Is BPM ready for the Cloud

Confusion squared

BPM has multiple definitions, which was discussed in What Hat are You Wearing, and Cloud appears to mean anything which is accessed via the internet, unless it is Private Cloud and then it seems to be anything..... internet, intranet, WAN or even LAN.

So let’s get some definitions sorted first. They may not be the definitions that everyone agrees on, but they will set the scope for the discussion here.

Definitions (do not skip this)

BPM: a business process management application which documents and executes a business process (eg Order to Cash, Idea to Product). By execute, I mean the process, which has both manual and automated activities, is accessed by an end user to get their job done. Examples of BPM applications (not necessarily Cloud) are Pegasystems Smart BPM, Global36 Process360, Software AG ARIS & Nimbus Control.

Cloud App: I mean an application and data that is not hosted by the client but by a 3rd party and is accessed over the internet. If you want to be a purist I would say that there is no local application installed on the client device apart from a browser, but that is not always practical for a range of reasons: access when no internet connectivity; using mobile devices; data back-up.

A confusion that reigned at a recent event where I was on the Cloud panel was that people were talking about Processes in the Cloud in which they also included a 3rd party delivering the processes on behalf of the client. An example would be Paying staff payroll or Cash collection against invoices. I would describe this as BPO (Business Process Outsourcing). Confusion cubed.

The potential for BPM in the Cloud

So definitions set, what is the potential for BPM in the Cloud?

Certainly the CIO in any organisation is looking at Cloud applications to be able to manage down cost, move CapEx spend to OpEx and potentially eliminate the hassle of running applications. But none of these decisions are made without taking a hard look at the risks and assessing the potential migration cost.

Business leaders see Cloud Computing as a way of circumventing the IT logjam and getting ‘stuff done’. This is being done with or without the permission or even knowledge of the CIO. This is something I have coined the Stealth Cloud and am speaking about regularly at conferences such as the IT Directors Forum.

So what are the risks? The list of questions that need to be considered is long – in fact runs to 94 pages in my book Thinking of.. Buying a Cloud Solution? Ask the Smart Questions. So not a fun read but nevertheless critical!!! And the questions aren’t all technical. In fact many of them are business and cultural. The technical questions can probably be answered more easily.
Is BPM ready for the Cloud

So here are some of the question areas:

- **Why are we considering Cloud Computing?** These are questions around the benefits and opportunities that are achievable. What is motivating you?
- **What do we need from the service?** These are about your organization’s business and technical needs. Are there opportunity-led business benefits or is this simple cost reduction?
- **What are the costs?** Where are the internal costs of implementing Cloud Computing? What infrastructure upgrades, training costs, migration and licensing.
- **What are the external barriers?** There will be external limitations; legal, contractual, or physical such as infrastructure upgrades that will need to be addressed. Some may be deal-breakers.
- **Are we ready internally?** What are all the activities that need to happen to fully exploit Cloud Computing? Is the organization in a position, emotionally, financially and technically, to implement Cloud Computing?

Then there are a raft of questions about selecting a Cloud vendor which goes way beyond the vendor validation you would need to perform for an on-premise vendor.

**The future is already here**

Some say that the future is already here, but it is unevenly distributed.

By that we mean that if you look around you can find examples of any new innovation being used in anger, delivering business benefits, it’s just that not everyone is using it. A recent survey by Information Age highlighted the top 10 Cloud Computing systems. What is interesting is that they are currently all 100% hosted. None of them has any locally installed software.

But the UK certainly does not have decent enough wifi and 3G coverage to make 100% hosted a possibility for mobile workers. I am on a train into London writing this and I have had a decent phone signal for less than 20% of the journey. Now clearly this is going to change over time and each country is at a different level of maturity.

Whilst 100% hosted may be the best route for some systems, and is certainly the ideal answer for a consumer system, it is not necessarily best for an enterprise customer. They may require the local processing power of a PC for some analytical or reporting, but also the system needs to recognize when users are not connected and allow them to continue working, albeit with slightly reduced functionality.

**But what of BPM in the Cloud?**

There are now a large number of vendors who have a Cloud based offering. Many of them pre-date the Cloud. Nimbus Control’s User-Centric Process Management application has been available and used as a hosted offering for over 5 years. The service was originally branded JumpStart as it was expected that it would be used for early stage pilots. But it became very rapidly obvious that clients wanted to use the service longer term for full production, or at least for several years until they had their own infrastructure in place. The roster of over 100 clients who have used the Nimbus Cloud is impressive; Cognos, SAP, Nestlé and Carphone
Is BPM ready for the Cloud

Warehouse..... And many of these are still using it every day. For example Carphone Warehouse have recorded a series of very compelling videos.

Other examples are more workflow or document centric BPM vendors who have launched Cloud offerings are Pega, who are leaders in Gartner’s BPMS Magic Quadrant, and Vitria. Lombardi, recently bought by IBM, has had a Cloud based modelling tool for a couple of years, but their BPMS engine is still on-premise, but with IBM’s support for Cloud it is only a matter of time.

And if the Cloud is written about Salesforce.com is inevitably referenced. In the BPM context they have just acquired Informavores which is a workflow product which enables Salesforce.com transactions to be strung together which has been rebranded Visual Process Manager.

What this means for clients

BPM and Cloud has a place in the technical architecture of many companies, but only once the non-technical issues have been resolved. And you should look for benefits in terms of better joined up thinking across geographies and speed to deployment rather than straight technical cost savings.

Implications for BPM vendors

If you are a start-up then providing a Cloud solution is a no-brainer. The move to offering a Cloud solution is not straightforward nor without risk. Risk which are technical, financial and cultural.

Cue plug for another book: In Thinking of... Offering a Cloud Solution? Ask the Smart Questions Stephen Parker and I highlighted to critical questions that a software vendor need to consider.

The book starts with a scary story

Looking at the resignation letter on my desk, I don’t understand how we got it so wrong. He was our top salesman and was the most vocal about offering a Cloud solution alongside our existing product. And now he’s joining our biggest competitor, who haven’t even considered the Cloud. Why?

Execution was clearly the issue. The strategy was correct but our implementation was a disaster as new issues kept surprising us. We underestimated how this new offering would confuse customers. We thought they understood Cloud Computing. But it simply stalled sales. They assumed they needed less consulting support and projects started to fail. The help desk was swamped and customer satisfaction scores went through the floor.

But the worst was the sales cannibalization and changing salesmen’s compensation to be tied into our annuity model. And that, it seems, was the last straw for our salesmen. If they can’t make money, they will go somewhere where they can.

12 months ago, before we launched our Cloud Computing strategy we were on the top of our game. Now we are fighting for survival.

There are so many questions, with hindsight, we wish we’d asked.
Is BPM ready for the Cloud

So what were the questions?

Here is a summary of the sections the questions are divided into, which span 80 pages, cover:

Firstly questions of a strategic nature which will guide the overall approach to incorporating the Cloud into their business. These questions will be of interest to the CEO, CFO and the management team as a whole.

1. **Why Cloud Computing?** What is the business driver for delivering some or all of your solution as a Cloud Computing service?
2. **Where are the barriers to success?** There will be areas both internally and externally that if not considered could put the whole business at risk.
3. **What migration approach?** If you have existing product and services, what are your migration options?
4. **Commercial considerations** There are many business models. Which will work for you? How will you make money?
5. **What is your go-to-market strategy?** How do you drive demand and motivate your sales teams and resellers?

Thinking about delivering a Cloud Computing solution, what does your operational team need to ask themselves to ensure that they actually get an offering out of the door and in such a way that the business as a whole can sell and support it?

1. **How do you organize R&D / product development?** There are new considerations. What changes need to be made to the development team and approach?
2. **Your hosting platform.** This is a critical decision, will you do it or are you working with a 3\textsuperscript{rd} party?
3. **How will your organization need to change?** Every area of your business from sales through to the back office, including the Board of Directors may be affected.
4. **What legal considerations are there?** When signing up customers, what are the legal or contractual implications?

Migration path

Firstly, you need to establish where you are in terms of architecture and commercial model in the diagram below. Then work out where your customers would like you to be.

The diagram shows that the strategy should be considered along two dimensions. The horizontal is the commercial aspect. How are you charging? The vertical is how much of the solution is hosted in the Cloud. So
Is BPM ready for the Cloud

bottom left is classic ISV ‘shrink-wrapped’ software. Top right is a new Web 2.0 Cloud darling. The question is how far along the arrow to Point A do different elements of your application need to be, and over what timeframe. In the interim can you go via Points B or C to satisfy customer demands?
Point B is where elements of your solution are Cloud based and is functionality driven. Point C is a charging mechanism and is driven by an OpEx vs CapEx discussion or lack of immediate budget.

Change is never easy
Talk me through it: You want to spend time, money and disrupt the organization to move to a product offering which is higher risk, is more complex as it includes service delivery, is less profitable and hits cash flow. And you’d rather spend time and money on this, rather than adding more revenue generating capabilities to the core products or driving more business. Sorry. Not convinced.

However, doing nothing is the biggest risk. Innovation is critical to sustainable success. Apple innovates aggressively so that it obsoletes its own products rather than wait for a new entrant to steal a march. But it is very difficult to launch a new product when the existing business is going so well. This is what Charles Handy calls The Sigmoid Curve or Second Curve thinking in his excellent book The Empty Raincoat. Handy suggests that any product (like life, an empire, or a business) starts slowly and builds up, peaks and declines.

But way before it peaks, at Point A in the diagram below, you need to be developing the next product because it will take time to get up to speed. But how do you know where Point A is? It should be before the original product peaks, but how can we know when that is? The perfect time is probably when all the messages are that the original product is going well and still accelerating. Only once the product starts to decline do we know that we should have started the new product some months earlier. But by then it’s too late. See the problem? And Cloud Computing is at Point A for many ISVs.

It’s a paradox in some ways, when we say the time to change is when things are going well. But as Bill Shankly, the late great and very successful Liverpool football club manager once famously said: "Always change a winning team".
There will inevitably be a level if disruption to the internal processes of the company, starting with the sales team and working back into the back office. It will change the business model and therefore the metrics used to measure the health of the business. And this will mean that the investors will need coaching and educating.
Is BPM ready for the Cloud

Depending on your strategy there may be a level disruption and re-education of your customers and some relationships may become strained. This is probably one of the most difficult transformations you will ever need to achieve. As our Chairman said “There is no point having a longer term plan if you can’t exist long enough to benefit from it. Aim to over achieve the short term plan.”

The strategic options, including ‘Wait and see’ are discussed in the next Chapter. But you need to make a committed decision based on a better understanding of the impact of your decisions. Deciding not to decide is not a decision.

Beginning of the end or end of the beginning?

Does the Cloud mean that existing BPM vendors will go out of business? Not necessarily. But it does mean that there will be a great deal of soul searching in boardrooms, followed by late night’s of strategic planning. There will still be a need for on-premise BPM vendors, but they will come under increasing competitive pressure.

Ian Gotts

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With offices in 10 countries they have won numerous awards; RedHot 100, Gartner Cool Vendor in BPM, CIO.co.uk Top 20 companies to watch, and Microsoft Best Use of Technology.

He is author of six books, Common Approach, Uncommon Results and Why Killer Products Don’t Sell and several Thinking of... books on Cloud Computing which makes him a sought after conference speaker.

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