

# Magic Quadrant for IT Project and Portfolio Management Applications

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**IT resources are too costly to allocate passively or fruitlessly. An enterprise-aligned framework that enables PPM processes with automated tools can improve allocation of IT investments and help ensure effective project delivery.**

## WHAT YOU NEED TO KNOW

IT-oriented project and portfolio management (PPM) solutions are becoming more comprehensive, but they do not have to be risky, expensive implementations. Investing time and attention in process and organization changes is key to your success. Negotiate modular, progressive implementations to fit your needs; adjust evaluation criteria to fit your requirements; and in a competitive market, negotiate aggressively on price.

## STRATEGIC PLANNING ASSUMPTION(S)

By 2010, at least one IT PPM leader will emerge with a mid-market focus, largely by featuring a strong SaaS offering (0.7 probability).

Merger and acquisition activity in the IT PPM market will continue, with at least one more vendor being acquired through 2007 (0.7 probability).

Through 2008, IT PPM visionaries that can stage implementations with fitted, alternative product configurations and services at popular price points will keep pace with market growth (0.7 probability).

## MAGIC QUADRANT

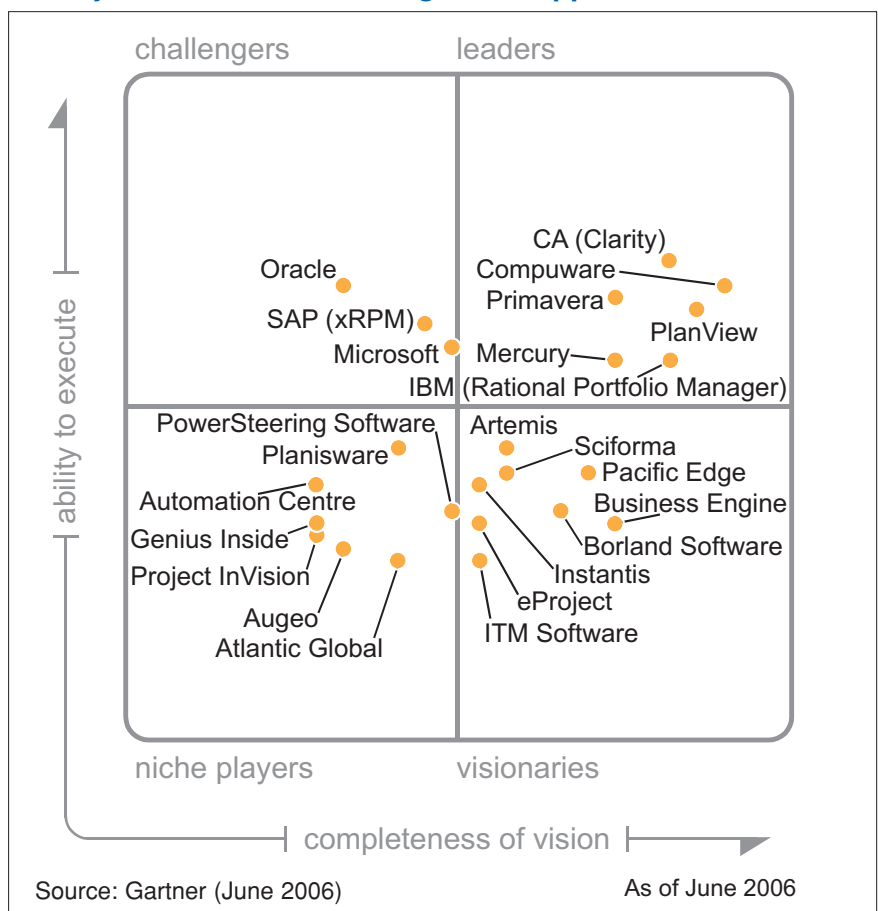
### Market Overview

Market interest in PPM applications remains high among IT management. CIOs continue to report the high priority of PPM-related issues, such as delivering projects for business growth that are tightly linked to business strategies (see Note 1).

Competition is intensifying in the PPM market, and acquisition activities continue. In the IT PPM market segment, CA bought Niku (now CA's Clarity division), Borland Software purchased Legadero and Microsoft acquired United Management Technologies. In addition, Deltek announced the acquisition of Welcom in the government contracting and public sector vertical markets.

Recent investor activity in the mid-market for providers of hosted software-as-a-service (SaaS) solutions (as well as installed solutions) is justified – many leading PPM vendors do not pursue deals involving project service organizations with less than 100 users – unless the deals feature a high proportion of higher-priced roles (for example,

**Figure 1. Magic Quadrant for IT Project and Portfolio Management Applications**



## Note 1

### CIO Strategic Management Priorities, 2006

Gartner's EXP Executive Program surveys CIOs annually regarding their strategic management priorities for the coming year. For 2006, CIOs said that "delivering projects that plan for business growth" and "linking IT projects to business strategies" rated No. 1 and No. 2, respectively – the same as for 2005. Another PPM-related priority in the Top 10, "improving IT governance," rose from No. 10 in 2005 to No. 9 in 2006.

portfolio managers). *By 2010, at least one IT PPM leader will emerge with a mid-market focus, largely by featuring a strong SaaS offering (0.7 probability).*

## Market Definition/Description

### Functional Areas for PPM Applications

PPM applications address a majority of the nine areas described in the Project Management Institute's (PMI's) Project Management Body of Knowledge (PMBOK; for Gartner PPM market descriptions).

#### Three Core Functions

- Time management – Manages deliverable activity timelines and deadlines for programs, projects, tasks and assignments.
- Resource management – Manages the allocation of available personnel using a resource profile repository, and enables resource loading and leveling (natively or via third-party tool integration).
- Cost management – Tracks resource (and other) costs and facilitates the chargeback or billing of project expenses, such as those associated with time, travel, equipment or other materials.

#### Additional Functions

- Scope management – Preliminary requirements planning, including definition of project deliverables; may include tracking proposals or estimates against actual costs.

- Procurement management – Supports the procurement of external resources (for example, contractors) and project-related goods (such as computer hardware).
- Communication management – Tools may include knowledge and document-handling systems and workflow management, including customizable, templated workflows; features or links to third-party tools that enable discussions, e-mail, chat and project intelligence gathering.
- Risk management – Using a macro view of multiple projects to identify and quantify risk and cost value to select the right mix of projects; portfolio management tools can be used to balance risk tolerance with profit maximization to select the right mix of project portfolios.
- Quality management – The use of corporate or industry standards, methodologies, project models, standardized templates, project knowledge, and defined process efficiency measurements and metrics to ensure the quality, consistency and efficiency of executed projects and their deliverables.
- Integration (portfolio) management – Dashboard tools provide business intelligence (BI) and an integrated view of program and project status, application portfolios, resource capacity, service levels, strategic alignment and more; gathers portfolio data from these segments to better enable prioritization.

### Inclusion and Exclusion Criteria

Interest in "enterprise" PPM – beyond, but often encompassing, IT – is on the rise. Gartner has observed the rise of mid-market demand for PPM systems, but some vendors (such as @task, Digite, MaestroTec, OpenAir, Project Arena, Project.net and others) do not yet meet Gartner's criteria for inclusion in the IT PPM Magic Quadrant. Vendors are considered for inclusion on the Magic Quadrant

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**Note 2**

**Holistic IT Planning and Control: Where Project Portfolio, IT Service and Application Life Cycle Management Meet**

Discrete markets for PPM, ALM and ITSM have existed for many years. Users, however, need a more holistic view of the IT planning and control (ITPC) information yielded by these systems. PPM systems can provide tool support for linking business prioritization to project planning, and provide project control support (tracking progress and costs). ALM systems can support quality imperatives with requirements and test planning, and provide quality control via testing and software configuration management. ITSM systems can support operation managers as they plan intended service levels and monitor performance to help provide visibility and control.

IT organizations, however, increasingly need to link workflows among these various management activities. As they seek to manage IT more like a business, they increasingly seek “ERP for IT.” As organizations work with vendors to devise interfaces and connect systems together, vendors have begun to productize some of these integrations. Many vendors are directly active in only one of the three discrete markets; others (including CA, IBM, Mercury, Compuware and, to a lesser degree, Borland, Microsoft, Oracle, Serena Software and others) are active in two or all three markets.

based on several factors, including annual revenue of more than \$10 million (or strong investor backing), a market presence of at least three years or major market-changing innovation. They must have gained new customers in the past year (or have a substantial installed base actively adding licenses). The solution must address market needs (see Note 2), including at least a secondary focus on IT (even though most of the overall market is not in the IT PPM segment). Vendor management should show deep software experience, business education and integrity. Any vendor on the Magic Quadrant would be recommended in certain circumstances, depending on the user’s needs.

**Added**

Borland, CA (acquired Niku), Project InVision

**Dropped**

Lawson, Niku (acquired by CA), Tenrox, United Management Technologies (acquired by Microsoft), ProSight (refocusing on other core markets)

**Table 1. Ability to Execute Evaluation Criteria**

Evaluation Criteria	Weighting
Product/Service	standard
Overall Viability (Business Unit, Financial, Strategy, Organization)	standard
Sales Execution/Pricing	low
Market Responsiveness and Track Record	standard
Marketing Execution	low
Customer Experience	standard
Operations	standard

Source: Gartner

**Table 2. Completeness of Vision Evaluation Criteria**

Evaluation Criteria	Weighting
Market Understanding	standard
Marketing Strategy	no rating
Sales Strategy	no rating
Offering (Product) Strategy	high
Business Model	standard
Vertical/Industry Strategy	standard
Innovation	standard
Geographic Strategy	no rating

Source: Gartner

## Evaluation Criteria

### Ability to Execute

In evaluating vendors and offerings, “ability to execute” factors, such as robust viability (consistent annual PPM revenue growth), carry significant weight.

### Completeness of Vision

“Vision” factors, such as integration (vs. cobbled-together modules), carry significant weight.

### Leaders

Leaders in the IT PPM market are characterized by relative strengths in a majority of the completeness of vision criteria. Vision elements (of resource management and project communication/collaboration management) are realized via a well-rounded ability to execute – for example, to help meet federal capital planning investment and control (CPIC) and corporate Sarbanes-Oxley drivers, tools for integrated risk management (qualitative and quantitative) and project issue tracking are being introduced. Leaders typically have a relatively large and balanced PPM revenue stream, above-average R&D commitment, a motivated direct sales force with an understanding of the (sometimes lengthy) PPM sales cycle, and a strong, incentive-based plan and training for the PPM product.

### Challengers

Challengers in the IT PPM market are characterized by high viability from a balanced revenue stream that includes a direct PPM consulting service capability and by strong sales and marketing; however, their vision is not fully realized. Vertical industry strategies may be limited by relatively little support for IT requirements such as IT or application development processes and roles, templates, and workflows with IT terms and procedures, and resource databases pre-configured to reflect IT skill sets. Business models may not be best suited to PPM. The vendor may play “catch-up” relative to innovators, or the vendor’s product strategy may be based on an inappropriate or partial view of market needs.

### Visionaries

Visionaries are characterized by a clear view of IT PPM requirements, but they have relatively less resources, skills or experience to help realize that vision. Vendors that exhibit business and technology innovation rate higher on the vision axis – for

example, via architectural evolution (we expect that most PPM functions will be packaged as flexibly configurable, modular Web services within a few years). One recent innovation has been applying technology to “expected utility analysis,” which helps factor risk into project selection based on investment portfolio theories. Visionaries, however, may have shown some inconsistency between expressed plans or views and delivery, or inconsistency in supporting implementations. They may have had to cut R&D staff, suffered turnover in the sales force or marketing team, or were unable to provide support outside their immediate regions.

### Niche Players

Niche Players in the IT PPM market are characterized by their focus on the needs of a specific market segment, whether by platform or region, or by vertical focus (IT may only be a secondary or tertiary target). A vendor’s product strategy may be based on an inappropriate or partial view of market needs. Some ratings are reduced because of a lack of an adequate hosted or SaaS solution. Application portfolio management may be little supported if the product offering has difficulty with aggregate costing of such nonproject service requests as minor software changes to accumulate costs for supporting named applications.

## Vendor Comments

### Artemis

In 1Q06, Artemis announced a planned merger with Versata (a subsidiary of Trilogy). After acquiring most of its international joint ventures a few years ago, Artemis has had some success pushing its new Artemis 7 product through a sales channel that has long been accustomed to the Views product line. Despite risks from persistent profitability issues, Artemis’ international presence and ability to provide customer care in countries neglected by other vendors have helped insulate it from these risks. New ownership could breathe life into this veteran \$47 million (2005) company.

### Atlantic Global

Atlantic Global continues to build from time/cost reporting implementations to address resource assignment, project statusing, and other PPM features and functions. With the addition of portfolio management, resource approval and workflow

planned for 2006, Atlantic Global will command a strong position in the growing PPM market in the U.K.

### **Augeo**

Augeo continues to support its customers from its headquarters in the Netherlands and offices in Canada, France and Germany. With its new version 5.3 in 2006, implementation is eased by leveraging WebSphere 6.0 and Apache Tomcat 5.5. Usability is enhanced via a new interface, and reporting is improved via original equipment manufacturer (OEM) integration with Crystal Reports.

### **Automation Centre**

Automation Centre continues to offer cost-effective PPM products leveraging the Lotus Domino or Microsoft Exchange platforms. Those using Lotus Notes, in particular, continue to invest in Tracker Suite, which in 1Q06 introduced XML forms and views in v.7.1; enhanced purchase, expense and time management features; improved WebSphere integration; and was recognized by "Lotus Advisor" magazine.

### **Borland Software**

Borland, as part of its reinvention, acquired Legadero in 4Q05 and is preparing the product for worldwide use (by adding global characters, multicurrency support and translations of system dialogs based on user profiles). Borland will ramp up sales and marketing efforts around the renamed "Tempo" offering in connection with its requirements, testing and software change offerings, but integration of these into a cohesive IT planning and control (ITPC) offering is not expected until at least 2008 or 2010.

### **Business Engine**

Business Engine offers strong project financial management. It added Alignment Engine to support project prioritization via set weightings, criteria and end-user scoring. OEM arrangements provide BI and workflow support, so that version 5.4, which features Method Engine, can close the loop between portfolio alignment and project management.

### **CA (Clarity)**

In August 2005, CA acquired Niku, whose Clarity product is being developed and marketed through the Clarity division of CA's Business Service Optimization (BSO) group. Market demand and an extensive

pipeline prompted CA to make investments in its levels of service and support, strengthening its capabilities as it strives to further establish its global reach. In May 2006, CA released Clarity v.7.5.3, with Web-services-based integration with CA's Service Desk and Harvest tools, as the BSO group moves toward offering an ITPC-style "ERP system for IT," incorporating PPM, application life cycle management (ALM) and IT service management (ITSM).

### **Compuware**

Compuware reports strong sales growth for its Changepoint PPM solution. In May 2006, it delivered a new version of the Changepoint product, adding enhanced graphical workflow capabilities to support decision frameworks, and visibility and analysis of IT demand, including projects, planned work and service requests. Portfolio hierarchy support, graphical project interdependencies and added support for the inclusion of qualitative measure and metrics as part of key business processes defined in the system enable Compuware to add more support for ALM and ITSM. In addition, Compuware has introduced interfaces between Changepoint and related products – such as the Compuware Application Reliability Solution (CARS), a quality delivery process, and Vantage for ITSM.

### **eProject**

eProject provides SaaS and in-house versions of its PPM solution, with 75 percent of its user base choosing its well-established hosted solution at a cost-effective price point. eProject PPM6 became generally available in May, adding a number of enhancements in the demand management, portfolio, dashboard and resource management areas, among others.

### **Genius Inside**

Genius Inside leverages Lotus Domino and continues to sell well in Europe, even as it begins to win customers in North America and Asia/Pacific. The most recent version provides portfolio analysis, Java-based Gantt charting enhancements, multicurrency support, and support for Prince2 and PMI project management methodologies.

### **IBM (Rational Portfolio Manager)**

IBM's Rational Portfolio Manager (RPM) features strong workflow support for a range of IT processes, including the Rational Unified Process (RUP) and IBM

Tivoli Unified Process (ITUP). IBM introduced new portfolio management method content, in contrast to most other PPM vendors that lack substantial, specific methodology support. IBM is progressing in integrations with other Rational products, but it faces significant challenges in integrating RPM with other IBM product lines, particularly Tivoli (toward ITPC). Although it is sometimes thought of as a “sleeping software giant,” IBM is a force to be reckoned with. However, for PPM, IBM is unlikely to market beyond established customers.

### **Instantis**

Instantis offers strong quality management support (for example, Six Sigma). Its recent release of EnterpriseTrack, offering a SaaS option, adds support for multiple project types and workflows, as well as executive, project and what-if dashboards. A new \$8.8 million round of funding invested in sales efforts should boost the company’s market share.

### **ITM Software**

ITM Software has another year of development behind it, leveraging its \$6 million in second-round (2005) funding. It also has a new chief executive, a former Bechtel CIO, Hank Leingang. The Web-based Java 2 Platform, Enterprise Edition (J2EE) product features an integrated data model, with XML interfaces for data integration, and major modules for financial, human capital, project portfolio, compliance and vendor management.

### **Mercury**

Mercury reports continued growth in sales of its PPM offering, IT Governance (ITG) Center, although plans to ship the 7.0 version in 2005 have not yet come to fruition. Mercury remains monetarily strong. In June 2006, it announced the acquisition of Vertical Solutions’ (Ohio) PowerHelp IT help desk tool, together with the Tefensoft (Israel) R&D and support facilities, for \$18.5 million. Issues of financial reporting related to stock options linger, but Mercury is a vendor with more than \$800 million in annual revenue; a diversified product line that includes software quality and testing tools, application monitoring and availability tools; and its ITG product. If a competitive market for holistic ITPC solutions emerges by 2009, then Mercury’s product line (featuring quality, performance and business

availability “centers”), if well-integrated, could comprise most of such an offering.

### **Microsoft**

Microsoft acquired portfolio management visionary United Management Technologies, adding a strong portfolio optimization engine to Microsoft’s Enterprise Project Management (EPM) Solution, which remains the market-share leader in overall PPM (as distinct from the IT segment and the desktop scheduling market dominated by the Microsoft Project tool). EPM also supports IT methodologies from its own, much-improved Solutions Framework for system delivery projects to Fujitsu Consulting’s MacroScope (via EPMSuite) and others. R&D for the Microsoft Office Project 2007 release promises important enhancements – such as richer role-based functionality via the Web, workflow and long-awaited multilevel undo – all to be released in late 2006, in sync with the 2007 Office system release.

### **Oracle**

Oracle Projects has grown beyond its most common use – namely, planning using work breakdown structures to support project cost accounting – and has become more relevant to project-intensive organizations, including IT. Oracle Projects 11.10 offers portfolio analysis (scoring and ranking projects in different scenarios), and contingent worker support has been added. Established Oracle Applications customers often evaluate Oracle Projects to leverage their investment.

### **Pacific Edge**

Pacific Edge’s next-generation Mariner product was launched in September 2005 and features integration with HP’s OpenView Service Desk. Mariner is configured according to levels of organizational readiness based on maturity assessments introduced in 2005 – more than 100 of which the company has already performed.

### **Planisware**

Planisware’s OPX2 enterprise project control comes in various industry solutions, including IT and new product development (NPD), with a pharmaceutical/life sciences focus. It is a powerful application for idea- and task-intensive organizations with a need for integrated multiproject scheduling,

and resource and cost management. NPD is an important segment of the overall PPM market, where Planisware has gained some traction outside its European base.

### **PlanView**

PlanView reports significant license revenue growth during the past year, including increased subscriptions in its PRISMS offering and e-learning programs. PRISMS is a set of best practices, processes and standards. To exploit a rising mid-market, PlanView offers alternative pricing and deployment options. Now in Unicode, PlanView's solution is increasingly internationalized and the company is poised for continued global growth, supported by European headquarters outside Paris, offices (and resellers) throughout Europe and expansion into Australia, with offices outside Melbourne.

### **PowerSteering Software**

PowerSteering Software continues to focus on collaborative quality management, particularly Six Sigma. In April 2006, the U.S. Army selected PowerSteering as its Six Sigma tracking solution. Recent versions have introduced useful new features, including risk ownership and automated alerts. Version 5.0 adds a new user interface using Ajax techniques for more interactive Web applications.

### **Primavera**

Primavera, a \$120 million company, received a substantial investment of more than \$150 million from Francisco Partners and Venture Partners in April 2006. Its PPM product line targets multiple vertical markets. Primavera for Services reached version 8.5 in April 2006 and targets financial services (including IT organizations) and professional service organizations. (A different Primavera platform, Primavera 5.0, features powerful project scheduling and resource leveling features, and targets high-tech and public sector enterprises, among others, that need scalable, multiproject management applications.) Primavera will use the new funding to boost sales and marketing for faster growth and to further address its established vertical markets (as well as new vertical markets) with increased R&D and by acquiring related products.

### **Project InVision**

Project InVision, adding procurement management to the spring 2006 release of its PPM solution, provides some support for all the PMBOK knowledge/process areas. With relatively small but growing revenue, Project InVision's focus on specialized financial services market segments, and its foray into "farmsourcing" (rural U.S. outsourcing), will contribute to its viability.

### **SAP (xRPM)**

SAP, with version 4 of xRPM, better enables portfolio analysis and project accounting. A new portfolio management piece helps users score proposed projects against strategy parameters in IT and non-IT business scenarios (such as product development, where SAP's xPD product is complementary). IT organizations may benefit from a new interface to SAP's IT service and asset management tool. Top-down annual planning and analysis, along with decision points, facilitate the review of projects in progress. Stand-alone xRPM pricing is available, but it is generally purchased by established SAP users and priced by the size of the portfolio being managed.

### **Sciforma**

Sciforma is gaining mind share with improved sales and marketing execution, including direct sales in the U.K. and elsewhere in the E.U. (as well as throughout North America). Customer demand has been met with new offline features and the PSConnect application programming interface for integration with enterprise applications (such as for uploading time reports to SAP), and features enabling constraint-based "critical chain" scheduling have gained wide interest. Sciforma added hosting centers in the U.S. and Europe, but also offers a mid-market installed option priced moderately leveraging "tokens," whereby on installation an administrator adjusts the token allocation mix to meet changing requirements, without requiring additional purchases.

## Evaluation Criteria Definitions

### Ability to Execute

**Product/Service:** Core goods and services offered by the vendor that compete in/serve the defined market. This includes current product/service capabilities, quality, feature sets, skills, etc., whether offered natively or through OEM agreements/partnerships as defined in the market definition and detailed in the subcriteria.

**Overall Viability (Business Unit, Financial, Strategy, Organization):** Viability includes an assessment of the overall organization's financial health, the financial and practical success of the business unit, and the likelihood of the individual business unit to continue investing in the product, to continue offering the product and to advance the state of the art within the organization's portfolio of products.

**Sales Execution/Pricing:** The vendor's capabilities in all pre-sales activities and the structure that supports them. This includes deal management, pricing and negotiation, pre-sales support and the overall effectiveness of the sales channel.

**Market Responsiveness and Track Record:** Ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, customer needs evolve and market dynamics change. This criterion also considers the vendor's history of responsiveness.

**Marketing Execution:** The clarity, quality, creativity and efficacy of programs designed to deliver the organization's message in order to influence the market, promote the brand and business, increase awareness of the products, and establish a positive identification with the product/brand and organization in the minds of buyers. This "mind share" can be driven by a combination of publicity, promotional, thought leadership, word-of-mouth and sales activities.

**Customer Experience:** Relationships, products and services/programs that enable clients to be successful with the products evaluated. Specifically, this includes the ways customers receive technical support or account support. This can also include ancillary tools, customer support programs (and the quality thereof), availability of user groups, service-level agreements, etc.

**Operations:** The ability of the organization to meet its goals and commitments. Factors include the quality of the organizational structure including skills, experiences, programs, systems and other vehicles that enable the organization to operate effectively and efficiently on an ongoing basis.

### Completeness of Vision

**Market Understanding:** Ability of the vendor to understand buyers' wants and needs and to translate those into products and services. Vendors that show the highest degree of vision listen and understand buyers' wants and needs, and can shape or enhance those with their added vision.

**Marketing Strategy:** A clear, differentiated set of messages consistently communicated throughout the organization and externalized through the Web site, advertising, customer programs and positioning statements.

**Sales Strategy:** The strategy for selling product that uses the appropriate network of direct and indirect sales, marketing, service and communication affiliates that extend the scope and depth of market reach, skills, expertise, technologies, services and the customer base.

**Offering (Product) Strategy:** The vendor's approach to product development and delivery that emphasizes differentiation, functionality, methodology and feature set as they map to current and future requirements.

**Business Model:** The soundness and logic of the vendor's underlying business proposition.

**Vertical/Industry Strategy:** The vendor's strategy to direct resources, skills and offerings to meet the specific needs of individual market segments, including verticals.

**Innovation:** Direct, related, complementary and synergistic layouts of resources, expertise or capital for investment, consolidation, defensive or pre-emptive purposes.

**Geographic Strategy:** The vendor's strategy to direct resources, skills and offerings to meet the specific needs of geographies outside the "home" or native geography, either directly or through partners, channels and subsidiaries as appropriate for that geography and market.