

February 7, 2007

Business Performance Solutions: The Competition Heats Up

by Paul Hamerman

MARKET OVERVIEW

MARKET OVERVIEW

Includes a market sizing forecast



February 7, 2007

Business Performance Solutions: The Competition Heats Up

by Paul Hamerman

with Sharyn Leaver, J. Paul Kirby, Connie Moore, and Elisse Gaynor

EXECUTIVE SUMMARY

Adoption of applications for planning, measuring, and reporting business performance is growing rapidly as companies focus on aligning their growth and operating strategies with individual performance measures and compliance requirements. We project that the business performance solutions (BPS) market will grow by 11% through 2010, with faster growth in measurement tools. This applications market has recently been dominated by business intelligence (BI) vendors, while the major enterprise resource planning (ERP) vendors have struggled to gain traction among their own core installed bases. The growth opportunity in this market is not only driven by metrics-based management requirements but also by the aging and fragmented state of existing applications, both packaged and homegrown. Recognizing an opportunity, Microsoft will enter this market in 2007, potentially disrupting the competitive dynamics and accelerating growth.

TABLE OF CONTENTS

- 2 **Business Performance Information Suffers From Fragmented Apps**
- 3 **Today's Business Performance Solution Market: Acronym Soup**
- 5 **The BPS Market Is Poised For Rapid Growth**
- 7 **Software Vendors Beef Up BPS Product Suites**

RECOMMENDATIONS

- 12 **Technology Solutions Depend On Processes And People**

WHAT IT MEANS

- 12 **Packaged Business Performance Will Continue To Lag Custom approaches**
- 13 **Supplemental Material**

NOTES & RESOURCES

Forrester interviewed: Actuate, Business Objects, Cartesis, Cognos, Hyperion Solutions, Microsoft, Oracle, OutlookSoft, SAP, and SAS Institute. We also incorporated end user feedback and analyzed vendor revenue data for market sizing and growth forecasts.

Related Research Documents

- ["Financial Management Applications: Expanding Beyond The Accounting Hub"](#)
September 15, 2005, Market Overview
- ["Financial Planning And Budgeting Applications"](#)
January 11, 2005, Market Overview
- ["BI And Performance Management Complement Each Other — But Serve Different Purposes"](#)
June 23, 2004, Tech Choices

Figure 4 Business Performance Solutions Vendor Landscape

Vendor category	Key vendors	Comments
Business Intelligence (BI)	Actuate, Applix, Business Objects, Cognos, Hyperion Solutions, Microsoft, SAS Institute, Teradata	BI vendors generally bundle applications with their platforms and tools. Microsoft is entering this market with the release of PerformancePoint Server in 2007.
Enterprise Resource Planning (ERP)	Infor Global Solutions, Lawson, Microsoft Dynamics (FRx), Oracle, SAP	Oracle and SAP have broad BPS offerings designed to work with their transactional systems. Infor's offering includes a best-of-breed suite, formerly Geac MPC. Microsoft products include FRx.
Best-of-breed (specialized vendors)	Acorn Systems, Adaptive Planning, Cartesis, Clarity, CorVu, OutlookSoft, Pilot Software, Prodacapo, QPR Software	Products in this category range from suites (e.g., Cartesis, Clarity, OutlookSoft) to point solutions for scorecarding and profit analysis.

41395

Source: Forrester Research, Inc.

Large Vendors Jockey For Position

It seems logical that major vendors want a big piece of the pie as:

- **ERP vendors offer integration.** In theory, Oracle and SAP could control the BPS market with offerings that integrate well with their transactional systems. **This has not occurred, however, due to a combination of factors — poor usability, long product release cycles, expensive pricing, and a failure to match up to the competition.** These vendors are continuing to make investments in this area to improve success rates, with even more intensity lately.
- **BI vendors broaden application footprints.** Business Objects, Cognos, Hyperion, and SAS, continue to aggressively grow their own application product sets. Hyperion continues to be the overall leader based on the strength of its financial BPS offerings, while the others generally struggle to gain credibility with business domain stakeholders. The biggest play for this group is to leverage its BI tools and stacks in the applications offerings, positioning the offerings as integrated suites. The integration efforts are challenged by disparate product architectures resulting from acquisitions, but the notion of an integrated BPS product set at the UI, process, and data levels is likely to resonate with companies seeking simplified applications and BI infrastructures.
- **Smaller vendors get gobbled up.** Established best-of-breed players Cartesis and OutlookSoft have increased the breadth of their offerings, but point solution vendors are becoming acquisition bait. For example, Business Objects added cost and profitability

specialist Armstrong-Laing in September 2006, while Actuate acquired scorecard specialist Performancesoft in January 2006. Going forward, small, specialized BPS vendors may need to seek exit strategies to avoid being squeezed out by larger vendors.

Microsoft Makes Its Move With PerformancePoint Server

Microsoft's announcement of PerformancePoint Server in June 2006 was a preemptive strike to the BPS market. The full release of the product is not expected until mid-2007. PerformancePoint is a potentially disruptive move for the following reasons:

- **Microsoft is innovating at the UI level.** PerformancePoint Server is being designed to fundamentally incorporate Microsoft Office and SharePoint, as well as analytics technology gained through the acquisition of ProClarity. The application design emphasizes configuration and management by business users and graphical visualizations. The usability focus will be a differentiator for Microsoft, particularly against ERP vendors, while trying to outplay Business Objects and OutlookSoft in native incorporation of Excel.
- **PerformancePoint targets larger accounts.** Contrary to the belief that it is a midmarket play, PerformancePoint is actually being designed for enterprise functionality and scalability. Integration with Dynamics ERP solutions for the midmarket is also part of the strategy.

While off to a good start with this initiative, Microsoft needs to move quickly to complete the product offering, establish sales and services channels, and gain references with early adopters of scale.

A Better User Experience Is Critical For Success

Besides Microsoft itself, most other BPS vendors offer integration to Microsoft Excel, and some, including Business Objects and OutlookSoft, offer planning solutions with native Excel as the primary user interface. While Office integration is useful and may become more compelling in these applications, more innovation of the user experience is needed to establish leadership. Creating a better user experience will involve the following:

- **Scripting the process flow.** SAP is on the right track with a usability enhancement called Express Planning, walking the participant through a relatively simple series of steps. A much more sophisticated process paradigm is offered by innovative start-up XLerant, whose BudgetPak solution provides a detailed series of questions and steps to walk an end user through the entire budgeting process.
- **Building for business users, not IT.** BPS applications are increasingly being built to be managed by business users, minimizing reliance on IT to support structures, processes, and information retrieval. Such design flexibility may ultimately lead to more adoption of a SaaS model.

FORRESTER®

Making Leaders Successful Every Day

Headquarters

Forrester Research, Inc.
400 Technology Square
Cambridge, MA 02139 USA
Tel: +1 617/613-6000
Fax: +1 617/613-5000
Email: forrester@forrester.com
Nasdaq symbol: FORR
www.forrester.com

Research and Sales Offices

Australia	Israel
Brazil	Japan
Canada	Korea
Denmark	The Netherlands
France	Switzerland
Germany	United Kingdom
Hong Kong	United States
India	

*For a complete list of worldwide locations,
visit www.forrester.com/about.*

For information on hard-copy or electronic reprints, please contact the Client Resource Center at +1 866/367-7378, +1 617/617-5730, or resourcecenter@forrester.com. We offer quantity discounts and special pricing for academic and nonprofit institutions.

Forrester Research (Nasdaq: FORR) is an independent technology and market research company that provides pragmatic and forward-thinking advice about technology's impact on business and consumers. For 22 years, Forrester has been a thought leader and trusted advisor, helping global clients lead in their markets through its research, consulting, events, and peer-to-peer executive programs. For more information, visit www.forrester.com.