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The State of Business Process in 2006

In this Advisor, we provide a brief review of the key developments in BPM in 2005 and suggest some of the things that are likely to happen in 2006. Before considering the BPM market, however, let's take a detour and recall Geoffrey Moore's generic analysis of new technology markets. Geoffrey Moore is a high tech marketing guru who has been involved in numerous technology launches. He wrote a very popular book, *Crossing the Chasm*, which describes the lifecycle of new technologies and the problems they face gaining widespread acceptance.

Moore's Life Cycle Model

New technologies, according to Moore, are initially adopted by Innovators - companies that are focused on new technologies and are willing to work hard to make a new technology work in order to gain an early advantage. Innovators have their own teams of sophisticated technologists and are willing to work with academics and vendors to create highly tailored solutions.

Once the Innovators prove that a new technology can be made to work, Early Adopters follow. Early Adopters are not focused on new technologies, as such, but on new business approaches that can give them a competitive advantage. They are less technologically sophisticated than Innovators, but still willing to work hard to make a new technology perform, if they see a clear business advantage. (See Figure 1.)

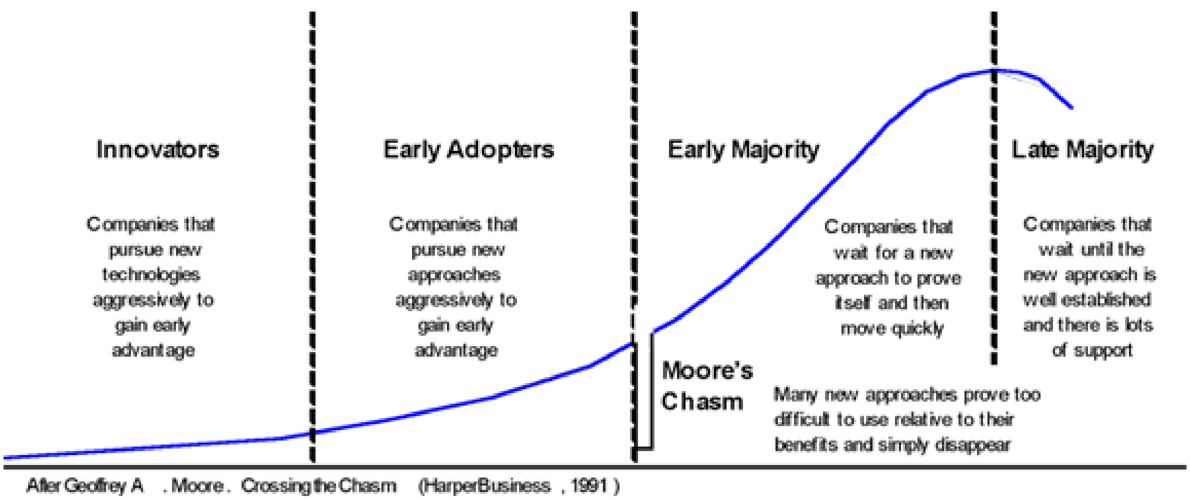

Figure 1. Moore's Technology Adoption Life Cycle Curve.

The market for a new technology doesn't really get hot until the Early Majority are convinced to adopt the technology. The Early Majority represent some 35% of the market. They won't adopt a new technology until they consider it well-proven. In fact, they aren't interested in technology at all and don't have a lot of sophisticated technologists who are willing to struggle with the technology. They wait for case studies to show that the technology really delivers the promised benefits. And, they insist on products that allow less sophisticated developers to deploy the technology quickly and easily.

Moore's Chasm falls between the 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 glowing articles appear in all the high-tech magazines and business publications that tout the next new thing. Ultimately, however, most new technology fails to produce enough concrete proof of usability and benefits to convince the Early Majority to make an investment.

The Late Majority, like the Laggards who lie even further to the right, are reluctant to spend money or take chances on new approaches. They wait until their competitors have started gaining benefits from the technology, and then follow suit, reluctantly.

When you go to conferences and hear vendors talking about the technological features of their product and why its 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 begin to worry about 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 vendors begin to show up at traditional business shows and promote their products as cost-effective ways 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 of, 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 hopes, each believing that their technological approach is superior. As the market grows and customers become a little more sophisticated, they begin to demand more comprehensive products and features, including 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 sales and marketing programs, forces the smaller vendors to search for capital to continue to develop and market their products.

Sometime during the Early Adopter phase of the market, the major vendors begin to incorporate the technology into their more comprehensive offerings. 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 to earn enough money to survive. 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 become companies like IBM, Microsoft, and SAP. One or two of the original startups may be successful and grow into 100 million dollar companies, but most don't make it to the Majority market.

Moore's Life Cycle and BPM

Obviously, we've discussed Moore's analysis framework in order to apply it to the BPM market. Unfortunately, it isn't as easy as it might seem, since the BPM market is really lots of separate markets.

The most important distinction is between companies engaged in helping organizations improve their business processes and companies working to provide software tools that will enable some kind of process automation.

Helping Managers Improve Business Processes

If we simply focus on those consultants and vendors who seek to help managers improve their business processes, we encounter a very complex situation. Most companies talk about processes these days, but few are willing to make a comprehensive, top-down commitment. Thus, most companies have gone through cycles of process redesign and change, and will do so again. In effect, they see business process management as a means of curing specific problems or of making specific, incremental improvements. Most companies don't see process as a management philosophy and a way to organize the company. Most companies are still organized around functional departments and have only begun to consider how to use process managers. Only a few executives have actually embraced business process management as a way to manage their companies. We don't expect a dramatic change in this area in 2006. There will be lots of process improvement projects, but only a few companies will realize the benefits that a comprehensive commitment to BPM provides. In this area, even though we have been working at process change for about two decades, we are still in the Early Adopter phase.

The most exciting technology in this area involves the use of business process frameworks, like SCOR and eTOM, that can be used to quickly analyze and redesign processes. The use of frameworks is still in the Innovator phase, but there is lots of potential there and, with luck, 2006 will witness real growth in the use of frameworks. The widespread use of business process frameworks would make it much easier for companies to develop comprehensive process architectures and that, in turn, would make it easier for companies to increase their emphasis on process performance measures.

Another development of considerable importance is the rather rapid transition that is taking place is Six Sigma. Many vendors already refer to Six Sigma as Lean Six Sigma, and Six Sigma vendors have been showing up at BPM shows and participating in seminars on SCOR and business process frameworks. Clearly, Six Sigma, which is now about a decade old, is undergoing a renaissance and reaching out to become a more comprehensive approach, which will surely benefit everyone involved in the process change arena.

Automating the Management of Processes

The second important area of BPM involves the use of software tools to automate the management of processes. The products that define this area are usually termed BPM Systems or Suites. They incorporate technologies that have previously been called Workflow and Enterprise Application Integration (EAI) and they propose to combine them with the latest Internet techniques (e.g. XML and SOA). It is the BPMS/SOA portion of the overall BPM market that is getting the most attention and will likely lead to the most change in the next few years. Clearly, this technology is somewhere between the Innovation and Early Adopter phase. There are still lots of small vendors competing and the rhetoric is still pretty technical. The large vendors like IBM, Microsoft, and SAP are active, but they have yet to really commit their considerable resources. Standards work is underway, but the needed standards aren't available yet. Thus, the activity in this area in 2006 will be rather similar to that in 2005. There have been some acquisitions and a couple of dropouts, but the market is still focused on technology, on creating early applications that can establish real benefits for the BPMS approach, and on figuring out how to create integrated, easy-to-use packages that a Majority company might want to purchase.

One of the complexities of the BPMS market lies in the comprehensive nature of the BPMS vision. It's conceivable, if BPMS can deliver on its promise, that worldwide processes, like global supply chains, will be managed by BPMS tools that will not only facilitate rapid changes in the processes, but will organize the companies ERP applications more effectively, while also providing senior managers with comprehensive, real-time monitoring. The scope of this vision suggests just how complex the products are going to have to be if they are really going to scale to handle these kinds of processes. At the same time, it suggests that many of the established vendors - Process Modeling vendors, Workflow vendors, EAI vendors, ERP and CRM vendors, Rules vendors, BI vendors and Data Warehouse vendors - will all need to figure out how to play together in this arena if successful products are to be brought to market. Indeed, it is possible that the real market will be an industry specific market, rather than a generic process market, since it may prove to be easier to integrate all the elements for an industry than to arrive at a generic, universal BPMS solution.

The bottom line: 2006 is going to be an interesting year for BPMS, but largely a rerun of 2005. It will be a growth year with lots of innovation. We are in transition from an Innovators market to an Early Adopters market and everyone will be trying to make a business case. At the same time, however, as so many different technologies are involved, some of them very new, like SOA, and others established, like ERP, we will continue to see lots of attention focused on technology issues. And, companies will continue to sort out the appropriate roles for each of these different technologies, and good business cases will continue to be hard to find.

There will be lots of BPM conferences and lots of articles on BPM's considerable potential. Some vendors will depart but more will join. The major companies will continue to try to figure out exactly how to put everything together. We're still on the left side of Moore's curve, gaining momentum as we approach the chasm. We won't cross it in 2006, but as the market continues to grow we will likely be ready to leap across the chasm in 2007 or 2008.

Paul Harmon
Celia Wolf

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