difficult to maintain.

BPMS: A New Way of Approaching Application Development

In 2003, Howard Smith and Peter Fingar published a book, *Business Process Management: The Third Wave*, that announced a breakthrough that they claimed would redefine competitive advantage for the next 50 years. In essence, Smith and Fingar argued that process theory had evolved through three waves. During the first wave, process people, following the work of Fredrick Taylor, focused on



work practices.

During the second wave, processes were manually reengineered by redesigning the process, and then developing software applications to automate the work. Both one-off application development and the acquisition of off-the-shelf ERP applications were examples of this approach. Hammer, Davenport and others were given credit for pointing out the importance of aligning business processes and the latest IT capabilities, but beyond that, progress was slow because it was hard to develop or change software applications.

The third wave, according to Smith and Fingar, was made possible by the Internet, XML, and software modeling developments that made it possible to create models of processes that could then be dynamically changed by business people. In other words, rather than describing a business process, on paper, and then handing it off to IT to develop an application to automate the process, users could create a process model and hand it off to IT to develop a BPMS application that users could subsequently change as the business requirements changed. This idea had been foreshadowed by the workflow applications developed in the late Nineties, but those applications were designed for specific purposes, while Smith and Fingar proposed a generic approach that depended on developing process descriptions on top of generic "process engines" that would make it easy to change the processes as needed. Essentially, this was much like the difference between using a Seventies accounting system controlled by finance, and using an Excel spreadsheet that a manager could change as necessary.)

The idea of creating BPMS applications caught on rapidly. Older software products were repositioned and new companies rushed to offer new products and the BPMS software market blossomed in the first decade of the new millennium.

Some process practitioners remembered what Smith and Fingar had written, and hoped for the development of software applications that would support actual business processes and allow business managers to adjust the applications. Only a few such applications have been developed, however. Instead, IT groups have used BPMS tools to create "better ERP applications."

The Reality of BPMS

As with so many earlier efforts aimed at empowering business managers to modify software, it was exciting to talk about but very hard to implement. At the time, existing software products lacked the ability to deliver on Smith and Fingar's promise. The tools were too difficult for business people to understand and just as important, most companies weren't organized around business processes and it wasn't even clear which managers should be empowered to make changes in any processes the BPMS vendors happened to automate.

For all the problems, one important benefit came out of all the early interest in BPMS: IT continued to talk about business processes and put less emphasis on just developing applications and more on supporting the business in the realization of its business processes. IT began to think in broader terms and to put more emphasis on supporting the goals of the business. BPMS work has probably improved the dialog that takes place between business and IT analysts.

In addition, BPMS products offered a distinct alternative to the older off-the-shelf applications. Basically, BPMS products are very high-level software application development tools. The best of them allow developers to rapidly create applications and to then change those applications even more rapidly, as required. They may not make it possible for business people to control their own processes, but they provide a context for business and IT people to talk about business processes and a way for IT people to provide much better support for the automation and modification of business processes. The problem with this approach is that many companies already have a large investment in ERP, which in most cases they have learned to live with, and it costs money to develop BPMS applications. What we currently see is companies keeping SAP applications for their support processes and developing BPMS applications for core business processes that give them the competitive advantage they require.

Today's BPMS Vendors

In Figure 1 we picture some of the consolidation that has occurred in the BPMS market since 2003. While hardly a complete picture, what it suggests is that the major systems software vendors, companies like IBM, TIBCO, Oracle and Software AG, have emerged as the dominant BPMS vendors. These companies acquired various smaller BPM tool vendors and incorporated their technologies into tools designed for software developers.

To be fair, Figure 1 does not represent all of the vendors in the BPMS market, although it probably represents 65% of the sales in today's market. The BPMS market, however, has always been a somewhat diverse market, and in spite of the consolidation that has taken place, many new vendors keep entering the market all the time. It's as if the large vendors know that the market is about IT and software development, but the smaller vendors keep targeting business managers looking for friendlier business process tools.

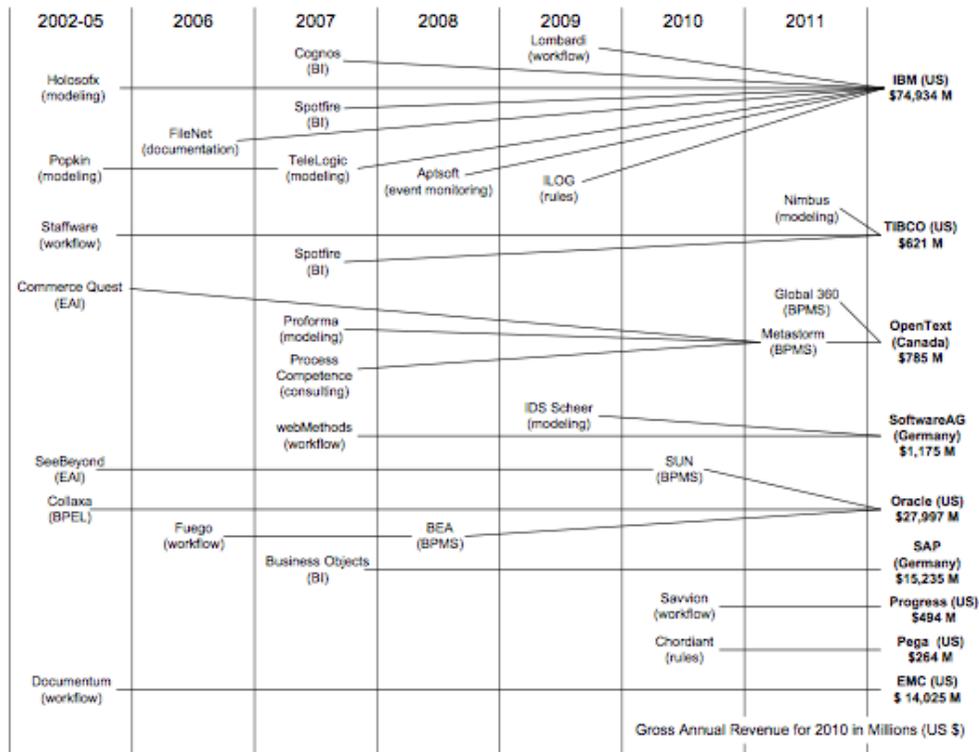


Figure 1. The consolidation of the BPMS market (Circa 2012)

So Who is a BPMS Vendor to Support?

Now let's return to the question I asked the vendor in London: Who are their BPMS customers. Do they hope to position their new BPM tool to sell to IT groups, or to business people?

If they want to take advantage of most of the activity in the current market, they had better be planning on selling to IT. But, if they are, they are probably wasting their time because that market has already consolidated, and small companies can not realistically compete with IBM, Oracle or TIBCO, or even with the latest versions of the more-or-less pure play BPMS vendors like Appian and PegaSystems. If they have really new and interesting technology, they may hope to be acquired by one of those companies, but that's a risky strategy.

The alternative is for a new company to join the two dozen or so companies that are struggling to survive selling to the much smaller market for user friendly tools that business people can use. And even in this niche, there are some players who have been around for ten years now and won't be dislodged very easily. The niche is small because all the talk of business process management hasn't changed the way most companies operate. Companies have management structures based on departmental silos and they really don't understand, let alone manage their major business processes very well. There's been some progress in the last ten years,

but not nearly enough to create a vibrant market for vendors selling software that only business process managers might want to buy.

So Who Are Some of Today's Leading Players

Without trying to be comprehensive, here's a list of the BPMS vendors that we keep encountering as we continue to talk with vendors, IT developers and business process managers and practitioners.

The three vendors that seem to have the largest presence in today's market are IBM, Pegasystems and Software AG. The other vendors on this short list are major players with a slightly smaller presence.

Appian. (Appian, version 6)

Appian is one of the smaller serious players in the BPMS space and has a reputation for being relatively easy to use.

HandySoft (BizFlow)

Another smaller vendor that has been around since the beginning and has a good reputation.

IBM (Business Process Manager, Version 7 and WebSphere Operational Decision Management, Version 7)

IBM is the largest player in the BPMS market, and has acquired a wide variety of tools. After a period of digestion, IBM is now offering a relatively integrated and consistent BPMS package.

OpenText (A variety of products)

OpenText has also acquired a variety of tools but is not so far along in integrating them.

Oracle (Business Process Management Suite)

Like IBM, Oracle has acquired a variety of earlier vendors, but it is not quite so far along in integrating everything. Oracle's overall commitment to the BPMS market seems to wax and wane.

Pegasystems (PegaRULES Process Commander, Version 6)

Pega started life as a rule-based expert systems vendor and morphed into one of the strongest BPMS players. Those who like a rule-based approach to software development tend to like this tool.

Software AG (webMethods BPMS, Version 8)

Software AG came to BPMS late with its acquisition of webMethods, but followed that with its acquisition of IDS Scheer's ARIS, thus catapulting itself into a leading position in the process software market.

Tibco Software (a variety of tools)

Another major vendor that has acquired a variety of tools and has yet to integrate them as well as it might.

Beyond this short list of vendors, we could easily add another twenty names of vendors that are active in the BPMS space. Some are focused, like the vendors above, on selling to IT groups, but others are focused on vertical markets or on selling to business groups that are interested manager-controlled process development. And, newer smaller vendors keep popping up.

Conclusion

The changing nature of the software market is one cause for the continuing new entries. The early BPMS tools were all based on client-server designs. A few years

later the vendors began to shift to Service Oriented Architecture (SOA) designs, and, recently, they have shifted to Cloud designs. In a similar way, the BPMS market has shifted from a focus on process flow to business rules to analytics. Each shift creates an opportunity for new vendors to rush in offering new products. The larger vendors buy the best of the new entries and begin to incorporate the new technologies in their already complex products, and meantime, some of the new vendors grow rapidly because they offer a particularly good approach to the latest opportunities. As we said, the BPMS market has been, and remains, very dynamic.

In addition to all of the very real transitions in the market, the analysts have introduced some pseudo transitions that don't amount to much. Thus, for example, Gartner would have readers believe that there are now BPMS tools that focus on Case Management and iBPMS (intelligent BPMS). Given that there is a limited market for iBPMS, this is, at the very least, questionable. The reality is, that the BPMS market is relatively small and every vendor is going after every opportunity it can find. The fact that Gartner is now talking up Case and iBPMS has more to do with Gartner's marketing concerns than with the realities of the BPMS market.

For many reasons, the BPMS market continues to develop and will grow more complex in the years ahead. I believe the market for BPMS products is largely gated by the BPM maturity of user organizations. As those organizations continue to learn more about the process centric approach and to adopt it, they will, in turn, look for integrated BPMS products and the market will continue to expand.

Till Next Time,
Paul Harmon

Notes

[1] For a good review of this transition, see Thomas Davenport's book, *Mission Critical: Realizing the Promise of Enterprise Systems*. (HBR Press, 2000)

[2] For a list of some of the new, academic BPM tools that may migrate into the regular BPMS market in the next few years, go to <http://bpm-conference.org/bpt-resource-management/>

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