

BriefingsDirect Analysts Discuss Business Commerce Clouds: Wave of the Future or Old Wine in a New Bottle?

Edited transcript of BriefingDirect Analyst Insights Edition podcast, Vol. 46 on "business commerce clouds."

Listen to the podcast. Download the podcast. Find it on [iTunes/iPod](#) and [Podcast.com](#). Charter Sponsor: [Active Endpoints](#). Also sponsored by [TIBCO Software](#).

Special offer: Download a free, supported 30-day trial of [Active Endpoint's ActiveVOS](#) at www.activevos.com/insight.

Dana Gardner: Hello, and welcome to the latest BriefingsDirect Analyst Insights Edition, Vol. 46. I'm your host and moderator [Dana Gardner](#), principal analyst at [Interarbor Solutions](#).



This periodic discussion and dissection of IT infrastructure related news and events, with a panel of industry analysts and guests, comes to you with the help of our charter sponsor, Active Endpoints, maker of the ActiveVOS, visual orchestration system, and through the support of TIBCO Software.

Our topic this week on BriefingsDirect Analyst Insights Edition, and it is the week of Oct. 26, 2009, centers on "business commerce clouds." As the general notion of [cloud computing](#) continues to permeate the collective IT imagination, an offshoot vision holds that multiple [business-to-business \(B2B\)](#) players could use the cloud approach to build extended business process ecosystems.

Under this notion, a gaggle of cloud-enabled partners could effect multiple-party services and complex processes -- all from the Internet. Business commerce clouds could produce efficiencies over traditional e-commerce processes and partnerships, and even do things -- in terms of reach, complexity, numbers of partners, and cost savings -- that had not been possible before.

It's sort of like a marketplace in the cloud on steroids, on someone else's servers, perhaps to engage on someone's business objectives, and maybe even satisfy some customers along the way.

I, for one, can imagine a dynamic, elastic, self-defining, and self-directing business-services environment that wells up around the needs of a business group or niche, and then subsides when lack of demand dictates. It's really a way to make fluid markets adapt at Internet speed, at low cost, to business requirements, as they come and go.

The concept of this business commerce cloud was solidified for me just a few weeks ago, when I spoke to [Tim Minahan](#), chief marketing officer at [Ariba](#). Tim and I were analysts together way back in the '90s. It seems like yesterday on some levels, and then many years ago at another.

So, I've invited Tim to join us to delve into the concept, and the possible attractions, of business commerce clouds. Welcome to the show, Tim.

Tim Minahan: Thank you, Dana. I'm pleased to be here.

Gardner: Please also join me in welcoming our IT industry analyst guests this week. We're joined by [Tony Baer](#), senior analyst at [Ovum](#). Hey, Tony.

Tony Baer: Hey, Dana. I'm here, and Happy Halloween everybody. Please don't make this conversation too scary.

Gardner: Alright. [Brad Shimmin](#), principal analyst at [Current Analysis](#) is here. Hey, Brad.

Brad Shimmin: Hi, Dana.

Gardner: Also, [Jason Bloomberg](#), managing partner at [ZapThink](#). Howdy, Jason.

Jason Bloomberg: Hi, how is it going?

Gardner: Good. [JP Morgenthal](#), independent analyst and IT consultant is here. Hey, JP. And making her debut, [Sandy Kemsley](#), independent [IT analyst and architect](#).

Sandy Kemsley: Hi, Dana. It's great to be here.

Gardner: Very good. Nice to hear from you. Let's go back to Tim. What are we really talking about here? I tried to do a setup, but it was obviously vague. "Business commerce clouds" -- what's the concept?

Leveraging cloud

Minahan: You said it nicely. When we talk about business commerce clouds, what we're talking about is leveraging the cloud architecture to go to the next level. When folks traditionally think of the cloud or technology, they think of managing their own [business processes](#). But, as we know, if we are going to buy, sell, or manage cash, you need to do that with at least one, if not more, third parties.



The business commerce cloud leverages cloud computing to deliver three things. It delivers the business process application itself as a cloud-based or a [software-as-a-service \(SaaS\)](#)-based service. It delivers a [community of enabled trading partners](#) that can quickly be discovered, connected to, and enable collaboration with them.

And, the third part is around capabilities --the ability to dial up or dial down, whether it be expertise, resources, or other predefined best practice business processes -- all through the cloud.

Gardner: Tell me why Ariba is interested in this. How does this extend what they have done? And, for those of our listeners that don't know about Ariba, maybe you could give us the quick elevator pitch on it.

Minahan: Certainly. [Ariba](#) started out back in 1996 with a common mission in mind to help companies [manage spend more effectively](#). It has since transitioned to deliver those results more efficiently by becoming a SaaS-based provider.

Quite simply, [spend management](#) is the holistic approach of helping you control your supply chain cost, minimize risk, and then optimize cash. Along the way, what we found was that we were connecting all these parties through a shared network that we call the [Ariba Supplier Network](#).

We realized we weren't just creating value for the buyers, but we were creating value for the sellers. They were pushing us to develop new ways for them to create new business processes on the shared infrastructure -- things like supply chain financing, working capital management, and a simple way to discover each other and assess who their next trading partners may be.

Gardner: Tony Baer, we've talked a lot about cloud. We've heard a lot about it, often as an abstraction, often about infrastructure and development, test and dev, and storage of data. But, businesses are motivated by applications, processes -- things that get things done. Does this notion of a business commerce cloud work for you, and is it something that might be a catalyst to the whole cloud concept?

History repeats

Baer: Well, this is interesting. History really does go around in cycles. I'd like to direct a question back at Tim. I think there are some very interesting possibilities, and in certain ways this is very much an evolutionary development that began with the introduction of [EDI](#) 40 or 45 years ago, or something like that, I forget the exact date.



Actually, if you take a look at supply-chain practices among some of the more innovative sectors, especially consumer electronics, where you deal with an industry that's very volatile both by technology and consumer taste, this whole idea of [virtualizing](#) the supply chain, where different partners take on greater and greater roles in enabling each other, is very much a direct follow on to all that.

Roughly 10 years ago, when we were going through the Internet 1.0 or the dot-com revolution, we started getting into these [B2B online trading hubs](#) with the idea that we could use the Internet to dynamically connect with business partners and discover them. Part of this really seemed to go against the trend of supply-chain practice over the previous 20 years, which was really more to consolidate on a known group of partners as opposed to spontaneously connecting with them.

I'm obviously exaggerating there, but, Tim, how does this really differ, in terms of the discovery functions that you were talking about before, from these B2B clouds -- we weren't calling them clouds back then -- but these B2B trading hubs that we were talking about almost 10 years ago?

Minahan: That's a very good question. There are certainly similarities, but the major difference is that back then it was, "If you build it, they will come." The reality today is that they are here and they are looking for more ways to collaborate.

If you look at the Ariba Network that I mentioned before, in the past year, companies have processed \$120 billion worth of purchased transactions and invoices over this network. Now, they're looking at new ways to find new trading partners -- particularly as the incidence of business bankruptcies are up -- as well as extend to new collaborations, whether it be sharing inventory or helping to manage their cash flow.

Gardner: Brad Shimmin, remaining with this "back to the future" notion, there are lots of different commerce environments out there. There has been a platform approach to it. Sometimes that's worked. When we got to the need of integration, we needed to open that up and create standards.

But now the cloud accelerates, or even heightens, this neutrality or standards requirement. Do you think that the cloud is perhaps a catalyst to moving to these ecosystems of business processes and services that will do what we couldn't do with EDI or even standards?

An enabler

Shimmin: That's a great point. I don't look at it as a catalyst, I look at it as an enabler, in a positive way. What the cloud does is allow what Tim was hinting, with more spontaneity, self-assembly, and visibility into supply chains in particular that you didn't really get before with the kind of locked down approach we had with EDI.



That's why I think you see so many of those pure-play EDI vendors like [GXS](#), [Sterling](#), [SEEBURGER](#), [Inovis](#), etc. not just opening up to the Internet, but opening up to some of the more cloudy standards like [cXML](#) and the like, and really doing a better job of behaving like we in the 2009-2010 realm expect a supply chain to behave, which is something that is [much more open and much more visible](#).

Gardner: Sandy Kemsley, again, welcome to the show. How does this strike you as an enterprise IT architect? Is this something that appears like pie in the sky, a little too daunting, or is this something that makes you very interested?

Is it, "I would love to get some business services I can get my hands on and start crafting business processes beyond what's available for my [service-oriented architecture \(SOA\)](#) internally, or what I have used in terms of regular old enterprise software?"

Kemsley: I think it has huge potential, but one of the issues that I see is that so many companies are afraid to start to open up, to use external services as part of their mission-critical businesses, even though there is no evidence that a [cloud-based service is any less reliable than their internal services](#). It's just that the failures that happen in the cloud are so much more publicized than their internal failures that there is this illusion that things in the cloud are not as stable.



There are also security concerns as well. I have been at a number of [business process management \(BPM\)](#) conferences in the last month, since this is conference season, and that is a recurring theme. Some of the BPM vendors are putting their products in the cloud so that you can run your external business processes purely in the cloud, and obviously connect to cloud-based services from those.

A lot of companies still have many, many problems with that from a security standpoint, even though there is no evidence that that's any less secure than what they have internally. So, although I think there is a lot of potential there, there are still some significant cultural barriers to adopting this.

Gardner: Let's go to Tim Minahan on that. Tim, what's the answer to these cultural and other inhibitors? Is there low-lying fruit -- people who would love to get out and do B2B activities? Even if there is the perception of risk, they are going to do it anyway, because it's so attractive?

Security always an issue

Minahan: First, on the security note, [security has always been an issue](#). That was the rubric, even back to original EDI days on, "Am I going to exchange this? It's much more secure when I mail it to them."

Ultimately, when you look at the scale that a cloud or SaaS vendor has -- in many cases those that are processing large transactions right now -- the level of investment they should make around security is quite significant, more significant than not all, but most of the participants in that community.

So, that's something that continues to come up. Increasingly, and probably because of the current economic situation, more and more companies are looking to what business processes they can put in the cloud, whether it be a commerce process or [talent management](#).

Gardner: Tim, I think I heard you say that basically you get what you pay for. When it comes to security, if you are willing to invest, then you can get the level of security you need to do whatever it is that you need to do.

Minahan: What I'm saying is that the cloud provider themselves, because of the economies of scale they have, oftentimes provides better security and can invest more in security, partitioning, and the like than many enterprises can deliver themselves. It's not just security. It's the other aspects of your architectural performance.

Gardner: I see. So, the cloud provider being centralized and having a methodological approach can look at the whole security picture and actually implement on it. Enterprises that are distributed, scattered, and have been working toward security from a variety of perspectives for 10, 15, or 20 years, don't always get that opportunity to get the top-down approach?

Minahan: Exactly.

Gardner: Jason Bloomberg, what do you think about this notion of business commerce clouds, and is this something that's going to happen in the near term?

Bloomberg: I must say that I am coming at it from a skeptic's perspective. It doesn't sound like there's anything new here. As Tony was pointing out, we were talking about this 10 years ago. There just doesn't seem to be that much that is particularly new or different.



We're using the word "cloud" now, and we were talking about "business webs." I remember business webs were all the rage back when Ariba had their first generation of offerings, as well as [Commerce One](#) and some of the other players in that space.

Age-old challenges

The challenges then are still the challenges now. Companies don't necessarily like doing business with other organizations that they don't have established relationships with. The value proposition of the central marketplaces has been hammered out now. If you want to use one, they're already out there and they're already matured. If you don't want to use one, putting the word "cloud" on it is not going to make it any more appealing.

So, really, I'm looking for anything new or different here. It really sounds more like just old wine in new bottles. Vendors are just saying, "Let's do cloud," but, if anything, cloud is introducing more problems than solutions.

Talking about security is a bit of a red herring, because some of the cloud issues are really more broad [governance](#) issues than security issues. Two events in the last few weeks have highlighted this fact. One is the Microsoft [Sidekick data loss](#) problem, where the Sidekick mobile devices stored their data in the cloud instead of locally on their device. Microsoft dropped the ball, and the data were lost for a while. While that wasn't strictly speaking a security issue, it was a more subtle issue.

The second was where a spammer got into [Amazon's EC2](#), and put the entire EC2 cloud environment on a [spam blacklist](#). So one bad apple basically got all of the IP addresses for the EC2 environment on the blacklist. Again, not strictly speaking security. It's security related, but it's really more of a complex issue than that.

I predict we will have a number of other issues like that, unexpected cloud-based problems that aren't along the lines of traditional issues that we have seen, web-based security issues.

Everybody is familiar with [denial of service \(DOS\)](#) attacks and other issues like that, but we are going to have new and different kinds of issues that are going to slow down adoption of cloud, on the one hand. Then, you will also have the issue that a lot of these marketplaces are nothing new. They are already out there. They are already established, and there isn't necessarily a lot of additional advantage to be gained by buying new gear or moving to a cloud provider.

Gardner: Tim, how about that? Other than injecting the word "cloud" in here, putting some lipstick on something that already exists, what's new?

Minahan: First, I want to address the bastardization of the term "cloud." The Microsoft Sidekick example is a good one, where the cloud bigots rushed to use that as just another example of how cloud is dangerous.

Just because you store your data in a central repository that's hosted, it doesn't necessarily make it a cloud. So, I think there is some misgiving there that folks are lining up on one side of the aisle to try to dispel that.

Creating efficiencies

Second, as it applies to the cloud and the commerce cloud, what's interesting here is the new services that can be available. It's different. It's not just about discovering new trading partners. It's about creating efficiencies and more effective commerce processes with those trading partners.

I'll give you a good example. I mentioned before about the Ariba Network with \$111 billion worth of transactions and invoices being transferred over this every year for the past 10 years. That gives us a lot of intelligence that new companies are coming on board.

An example would be [The Receivables Exchange](#). Traditionally sellers, if they wanted to get their cash fast, could factor the receivables at \$0.25 on the dollar. This organization recognized the value of the information that was being transacted over this network and was able to create an entirely new service.

They were able to mitigate the risk, and provide supply chain financing at a much lower basis -- somewhere between two to four percent by using the historical information on those trading relationships, as well as understanding the stability of the buyer.

Because folks are in a shared infrastructure here that can be continually introduced, new services can be dialed up and dialed down. It's a lot different than a rigid EDI environment or just a discovery marketplace.

Gardner: Tim, isn't there also somewhat of a business model shift here? If those costs come down, as you're projecting, because of the efficiencies of cloud, then the savings can be passed along. Isn't it possible we could see something along the lines of the [Apple App Store](#), where, all of a sudden, volume and participation go up, some sort of a network effect, due to the fact that the cost of the applications has come down quite a bit. Is there something like that going on?

Minahan: Yeah. Cost is one aspect of it. When most people talk about the benefits of the cloud, they talk about the cost discussion. What we're seeing with our customers is that the real benefits of the cloud come in three areas: productivity, agility, and innovation. I'll spend a moment on each.

When you talk about productivity, we have talked to CFOs and CIOs today who just took a lot of cost and headcount out of their operations, thanks to the downturn. All indications are that they're not going to hire them back, even when the economy rebounds. The cloud gives them an opportunity to drive efficiencies and productivity, really without adding infrastructure.

Core competence

The second area is agility, which has become a [core competence](#) for a successful business. Many companies got caught flatfooted with the downturn, and they are just gun shy to make that same mistake again. So, the cloud gives them a new way to dial up infrastructure and resources, as needed, and the flexibility to dial them down, when they don't need them.

But the last part is that the greatest benefit of all here is innovation. That's the greatest benefit of the cloud in general, but in the commerce cloud in particular, because companies are sharing their business applications, processes, and infrastructure with their trading partners. They can benefit from the innovation of the entire community.

Your analogy to iTunes is perfect. It's the ability to have the community actually develop or offer best practice process services that can be utilized by other members of the community. That's the type of thing we are beginning to see: New business processes that are built on top of the cloud, because you already have the technology, the community, and the capabilities built in.

Gardner: JP Morgenthal, you're not a cloud bigot, are you?

JP Morgenthal: A cloud bigot? No. My vision for the cloud is far beyond the basic economic principles, and has yet to be realized. Economic factors are just the start of the groundswell that will bring people there, but the real value won't be seen unless the community comes. Once the community comes, I think we will see some really interesting things occur.

But what I want to address with regard to this is that from 2004 through 2008, I basically had developed a platform as a service around supply chain management and warehouse management for enterprise manufacturing and retail. So, I got some inside view into how this community really works, and a lot of their needs for communicating with each other.

I'm skeptical. I was at XML Solutions as their CTO when we first started doing B2B and building up the first exchanges, and the same problems are still there. They haven't gone away. Emerging technologies haven't differentiated that. Web services, cloud, nothing really has moved the ball forward from the real problem of two partners coming together, establishing an agreement, and doing work together.

Putting additional information in the cloud and making value out of that add some overall value to the cost of the information or the cost of running the system, so you can derive a few things. But, ultimately, the same problems that are needed to drive a community working together, doing business together, exchanging product through an exchange are still there.

Gardner: JP, aren't you describing a great opportunity, though, for some organization to come in and perhaps be neutral enough, where they could play the role that Apple is playing with the App Store, and attract a community of developers, participants, contributors, but also bring together the audience that can consume? It seems to me that Ariba, as well as others, have this in mind. The cloud might be a way in which that opportunity can finally be realized. Is that possible?

Not for the cloud

Morgenthal: I don't see the cloud as being the thing to realize this. This has been a vision, dream, and goal of many of these exchange environments -- [WorldWide Retail Exchange](#), the 1.4 Exodus I believe is the one now. We've had these environments. They exist. It's not a matter of getting developers to come build anything for it.

What's being done through these environments is the exchange of money and goods. And, it's the overhead related to doing that, that makes this complex. [RollStream](#) is another startup in the area that's trying to make waves by simplifying the complexities around exchanging the partner agreements and doing the trading partner management using collaborative capabilities. Again, the real complexity is the business itself. It's not even the business processes. The data is there.

I was working with a automotive retail group that contributed their parts and excess inventory into an exchange. Everybody did that. The thing they were contributing to was about exchanging and the other groups within that same community were looking for those excess inventories and being able to purchase them.

Even that, which sort of sounds like it should have been fairly simple, was overly complex, because of the underlying business requirements around it and exchanging funds and getting paid. Technology is a means to an end. The end that's got to get fixed here isn't an app fix. It's a community fix. It's a "how business gets done" fix. Those processes are not automated. Those are human tasks.

Gardner: Tim, the issue here seems to be that business is tough. There has to be trust. There have to be contracts. There has got to be the exchange of funds, basically a handshake in the sky. But, that's only as good as the handshake would have been in real physical terms. What's your

response to that? Are there other areas that can be automated, where those business trust issues aren't quite as prominent?

Minahan: I totally agree. If you go back to my original statement as to what's in the cloud, I think there is some mistaking here. When folks talk about cloud, they really think about the infrastructure, and what we are talking about here is a business service cloud.

[Gartner](#) calls it the [business process utility](#), which ultimately is a form of technology-enabled [business process outsourcing](#). It's not just the technology. The technology or the workflow is delivered in the cloud or as a web-based service, so there is no software, hardware, etc. for the trading partners to integrate, to deploy or maintain. That was the bane of EDI private [VANs](#).

The second component is the community. Already having an established community of trading partners who are actually conducting business and transactions is key. I agree with the statement that it comes down to the humans and the companies having established agreements. But the point is that it can be built upon a large trading network that already exists.

The last part, which I think is missing here, and that's so interesting about the business service cloud, or in this case the business commerce cloud, are the capabilities. It's the ability for either the solution provider or other third parties to deliver skills, expertise, and resources into the cloud as well as a web-based service.

It's also the information that can be garnered off the community to create new web-based services and capabilities that folks either don't have within their organization or don't have the ability or wherewithal to go out and develop and hire on their own. There is a big difference between cloud computing and these business service clouds that are growing.

Gardner: Tony Baer, it seems that our discussion today automatically went to the enterprise level, the big global 2000 type companies. What about a [small to medium-sized business \(SMB\)](#), an organization that perhaps didn't have the wherewithal, either through technology or budget to engage in an EDI way back when, EAI later on, or business exchanges? Is there an opportunity for the cloud to open up the addressable market for these e-commerce activities, B2B activities, to that smaller kind of company?

Same promises

Baer: It's kind of interesting. I was chuckling as you were mentioning that, because I remember that the same promises were made when the idea of Internet-based EDI came up. "Gee, this is a way to avoid the costs and overhead of proprietary value added VANs. Now, we can reduce the handshaking process, so we can get all those tier three and tier fours into electronic commerce," which at that time was defined as EDI.

I agree with you that EDI itself is several generations behind what we are talking about here. There's no question about that. There are certainly possibilities, because obviously, as you go

further back up the supply chain, going toward the smaller companies, the security requirements are not always going to be as severe.

On the other hand, if they are part of a trading-hub type network -- in other words, that they are hooked into or tapped into a Toyota or something like that -- the fact they are a small company doesn't mean that they're not going to be subject to Toyota's requirements, especially when it comes to security and other types of contractual obligations. I'll give you a mixed yes and no answer there.

For small businesses trading amongst themselves, there probably is going to be some modest upswing there, especially in terms of being able to expand themselves to address a wider market. But, there are still some real limits there, especially if they are dealing with large, let's say, tier one trading partners.

Gardner: Brad Shimmin, you've been dealing with both SOA and collaboration issues. Is there an opportunity for these smaller companies, larger companies, or divisions within larger companies to go find themselves some workflow application in the sky? Maybe even something like [Google Wave](#), which is now getting lots of invites. People are now starting to play around with this thing, maybe an ecosystem of contributors, developers.

Is there an opportunity for the point on the arrow to this business commerce cloud to come in the form of workflow and collaboration? Then, when you reach a point within that workflow or collaborative activity where you need some kind of a service, or product, or business partners, this cloud can be there as a resource. Maybe it can be a marketplace, auction, or exchange, where you look for the best price and the best service. What do you think about that?

Shimmin: That's a really great idea. I have a two-part answer for you. The first goes back to what Tim was saying about how this should look like Apple App Store. I agree, but that's not the full picture. The fuller picture is to look at it as a combination of that and the Amazon marketplace. That's where I think you will see the most success with these commerce clouds -- a very specific community of like-minded suppliers and purchasers that want to get together and open their businesses up to one another.

And what Tim was getting at, which is the great part of this is, is that it's unlike the Amazon-only model. I'm not talking about EC2, by the way. I'm just talking about the Amazon store itself.

Gardner: That's right. They are the front-end retail part, where you then can exchange dollars and buy from a variety of other players. So it's a B2B description of an e-commerce cloud, right?

Cost of entry

Shimmin: Right. I wanted to stay away from the whole [Amazon Web Services \(AWS\)](#) side of this back to the generic cloud, just talking about a like-minded group of community or a community of companies. They want to be able to come together affordably, so that the SMB can on board an exchange at an affordable rate. That's really been the problem with most of these

large-scale EDI solutions in the past. It's so expensive to bring on the smaller players that they can't play.

Amazon has really solved that problem, if you look at how they run their fulfillment procedures. I see that with a combination of the iTunes idea -- those suppliers themselves contributing to that environment, that ecosystem, by building a business process that does something that's maybe specific to them. Or, maybe it's something that's generalized enough that everyone can make use of it.

That's the widgetized rendition of, "Hey, I want to on board, and I see that I've got a widget that lets me open up a certain business process and make use of it." That's the key to bringing on these smaller players and letting them actually make money more affordably than before.

The second part of that answer was about the social side of this thing. That's where I think that you really don't want to see a generic über e-commerce, cloud commerce computing site, that's supposed to be everything to all things. It's why you don't see a forum on all topics in the world. You see forums on very specific topics.

Gardner: We don't see a Wal-Mart equivalent in the B2B space, right?

Shimmin: Right. When you have that sort of like-mindedness, you have the wherewithal to collaborate. But, the problem has always been finding the right people, getting to that knowledge that people have, and getting them to open it up. That's where the social networking side of this comes in. That's where I see the big EDI guns I was talking about and the more modernized renditions opening up to this whole Google Wave notion of what collaboration means in a social networking context.

What you are getting at with that kind of solution is this expertise of, "It's midnight, and I am sorry, but I do need to get this widget. Who out here has that? Let me on board you quickly, and let's fulfill my supply chain needs." Boom, presto, we are connected, and we are making money.

Gardner: Sandy Kemsley, we've been fishing around for why a cloud environment will spur on this business commerce activity. Maybe we should be looking at the social networking aspects as well. What, from your perspective, in a social networking environment for business purposes might spur on this sort of exchange-in-the cloud activity?

Kemsley: Well, Dana, I think there are two interesting sides to that. This is where I see collaboration and social networking coming to play on BPM. One is on the process discovery and modeling side, being able to collaborate with people, usually in different organizations, on what your processes are.

When you're looking at processes that include commerce aspects, if you are doing B2B between two businesses, then definitely you want to get everybody involved in modeling those processes. That's one key area -- being able to have the collaboration and social networking during the modeling of the processes.

The second is during execution. When you are executing a process, whether it's an internal process, or one that's reaching out to other companies as well. It's being able to collaborate out of step in the process in order to accomplish whatever task it is that's being assigned to you at that step. That might include calling out to people who are inside or outside your organization. Having your business processes executing in the cloud usually gives you more latitude to be able to call on people outside your own organization and to collaborate at a point in the business process.

Those are the two main areas that I see social networking coming to play with BPM.

Gardner: Let's bounce it back to Tim Minahan at Ariba. We've mentioned SMBs. Is this something for them? We've mentioned collaboration and workflow. Will those be points in the arrow to adoption? Then, we've addressed the social networking aspect. Maybe, you have some feedback on those three issues?

The community is key

Minahan: I'll start with the last here -- the core component, the community. What Gartner calls the business-service clouds or business process utilities, the core component of that, particularly when you are talking about inter-enterprise collaboration, is indeed the community.

We use the term "community" and not just network or VAN or something like that, because it's not just about the transaction. It's about the exchange of expertise. It's about the ability to develop affinity groups, and the ability to either resell or share best practice business processes.

We're seeing that already through the exchange that we have amongst our customers or around our solutions. We're also seeing that in a lot of the social networking communities that we participate in around the exchange of best practices. The ability to instantiate that into reusable workflows is something that's certainly coming.

Folks are always asking these days, "We hear a lot about this cloud. What business processes or technologies should we put in the cloud?" When you talk about that, the most likely ones are inter-enterprise, whether they be around commerce, talent management, or customer management, it's what happens between enterprises where a shared infrastructure makes the most sense.

Gardner: How about those SMBs? Is this something that's right for them?

Minahan: Absolutely. Every downturn spawns the next area of innovation. In the downturn that we have gone through, look at the advantages SMBs have right now -- not to have to develop information or workflows.

If they can borrow best practices from the commerce cloud, from other large companies, get on board very, very quickly and at a much lower cost, and get engaged at a much lower cost, that's

an advantage for them. They can focus on how they create the competitive differentiation instead of managing infrastructure.

Gardner: So, borrowing on a lot of cloud activities, you give away a part of the process in order to then capitalize or monetize on something else, maybe a little further down the process?

Minahan: Exactly.

Gardner: That might be of interest to the small businesses. Jason Bloomberg, going back to you, have you heard anything along the lines of the collaboration in social networking that strikes you as new? We didn't really have this social networking phenomenon 10 years ago or even five years ago. Has that changed the game at all, when it comes to these business process exchange activities?

Social networking

Bloomberg: Clearly, social networking is an important part of the story. It was one of the things that was still too immature back in the late '90s, that we saw in early part of this decade really coming to the fore. That's the key part of the story, but I wouldn't say that it's necessarily a cloud thing. Social networking is one thing, and cloud is something else.

What I hear happening on this conversation is the word "cloud" just being spread so thin that it's becoming less and less meaningful. It's easy to say, "Oh, well, a hosted-provider model like [Sidekick](#) isn't cloud computing," but most people would consider that's to be cloud computing.

Now, we were talking about business service clouds and business process clouds, and the word "cloud" is becoming so general. It's like anything that is external to enterprise is now a cloud. Oh, by the way, some internal enterprise is also a cloud. And, oh, it could be a software, and maybe it's not software. Maybe it's business process, or maybe it's something you do. Maybe it's social networking.

It's becoming such a very broad term that I think we're risking watering it down to the point that it's nothing but a cliché. I would recommend that if you're going to use the term "cloud computing," come up with a clear definition, where there is certain distinction between what is cloud computing and what is not.

There's nothing wrong with the business marketplaces and the business web idea from the 90s, but it isn't necessarily the same thing as cloud computing, and extending the word "cloud" just waters it down to the point that it doesn't have any meaning anymore.

Gardner: I think "business commerce cliché" has quite a nice ring to it. JP Morgenthal, is this really Internet or is it not even worth bringing Internet into it? We just want to find better, faster, and cheaper ways to do commerce.

Morgenthal: You know that everybody is looking for efficiencies, and economies of scale. The audience for this particular type of requirement is certainly looking for economies of scale, and is very good at it. One of their issues to date, has been trust and not some reliance on the technologies. You've mentioned social networking. Back at [Ikimbo](#), we had tried to introduce social networking around supply-chain management. We were starting to see some uptake before [9/11](#).

There probably is some merit to building secure communities of interest that allow people to communicate with their partners more effectively about what's going on in their business and their business needs and to move to a more just-in-time operation. Layout less capital expenditure. Have less inventory. Do more vendor ownership of the products and goods until they're sold.

Those are definitely areas of interest, and that can be driven by some technological change around these communities. As I said, we try to innovate perhaps too early. Maybe now the popularity around [Enterprise 2.0](#) will mesh with that and business leaders will start to better understand how the two come together, versus trying to educate them. Any time you enter into a market that you need to educate, you find resistance.

Frivolous activity

By the same token, social networking also has a downside from the perspective that it's been introduced as a very frivolous activity versus a good solid business practice. Some of that may have to be undone now. You've got to do some reverse education, so to speak, to remove that frivolity from business leader's heads, around things like Facebook and Twitter, and how they impact business.

I know people who are out there helping business leaders understand and use social networking in their organizations, are going through a lot of those frustrations.

Gardner: Tim Minahan, you're our guest this week, so we'll give the last word to you. For those organizations and folks listening to the show, what should they be keeping in mind as they consider what business services and processes for pure B2B commerce activities belong in the cloud? What should they keep their eye on and how might they even get started in participating?

Minahan: When you think about the cloud, it's about the shared application instance or infrastructure that's ultimately shared among, in this case, multiple trading partners. As you mentioned before, it goes back to its primordial ooze stage. They probably backed out object-oriented architectures that became component-based architectures and SOA and are now moving toward the cloud.

When you get right down to it, it's about assembling the best business practice for your company. CIO's become much more relevant. They become business process architects.

In this case, good business processes to consider are those that go between enterprises. Go back to [Willie Sutton](#), the bank robber. Why did he rob banks? Well, that's where the money was. Well, why do you want to focus on improving your commerce efficiencies and effectiveness. It's because that's what's required to grow your business.

Gardner: Alright. We've been joined by Tim Minahan, the CMO at Ariba. Thank you very much for joining.

Minahan: Thank you for having me.

Gardner: And, we've had our panel of IT analysts this week. Sandy Kemsley, independent IT analyst and architect. Thanks so much for joining.

Kemsley: Thanks, it was a great time.

Gardner: JP Morgenthal, independent analyst and IT consultant. Thank you, sir. Jason Bloomberg, managing partner at ZapThink. I always appreciate your input.

Bloomberg: It's been a pleasure.

Gardner: Brad Shimmin, principal analyst at Current Analysis. Thank you for joining again.

Shimmin: Thank you, Dana, and Happy Halloween everyone.

Gardner: And I hope it wasn't too spooky for you, Tony Baer, senior analyst at Ovum.

Baer: I wasn't too scared, but it was a very fascinating conversation. Thanks, Dana.

Gardner: I want to also thank our sponsors for this BriefingsDirect Analyst Insights Edition podcast, Active Endpoints and TIBCO Software.

This is Dana Gardner, principal analyst at Interarbor Solutions. Thanks for listening and come back next time.

Listen to the podcast. Download the podcast. Find it on [iTunes/iPod](#) and [Podcast.com](#). Charter Sponsor: [Active Endpoints](#). Also sponsored by [TIBCO Software](#).

Special offer: Download a free, supported 30-day trial of [Active Endpoint's ActiveVOS](#) at www.activevos.com/insight.

Edited transcript of BriefingDirect Analyst Insights Edition podcast, Vol. 46 on "business commerce clouds." Copyright Interarbor Solutions, LLC, 2005-2009. All rights reserved.