

BAHWAN CYBERTEK



Executing successful BPM strategy in a recessionary economic environment

"Are you discouraged by the high cost of BPMT Pilot Projects? Is the current economic downturn forcing you to postpone your BPM implementations, thus casting a doubt on your future competitiveness? Are you unable to afford the expensive BPM Products and Services to get started on your BPM initiatives?"



About the Author

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1. Introduction

The paper talks about how we can pursue a successful BPM strategy despite the pressures of the current economic environment. The paper covers the future of BPM technology, the current industry trends and the effect of downturn and discusses strategies to leverage the current environment to organizational advantage.

2. Background

One of the greatest strength of an organization in today's dynamic economic environment is to not only adapt to the changing circumstances but also exploit any change in the environment to its advantage, so as stay ahead of the competition. It is not a surprise that many of the today's great organizations such as Johnson and Johnson, Adobe, Intel, Microsoft and many such others were born in the worst economic times of the century. Very often an economic downturn offers us a chance to introspect and look back on our existing business and technology strategies and make some important optimizations, which can lead to superior results in the long run. I believe that the current downturn offers exactly such an opportunity and we will discuss the same from Business Process Management Systems perspective.

3. BPM Market Evolution

If we would care to go back to the middle of 2008, the BPMS market was the second fastest growing market in the middleware segment, with compounded annual growth rate of more than 24% and a projected market size of 5 to 6 Billion USD by 2011. We also saw a rapid consolidation of BPM players from approximately 150 in 2006 to around 27 in 2007. These numbers are probably not accurate because of the way Gartner classifies the BPM vendors and defines a BPM product suite, but they do a great job in explaining the general trend.



3.1 Previous market predictions

The above projections never took into consideration the current economic downturn and hence it can be assumed that most of these predictions and forecasts will be dramatically revised in the coming months. Especially the following predictions are highly relevant to our topic of discussion and need a thorough analysis.

- In the September 2008 Gartner BPMS summit at Washington DC, Gartner predicted that BPM technology was undergoing the "Hype Cycle" at current and forecasted that a "technology disappointment" cycle was about to start around the first half of 2009. The cycle would last for over a year and after going through a "Trough", the BPM technology would mature towards 2010 and 2011 to become a well known proved and mature technology.

- Gartner also predicted that BPM, BI and Portal technologies would ultimately merge in the near future. With enough innovation on Web 2.0 platforms and Model Driven BPM execution, the product stack would attain simplicity, maturity and standardization in the forthcoming years.
- Gartner also expected further vendor consolidation and a net reduction in the vendors offering BPM products mostly due to enhanced Merger and Acquisition activity. The small niche players with a respectable client list would be ideal acquisitions for the larger more established technology companies to enhance their product and client portfolios.

3.2 New Market Realities

As we can very well understand the current economic realities are going to distort many of the assumptions underlying the future BPM market evolution. While no one has come forward with reliable research on where the market is headed and how it will affect the customers and vendors, probably we can take the liberty of speculating on several fronts without losing our sanity.

- In the current economic environment, most of the businesses are cutting cost, wherever possible, to meet their bottom line objectives. This will most probably distort the technology adoption cycle for BPM products. As fewer businesses invest in the BPM technology pilot projects and delay investments in general, probably the BPM disappointment cycle will get delayed. The main consequence of this delay would be a slower acceptance of the technology and hence delay in maturity and standardization.
- Less revenue also means less R&D investment by the BPM vendors, and hence the BPM, BI, Web 2.0 merger would get delayed as well. BPM vendors would rather cut cost and focus on maintaining profitability, by keeping changes to a minimum and spending their precious dollars on marketing and sales. There will definitely be exceptions but overall it would not be sane to expect high R&D investments going into BPM technologies when the customers are not signing PO's.
- While in a successful economy, consolidation decreases the number of competitors, the decrease may come from an entirely different reason in the downturn. It would be safe to assume that a few pure play BPM vendors will find it difficult to sustain business in this environment. There is a real possibility of many pure play BPM vendors closing shop and selling themselves off to a larger competitor at dirt cheap prices as businesses cut cost to the bone. So consolidation may in fact speed up despite a merger and acquisition ice age.

3.3 Winners, Losers and the Customer

- From the above discussions what can be naturally inferred is that at the end of the current downturn, there is a high probability that the only BPM vendors left intact will be the large companies with deep pockets and a very few pure-play BPM vendors who have a deep enough niche in specific areas to survive the ice age. For instance companies like Oracle, SAP and IBM will not have any problems surviving the downturn but many of the very innovative small pure play BPM companies could disappear by the end of 2009. (For obvious reasons we would rather not name them).
- This scenario does not help the cost conscious customers since the smaller players are usually more flexible on the cost as well as more receptive to customer concerns and feedback. In the past the smaller BPM players have been very successful due to their strategic partnership with the clients whereby the vendors have gone out of the way to build features and pre-packaged workflows, specific to a niche domain. This cost and feature flexibility would vanish if the smaller players disappear.
- However the downturn has provided some of the medium sized technology players in the industry (Such as Bahwan CyberTek Inc, with its CUECENT brand of products) a chance to rapidly mature their BPM product offerings. Their low outsourced product development structures, high engineering quality (Such as CMM Level V) and broad market reach combined with a healthy cash situation

provides the customers a much needed option. Especially as BPM standards mature and the product becomes more a commodity, these players will provide the customers a low cost reliable option to the premium priced solutions from the likes of Oracle and TIBCO.

4. Realities – The Dollars matters

Various studies indicate that a BPM pilot project could easily cost the customer anywhere from \$200,000 to \$850,000 in software licensing costs. If you do not possess in-house BPM skills, you may also have to leverage at least three vendor consultants working for six month to complete a BPMT pilot project, at an average cost of \$200 per hour, amounting to approximately \$500,000 in total services cost. Thus a complete pilot project could cost you anywhere from \$700,000 to \$1.35 Million using a very conservative estimate. (We have not included several other costs here for instance hardware, Operating Systems, Application Servers, System Administration, Maintenance and support, Infrastructure etc)

In today's economic environment, for most medium sized businesses (And even large sized businesses if you have taken a bailout package from the congress!) justifying \$1.3 million for a pilot project to prove the benefits of BPM projects will be a hard sell. In such a case what are our options? Obviously, postponing the BPM initiative would be a bad choice since you would lose the learning and will be left far behind on technology leadership. What is suggested is to find a cheaper option to get started and then wait for the better times before you decide to pursue the premium products, which require millions of dollars of investments. Below we list some of the options that may work for you in pursuing an affordable BPM strategy.



4.1 Negotiations

Chances are today most of the vendors are open to price based negotiations. If you negotiate hard enough, not only should it be possible to get large discounts to the extent of 50% to 60% on the original licensing prices, but you could also make them provide you the first 4 CPU production licenses entirely free of cost, enough for you to complete your pilot project over next six months. You however will not be able to negotiate much on the services which can range anywhere above \$200 per hour.

You should also be careful while negotiating the prices since usually an ESB license would be much expensive (\$70,000 to \$120,000 per CPU) while a BPM deployment may cost you much lower (\$50,000 to \$30,000 per CPU). Of course there are vendors in the market which price their products very differently then what we talked about in the above statement. You should also realize that you will not be able to exploit the BPM technology fully without tying it with SOA architecture and hence it would be helpful to negotiate for licenses which can enable you to build a complete project with a SAO backend and a BPM frontend. It is often misleadingly believed that SOA is applicable only for humongous sized projects while the fact is that a small departmental project leveraging SOA/BPM architecture makes a lot of sense as long as the license cost is kept to an affordable extent.

You also have to be careful about the vendor's future. Will the vendor survive, will he get bought up by another competitor who may or may not retain the particular software you are working on. Even a reputed billion dollar company like BEA Systems can be gobbled up overnight by giants like Oracle, so you need to think from that perspective. Public companies with a bad balance sheet may pose a greater risk than private companies, but even in private companies, the ones financed by ventures may be at a high risk of

missing the next round of funding. While companies like Oracle, IBM and Software AG would be a safe bet, they probably would not be interested in wasting their precious time negotiating a \$30,000 deal.

4.2 Open Source

Open source architecture such as JBoss/Intalio/Linux combination will be an ideal low cost strategy to learn the technology. If your organization does not have any restrictions against using the open source software, this may be your best alternative to get started. You need to understand however that once you complete your project, the code is not freely portable to a different BPM product. Much tweaking is needed and sometimes you may also have to do some major alterations before you port the software to a different server. (Probably this is going to true across all BPM products)

So far open source technology has not really caught up in the BPM space and if you are not the innovator type and want to play it safe you may want to carefully rethink this option. Also the services part of the deal will probably be a question.

4.3 New Players

The new medium sized diversified technology products and services companies (Such as CUECENT BPMS from Bahwan CyberTek) are a third interesting option. These companies have deep pockets and global presence and are going to be a long term player irrespective of the market. So from the stability and survival perspective they are similar to Oracle, IBM and Software AG.

On the other hand, they offer their entire BPM product suite upfront without any user licensing, providing you a full product suite at no upfront cost. Their pricing is production CPU based and is typically 10% to 20% of the comparable competitors. Also these companies employ thousands of consultants across the globe and can provide you BPM services at 50% of the industry cost. Further you could restrict their services to architecture guidance and training only, thus reducing your service cost considerably. And nobody has said that you cannot negotiate with them and get a few production licenses free of cost for your pilot deployment.

Further Products like CUECENT BPMS come with default platform certifications on JBoss and Linux and hence could help you execute a highly reliable, effective and affordable BPM strategy.

5. Recommendations

5.1 Organizational Preferences and Policies

It is recommended that you look on your organization preferences and your available budgets and resources before you start chalking out a BPM strategy. If your organization has some strict rules of working with only preferred vendors and not working with open source technologies, you will have to understand how to work around those policies or restrict your choices. It is recommended to encourage decision makers to shift their preferences since already many large businesses have considerably shifted their stands and are enthusiastically accepting open source and low cost alternatives.

5.2 When to start

Postponing a BPM Pilot is not advised. Instead, it is recommended that we complete a pilot on a low cost and demonstrate the strategic and tactical value of the new technology and architecture. In the near future, if the economic scenario improves considerably, we do not want to waste our time trying to understand the technology and wait for senior management acceptance, rather, to stay ahead of the

game, we need to utilize the present, to improve our understanding of the technology and get senior management buy-in.

5.3 Selecting BPM Vendor

The first step is deciding the BPM vendor to work with. Since BPM is a considerably mature standards based technology, it is highly recommended to be flexible and work with the vendors who can provide you the best deal to get started. Once you get hold of the BPM technology you can always shift to another vendor for larger deployments. Especially if you are building a departmental or divisional application, leveraging products like TIBCO could be overkill. A little research would easily uncover the fact that even decent and less known BPM/SOA products have already been leveraged in very large sized projects with tremendous success.

5.4 Negotiations

It is possible to negotiate deals with existing vendors to get a highly discounted price or even free production licenses for your pilot project. This could easily save you up to \$200 K in upfront investments. Some vendors still have user based licensing which requires you to invest some money to get started and limits the number of people who can get involved in the projects. It makes more sense to approach a vendor who has production CPU based licensing and provides the entire product suite free of cost for development. (Some SAAS based vendors do have a low pricing and are affordable too). Beware of free downloads since most free downloads only provide you a portion of the BPM stack, especially the BPMN Modelers are provided as a free download by many vendors.

5.5 Professional Services

Some products are fairly complex to deploy and configure and need very high priced professional services, ranging anywhere from \$200 to \$350 an hour, to get you started. It may be sensible to avoid these products to get started. It would be wiser to start with simpler products and negotiate product specialist services at less than \$150 an hour. The bottom line is, if it takes a vendor consultant two months to set up the product for you, at a \$350 per hour cost, either you are from an oil company with trillions of spare dollars, or you haven't done enough research and haven't chosen a simple enough product to get started with.

5.6 Training and Architecture guidance

Use vendor professional services only for employee training and architectural guidance. Try not to use the vendor consultants for project development. In today's economic environment there should be enough talent available in the market, ready to learn on the job and provide you excellent results at a standard \$75 an hour rate. Anyway, it is always better to train employees and build in-house strength even if it slows down the project a bit. The long term benefits of training your employees will far outweighs any delays in getting started.

5.7 Leveraging jBoss/Linux/CUECENT

If possible at all try to make a case for a jBoss/Linux based development and production deployment. Products like CUECENT BPMS (www.cuecent.com) were built for such combinations and hence are extremely popular in the emerging market due to their less expensive footprint. Once the project is in production for a couple of month, it will be real straightforward to compile the cost savings, compared to a Solaris/WebLogic based deployment using expensive products like Oracle and TIBCO. On top when you add the revenue effects or strategic advantages of the new project, it will be a compelling case for senior management to seriously consider BPM as there next technology step.

5.8 Leveraging Enterprise Service Bus

As mentioned before, plan for a complete SOA/BPM architecture based pilot project and negotiate for adequate licensing so as to be able to put this project in production. Do not assume that an ESB should be leveraged only for very large projects with millions of transactions per minute. Instead leverage ESB architecture as early as possible in your BPMT pilot project. Remember multiple ESB's (From diverse vendors) can be hooked together easily, providing you a "Cloud Computing Model", and the entire hookup is transparent to any applications using the cloud. Once you have completed one or more BPMT projects, you should not hesitate to go to production with the current vendor if the vendor fulfills all your needs.

5.9 Introspection and next steps

By the end of 2009 we will have enough understanding of the BPM vendors to make a good judgment call. At the worst case, we may have to shift to a more stable product but we believe that the customization cost will not be very high if the existing models have been built on BPMN standards and if the existing vendors ESB supports the standards. Remember BPM and SOA is all about enterprise integration so it is highly unlikely that you will create another silo by being with a different vendor.

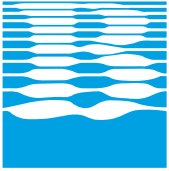
6. Conclusion

Since majority of the organizations are still on an early phase of the BPM maturity lifecycle, it is recommended not to jump into the final vendor decisions too early in your BPM strategy. It will be far more beneficial to work with some low cost high value products from friendly vendors who can act more like a partner than a software vendor. In the beginning, keeping your project costs extremely low and affordable is critical for the success of the projects in the current downturn. As the technology grows and matures, you will have attained better understanding of the technology and the market will have cleared enough, for you to make the right decisions.

We believe that if the above recommendations are strictly followed and consulting costs are kept considerably low by engaging the vendor only for architectural advice and employee training, it should be possible to cut your pilot projects cost by as much as 80%. And more than anything it should be possible to get started on the pilot with zero upfront investment. (You should be paying your licensing cost after 6 to 9 months of development, only when you decide to go into production!)

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