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An Audience with... Thomas J. Olbrich

Theo Priestley, Editor-in-Chief at BPM Redux recently spoke with the co-founder of taraneon Consulting Group, Thomas J. Olbrich about the state of the BPM industry, why users need to prepare for process management and the impact of cloud and mobile apps.

Theo Priestley: 2009 was seen as a fairly turbulent for most but towards the end year many kicked off major change programs focused on process transformation. How do you expect 2010 will unfold for the BPM industry generally and for BPM Vendors and Consultants ?

Thomas J. Olbrich: Let's start with the companies that need to reduce costs, increase efficiency and are looking to achieve that by changing their processes. They have undoubtedly understood that its through their business processes that they either lose money or stand to gain market share. We recently reported that at one large European company, IT costs ran to about 2% of annual turnover whereas process costs ran to a staggering 40%. With this being one of the market leaders, you can only guess at the potential for cost savings at their competitors. What this means is that if you need to reduce costs, you need to focus on processes as the IT budget has already been squeezed to the last drop.

But what we are also seeing at the moment is that many change programs seem to have been set up on a basis of change for change sake. The uncertainty in many industries and enterprises about where they are heading in the next couple of years doesn't really provide a stable target to aim for. So the question is, are companies changing their processes based on the current economic and market situation or with an assumed future situation in mind. Unfortunately, many program managers we talk to have neither been given clear guidance by management nor are they able to accurately predict how the process changes they are implementing will hold up under changing market conditions.

“Many companies which still regard BPM as a one-step activity will have to do it all over again in 2011.”

So, while making changes to processes is inevitable, companies are also running a big risk: If they continue to view change programs as a one step solution to creating business and financial stability and ignore their processes once they've been implemented - as many have in the past - they'll be in for a big shock in 2011 when they will have to do it all over again.

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The second risk they are running is that they are putting the change emphasis purely on the projects and are finding out too late what happens when a new process meets an unprepared organisation. Leaving the IT-oriented user training aside, process change almost always implies a reorientation for the employees and a time to adjust to the new processes. Sadly, this business readiness aspect is all too often neglected in favour of pure process readiness. What I think we will see in 2010 is a massive and unplanned strain on budgets from having to 'sell' the process changes to the staff and getting the new processes to work for the organisation.

This is where BPM comes in as a management task to continually adjust processes to business and customer requirements, to manage efficient resource allocation and to repeatedly evaluate the impact of change. When you look at BPM in this way you quickly realize that you need process managers you can hold accountable for the performance of their processes and that you need to empower them to make the necessary adjustments and changes.

What does this mean for the BPM industry in 2010? I don't want to sound too sceptical but while I think sales of BPM tools will continue to rise this year and demand for process analysts and process modelling experts is certainly increasing, I also think 2010 and 2011 will be a make or break period for the industry, especially the pure-play vendors. The current BPM offerings are a double-edged sword: On the one hand they can provide terrific short- and long-term benefits to an organisation that is both process-aware and has a process management strategy, on the other hand it can be reduced to simply automating processes and transactions between applications which does nothing for the business - aside from creating another IT-silo and removing process visibility. I fear that when companies look back on what they will have actually achieved in 2010 through BPM systems, many will experience frustration and will look to other solutions in the future, simply because they were unprepared for BPM.

The fact is that what customers really want to solve are their business problems. BPM products which focus on IT processes will hardly be able to create the desired effect – though this is not only the fault of the vendors alone. Managing processes is a complex task for which you need competent staff and experienced management. If you haven't done your homework in that direction you'll hardly be able to achieve your goals through an automation strategy.

If their biggest selling point is BPEL and BPMN compatibility, you do start to wonder about the business benefits to the customer.

Having said that, many of the BPM vendors have not helped things along either. If their biggest selling point is BPEL and BPMN compatibility, you start to wonder about the business benefits. This also goes back to what I mentioned about the difference between projects and operating a process and the focus on process operation costs. The ability to generate a workflow from a process design

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model at the press of a button might help reduce the costs of a project to a very small extent and even that is debatable, but there's no impact on the lifecycle and operation cost of a process.

Do you expect clients to alter their buying criteria as a result of the downturn and concentrate on initial cost first rather than ROI or the need for BPM itself to support strategy ?

There are certainly clients who need to get their costs down as soon as possible to stay afloat and survive. Putting them through a typical time consuming and expensive BPM project that promises long-term benefits hardly seems like the right way forward. What they need is the certainty that changes provide the necessary short-time improvements. For many, this is not the time to invest in large-scale, next-generation solutions or to start trail and error projects, it's the time to identify which initiative will reliably have which bottom-line impact. While automating the mortgage approval process and reducing process time from 30 days to 2 days is great by itself, the business impact is small when seen in relation to falling mortgage applications.

Other companies – while not faced with the question of survival but still needing to adapt to the new economic realities – are more willing to look towards BPM as a long-term investment. Among those, there are two different types of BPM users, those that see BPM in terms of process automation and IT and those that see the link between business strategy and business processes. This second group, typically the more successful of the two, tends to focus on organisational improvements and continuous change while the first group is more likely to look at the cost and ROI issues for isolated process solutions – which is where BPM vendors have in the past felt their market really lies.

Forrester recently said they'll be turning to the process professionals more in 2010 and Gartner's Magic Quadrant underwent a makeover in how they approached their analysis last year. Do you still see a need for the kind of research which is perceived to be vendor led given the rise of independent professional blogs and insights ?

That's a tough one to answer as I don't think that it's an either/or issue. The folks at Gartner, Forrester and the other big market analysts possess and provide a lot of experience plus they get to see and compare a vast variety of products. The independents and the blogosphere in general tend to share their expertise from a more personal perspective and more from having experienced products from a users point of view. Their disadvantage is that you never really know who is saying what for which reason. Does a blogger have an undisclosed vested interest in writing something

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about a product or is he really sharing something out of sheer kindness with no ulterior motivation?

As a customer I'd like to have the best of both worlds: to have professional researchers provide the market overview and in addition look to the independents for the details, practical experience and the daily business issues.

The reason why the big market researchers have taken a beating in recent months from the BPM community in general is that few seem to have seen and understood the 2-sided business model – being paid to do research by the vendors and selling the results to the clients. I don't think that this invalidates their research in any way, but you have to understand that analysts are a part of the market and need to sell their services.

What's taraneon's definition and philosophy for BPM ?

First of all, the M is for management. It's not A for automation and even less for administration.

With that in mind, we at taraneon regard processes as the means to create or destroy business value. A good process is one which efficiently as possible addresses the customers needs, regardless of whether it's an external or an internal customer. The importance of a process to the value creation and thereby the business proposition plus the often unpredictable changes in customer and market requirements implies that you should not let your processes run their course unattended.

Business value is created through processes, so how can you even think about leaving them unattended?

This is where BPM comes in as a management discipline to monitor, evaluate, change and lead processes through which the business strategy is implemented, risk reduced and a maximum of efficiency and effectiveness maintained. Companies have to contend with a multitude of different processes, each making different demands on management and posing different risks of failure or underperformance to the business. And with all processes being connected to each other through employees, IT applications etc., process managers require IT support to stay on top of their processes. These applications are what we call BPM Systems, IT-based solutions which support – but do not replace – process management.

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There's a rumour going round about a new service taraneon will shortly be launching. Can you tell us more about it ?

It's true that there's a lot of excitement at taraneon at the moment, but we're not letting the cat out of the bag quite yet. It's something I've carried around with me for some years and which my co-founder at taraneon, Dr. Norbert Kaiser has managed to turn from vision into reality. We've bounced this thing off a number of people from around the globe and they seem to be even more excited about it than we are.

I must confess that even with our 20 odd year experience in process management, this 'thing' is something we're very proud of and very excited about and will be sure to benefit BPM users and vendors alike. I promise you that bpmredux will be the first to know what it's all about. So folks, stay tuned and watch this space for more in the coming weeks.

The BPM Nexus is an interesting community led forum. Can you tell us more where the idea came from and how successful has it been in fostering a collaborative base ?

The Nexus which you can find at - www.bpmnexus.com - has now been in existence for about ten months having been started in April 2009 by Theo Priestley - 'The Process Maverick'. In that time we have moved from being a couple of guys wanting to do 'something' about shaking up the BPM world, into a 600+ strong force of BPM-focused people from virtually all points of the globe. As I look through the membership list now I see members from the Netherlands, UK, US, Germany, India, Australia, Belgium, Rumania, Russia and Denmark to name but a few.

The group was created to try and shake up the BPM world as it exists today. A lot of BPM innovations are vendor driven and are not particularly innovative. In fact a lot of them are incremental increases on the previous work. Theo originally had the idea that we should be looking at this from a completely different point of view and defining a vendor-agnostic manifesto of BPM, similar to the one that was being created at the time for Cloud Computing.

The result of this was the BPM Accord which is a document currently being created to form the backbone of the manifesto in question. Version 1 of this will be released in 2010 and will allow BPM practitioners to have a totally impartial view of the state of BPM and the way forward for the capability.

But that's not all we do at the Nexus. Currently our 600+ members have an active discussion forum where topics such as "Is LEAN the new Green?", "BPM success stories: the highs, the lows, the lessons learned" and "BPM as a Continuous Process Management tool" are generating interesting discussions. Remember our membership is made up of BPM practitioners, vendors,

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academics, consultants, developers and recruiters so the views are wide ranging and interesting – as well as free of any sales or advertising pitches. Although the BPM committee - which includes Dominic Hart, Gary Comerford and myself - keeps an eye on what's happening, our community has quickly developed a healthy culture of debate.

The beauty of something like this is that it is a melting pot of ideas for BPM and process work in general. We have a lot of talented members with different viewpoints and experiences and this makes the end result particularly interesting and useful.

With a growing number of Cloud and Social Platform enabled BPM tools and services coming onto the market how do you see the vendor and consulting space shaping up in the next 2 years ?

I know that I'm in a minority on the Cloud topic as I'm doubtful if it's taking the business where it wants and needs to be taken. If you were to restrict your view to the IT and network budget, Cloud makes a lot of sense especially as far as high volume, mass market oriented and stable processes are concerned. On the other hand, if you regard your processes as a strategic asset and want to retain the ability to continuously change your key processes as part of the daily process management routine, Cloud might currently prove to be more limiting than you bargained for.

The second more down to earth problem some of our clients are facing is that they have no real idea on what their processes are, how they work and how they are run. There are a number of studies available which show that up to 40% of project time is spent on process discovery. So while Cloud sounds tempting, many potential cloud users would have to do an awful amount of work before even being able to evaluate the cloud business proposition.

The other as yet unresolved issue is that of security. While there are a couple of secure cloud solutions floating around, my impression is that none of them has as yet really convinced the market.

IDS have released ARIS Express recently, a free version of their ARIS Professional modeling tool. Do you see a growing trend for BPM vendors to release free versions of their higher end products ?

There's certainly a lot of free stuff available and some of it is quite good too. I think we're beginning to see some new business models emerging, away from the 'let's sell a product' approach towards a

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'let's sell a service', though you have to look at the individual product categories to see the changes that are slowly emerging.

Process modeling tools have become a commodity and over the past 15 years every major customer working on processes has bought licences from one vendor or another. In that sense, the market has reached a plateau. What IDS is doing with ARIS Express is really rather clever. They are bridging the gap between tools like Visio - which no one has ever regarded as a BPM tool, though it was used for those purposes - and their ARIS suite by providing something similar for free. At the same time they are leaving the door open to selling process templates and reference models which the users can then change with their free ARIS Express tool.

The market for process management solutions is changing as well. What Jon Pyke started with the Process Factory some years ago and what Cordys under his guidance has put on the market is really a very different business model for a BPM solution. Do customers actually want the IT or do they just want the capabilities and results? And the way things are looking at the moment, using cloud based process functionalities without having to invest in IT – meaning you get the IT for free – must be very tempting for a lot of companies. On the other hand, ASP was on everyones lips 10 years ago and never really got off the ground.

The mobile platform has taken off and a growing number of vendors are joining the ranks to develop for the Apple, Blackberry and Android platforms. Do you see a future for BPM in this area ?

I can still recall the jokes we cracked when at the height of the e-business wave one of the major process modeling vendors developed an application to view process models on mobile phones. But of course with todays smartphones with their larger screens and the available network capacity it is a different proposition. I'm still not sure though if I see apps as directly benefitting BPM. At the moment it's more of a distribution mechanism to make tasks available to process workers outside the office setting. But management of processes via apps? I have my doubts.

There were two notable acquisitions last year, IBM and Lombardi and Software AG and IDS-Scheer and now Progress and Savvion in January. Do you think there will be more M&A activity in 2010 across the BPM space and do you think this will improve BPM solutions on offer or weaken the market ?

To be honest, there are not too many vendors left in the market so the M&A activities will probably involve other product categories and vendors from outside the 'traditional' BPM industry.

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I think the closest to BPM you will find still are the BI vendors and I can certainly see some of them being taken over by the larger BPM vendors to focus on process intelligence.

But what I'm really expecting to see in the next couple of years are some of the major telecoms entering the BPM market as process providers. They have the technology, they have the network capacity, the experience of running highly automated processes and best of all, with the economies of scale available, process costs could go down significantly. Were this to happen, BPM as a product market would simply evaporate. True, telecoms and process quality have seldom gone hand in hand in the past but the opportunity for them is there.

What's the next big step you'd like to see in BPM, whether as a business discipline or technology?

Let's start with the technology aspect. Rather than thinking up BPM innovations just for the sake of it, I'd like to see the vendors come up with their own BPM story and sort out and structure their products and components accordingly. The market is in a complete mess at the moment. Anything that could in some way be tied to processes has been given the BPM label. A modeling tool which may be used during a change project is suddenly a process management tool. What makes it worse is that many vendors actually believe that to be true. The industry as a whole is still to a large extent suffering from the 'because we can' syndrome. If they really want to provide meaningful solutions to the customers, they'll have to start moving towards a 'because they need it' approach. The implications of that approach would be massive if you just look at the BPM stack that so many vendors still seem to favour. But I'm optimistic that the vendors can and will change. The IBM/Lombardi acquisition is a step in that direction in that IBM is slowly starting to build a portfolio of different solutions addressing different settings and requirements. And if IBM and to some extent Oracle have woken up to the fact that fewer customers are prepared to buy ERP systems in disguise to support a management task then it's only a question of time until other vendors follow suite.

From a management and business perspective there's no beating around the bush. Either develop a good understanding of your processes, their mechanisms and how they can be managed on a daily and with strategic intent, or start facing up to the fact that you're doomed to reengineer your organisation once a year just to keep up with your competitors. If it's true that many markets are becoming more and more unpredictable you need to stay on top of your processes. Just look at how Cisco is currently shaking up the public utility market with their smart grid experience. All it takes is a set of well designed and well managed processes and off you go to new markets.

The second and probably just as important step I'd like to see is the mapping of internal processes to customer processes. We are still very much focussed on optimizing internal capabilities and

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efficiencies whereas the real benchmark is the customer. Just as we have a sales process the customer has a purchasing process – which is an unknown quantity for many companies. Few can actually say how a change in an internal process will affect the customer process and even fewer are changing their processes because of changing customer processes. I think it's inevitable that sooner or later the customer moves from the far end of the process model to the center – and that's when the real fun part of process management begins.

Finally, what next for Thomas Olbrich ?

The main focus at the moment is the new service which we're taking to customers around the world. Other than that we'll keep on addressing the process-awareness and mindset issue through our taraneon training programmes as staffs' understanding how they work and why they do the tasks they're asked to do can be more beneficial to the employer than most BPM technologies. You'll have heard me say this before, but to my mind BPM is much more an intellectual and organisational challenge than a technological challenge. So naturally, that is where we at taraneon are committed to supporting our clients.

BPM is an intellectual and business challenge and that's is where taraneon is committed to supporting our clients?

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www.taraneon.de
contact@taraneon.de

taraneon Consulting Group
Office Frankfurt. An den Bergen 29 D. 60437 Frankfurt am Main, Deutschland. +49 (0) 6101 3079-80
Office Saarbruecken. Pfaffenkopfstrasse 21M. 66125 Saarbruecken, Deutschland. +49 (0) 6897 77809-60
