



VENDOR DATA

PegaSystems

Cambridge, MA

www.pegasystems.com

Founded: 1983

Ownership: Public: PEGA

Employees: 425

Employees in R&D: 120

Total Company Revenue: \$97M

Reference Accounts: (BPM)

- Blue Cross Blue Shield of Rhode Island
- Credit Lyonnais

Key Product:

Process Commander

Number of BPM Installations:

several (less than 10)

RISK ASSESSMENT

Pegasystems is an established, public vendor of rules-based solutions with more than twenty years experience. Therefore, the core technology that is part of Process Commander is well established and proven to be enterprise-strength. The largest risk customers of PegaRULES face is the fact they are buying more of a solution than a packaged product, which brings with it a different level of maintenance and support and reduces the ability to easily shift off the Process Commander platform if the need arises. Pegasystems also has a very limited number of BPM deployments, and has historically sold primarily into the financial services market, with approximately 35% of the 2003 revenue coming from two customers. They will need to diversify significantly in order to become competitive in the BPM market.

PRODUCT BRIEF

Pegasystems Process Commander

COMPANY OVERVIEW

Pegasystems has been automating business-critical processes for F500 organizations with a rules-based solution for 20 years. A public company with 425 employees in offices worldwide, Pegasystems recorded revenues of \$97.4 million in 2002. In the past eighteen months, the company has started to shift away from custom-built solutions toward productizing its technology. Process Commander is the platform that combines the technology Pegasystems has been using to automate high-transaction, critical business processes (PegaRULES) with business process management functionality. Process Commander is priced at the enterprise level of the BPM market, with solutions running from \$2 million to \$10 million and up for enterprise licenses. The sweet spot for Pegasystems is very large financial services, healthcare, and insurance companies that have high-volume processes they want to automate, removing human intervention.

COMPANY STRATEGY

- Focus on a direct, solutions-sell with target deals running in the \$1 million plus range, partnering with leading systems integrators to present a full solution to customers.
- Target enterprise customers that have high-volume, complex workflows that will benefit from automation.
- Offer a rules-based solution that enables companies to minimize coding and create a rules base that can be re-used throughout the organization to reduce development time and save resources.

IMPLEMENTATION STRATEGY

Because of the strong solutions heritage, and the nature of a rules-based solution, Pegasystems partners closely with global systems integrators to assist with implementation. Typically, an SI will pull Pegasystems into a customer deal as the business process arm of a larger solution. The rules-based nature of Process Commander creates a different implementation scenario than other BPM solutions. Process Commander comes with an extensive rules base, and implementation consists of adding to that rules base to create business processes that reflect the customer's needs. Typically, a complex business process takes nine months to automate. Business architects and systems architects are involved to create a top-down and bottom-up flow respectively. The resulting rules base can then be applied by business analysts to create new flows for business processes.

COMPETITIVE LANDSCAPE

Business Process Management (BPM) is the current hot spot for enterprise-scale technology solutions. Organizations are beginning to understand the benefits associated with automating business processes, and standards-based products with intuitive interfaces and fast implementation times are entering the market.

Competition for BPM solutions comes from three main existing categories: traditional document management companies such as Filenet and Staffware, traditional workflow and process modeling companies such as IDS Scheer, and EAI vendors such as WebMethods, Vitria, and BEA. Vendors in each category are repositioning their products to address the market interest in BPM.

Pegasystems has been a provider of business rules solutions for twenty years. The company is entering the BPM fray with its first product, Process Commander, and as such faces the challenge of creating market awareness for its product. Because it is a higher-priced, enterprise sell, Pegasystems will need to prove the value of its rules-based technology to convince companies in making a strategic investment in Process Commander.

CRITICAL SUCCESS FACTORS

- Establish product separate from existing solutions business, successfully transitioning sales and other internal resources to perform as product company rather than solutions mind-set.
- Build referenceable Process Commander customer base that can share advantage of Process Commander over competing products.
- Build out business activity monitoring and simulation capabilities.
- More strongly articulate the value of its business rules foundation while detailing compatibility with third party products (such as modeling and reporting tools) and evolving BPM standards.

UPSIDE ANALYSIS

Process Commander is a departure from other competing BPM solutions. As a rules-based technology with many years of history, the development paradigm is significantly different than implementing a packaged BPMS. Customers that have adopted the rules technology from Pegasystems have been very pleased, and it is evident that the technology is enterprise-class, and can handle high transaction volumes. For example, the company's technology is behind the majority of the transactions that are cleared through the Federal Reserve Bank. While its business rules provide unique capabilities, they also make it a very different animal than most other process-oriented BPM products.

Process Commander is 100% Java based, which eases adoption for companies that have Java developers. Once the rules base is created and modified to meet the specific needs of the business, Process Commander provides an environment that is relatively simple for a business analyst to create a business flow. Hence, there is little coding needed in the building of the process flows, which enhances flexibility. One of the key strengths that Upside Research sees in Process Commander is its ability to incorporate exception handling easily into business processes. One area where Process Commander is lagging is in the integration area. With no formal relationship with a connector vendor, Process Commander provides a loose integration capability that requires more work (or consulting) to integrate to back-office resources than competing BPM solutions.

About Upside Research

Upside Research is a research and consulting firm focused on helping clients put application development, Web services, business process management, integration, and enterprise infrastructure challenges in perspective. Upside Research helps organizations find practical ways to achieve their IT goals and profit from the diversity of a changing technology landscape.

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