

Software AG Plans IDS Scheer Buy to Solidify BPM Direction

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Software AG's plan to buy IDS Scheer is evidence of its goal to be a leader in business process management disciplines and technologies.

NEWS ANALYSIS

Event

On 13 July 2009, Software AG signed a contract with two major IDS Scheer shareholders to acquire almost 48% of the outstanding shares in the company. Software AG will offer €15 in cash for each share of IDS Scheer.

Analysis

Today's economy is proving to be a boon for business process management (BPM) investments, especially for the business transformation usage scenario (see "The Top Four Usage Scenarios for a BPMS"). This trend is particularly prevalent in the U.S. and Europe. This acquisition moves Software AG a step closer to its goal of leadership in the overall market for BPM. Tactically, this acquisition adds a leading enterprise architecture (EA)/business process analysis (BPA) product to complement Software AG's business process management suite (BPMS). Software AG's vision also includes competing as a business process platform enabler, and IDS Scheer's products and consultancy will help here.

The deal will add some €399 million to Software AG's top line, making it possible for the company to meet its 2011 revenue goal of €1 billion. It also gives Software AG access to some 7,500 IDS Scheer customers to cross-sell webMethods and CentraSite. Software AG can also use professor August Scheer's influence in universities to extend its educational outreach globally, potentially rivaling IBM's efforts in this area.

To fully realize its vision, Software AG will have to further integrate IDS Scheer's products with webMethods BPMS, Business Activity Monitoring and CentraSite to enable a "closed loop" from EA's planning disciplines to BPM's execution-oriented disciplines, while also keeping ARIS open for integration with third-party BPMSs. In addition, IDS Scheer's OEM partners (SAP, Oracle, Tibco and Pegasystems) are likely to rethink their relationships. Software AG will have to work hard to avoid losing the significant revenue stream these partners deliver. Lastly, IDS Scheer's high-end product set is best suited for technically savvy enterprise architects addressing the requirements of large, complex and systematically oriented organizations, which has constrained its growth. Software AG will have to further develop ARIS to make it more competitive at addressing the growing needs of less-technical roles (business architects, business analysts and others).

RECOMMENDATIONS

- **ARIS customers:** Monitor Software AG's plans closely regarding enhancements for EA use of ARIS.
- **webMethods customers:** Consider IDS Scheer's EA products with greater confidence and assess its upcoming ARIS Express (due 3Q09) against other, nimbler modeling tools, which may better fit your needs in the short term. Push Software AG to better facilitate collaboration across EA and BPM roles.

Additional research contributions by Massimo Pezzini and Jim Sinur

RECOMMENDED READING

- "Magic Quadrant for Business Process Management Suites" — Gartner positions 22 BPMS vendors, including Software AG, based on their ability to execute and completeness of vision for four BPMS usage scenarios. **By Janelle Hill, Michele Cantara, Marc Kerremans and Daryl Plummer**
- "Magic Quadrant for Enterprise Architecture Tools" — Gartner assesses 13 providers of EA tools, including IDS Scheer, in a market characterized by the prevalence of small vendors. **By Greta James**

(You may need to sign in or be a Gartner client to access the documents referenced in this First Take.)

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