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Recession Drives Demand for Hosted Project Management and Portfolio Management

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As businesses tighten their belts in response to the recession, [they're turning to project and portfolio management software](#) to help them identify which IT projects are mission critical and to help them execute those projects as efficiently as possible.

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Increasingly, they're opting for software as a service (SaaS) versions of project management and portfolio management solutions because [software as a service](#) is cheaper and easier to deploy than traditional, on premise software, according to tech industry analysts and customers who've gone the SaaS route. (SaaS is also known as hosted or on demand offerings.)

Melinda Ballou, program director for IDC's application lifecycle management research, says demand for software as a service versions of project management and portfolio management tools was on the rise prior to the collapse of the financial services industry in the fall, and that despite the recession, she expects demand for hosted project portfolio management (PPM) solutions to continue. The market for IT project portfolio management software is expected to hit \$791.6 million in 2008, up from \$679 million in 2007, according to IDC's estimates. Software as a service versions of project portfolio management solutions are a growing segment of the larger IT project portfolio management market.

"On demand PPM tools don't require a huge investment upfront to deploy and implement—both the cost and risk are significantly less," says Ballou. "In addition, companies urgently seeking to better coordinate increasingly scarce resources across projects, programs and portfolios can get the functionality benefits very quickly."

Tale of Two Companies That Used Hosted Project Management.

Cost and the need to improve service were on the minds of executives at Chicago's Department of Public Health and 24-by-7, a small, Denver-based provider of telephone maintenance and installation services, when they selected hosted project management software from CA and Clarizen respectively, to help them run their businesses.

Carlo Govia, the Chicago Department of Public Health's CFO and first deputy commissioner, says his



organization went with a software as a service project portfolio management solution to avoid maintaining software in-house. "It's not a cost-effective way for us to manage our infrastructure," says Govia. "We thought it was better to outsource that functionality so we can focus on the core health services we provide."

Indeed, the Chicago Department of Public Health will begin using CA's Clarity PPM On Demand solution in early 2009, to measure the effectiveness of the health services the department provides, to better orchestrate evacuation exercises and simulated outbreaks of chemical and biological agents, and to better manage grant money, says Govia.

"The biggest challenge we have is the large amount of unspent grant dollars at the end of the period. Because we didn't spend the money, we have to ask our funders for a carry-over request," says Govia. The problem with the Chicago Department of Public Health asking funders like the [Centers for Disease Control and Prevention](#) if it can carry over funds from one year to another, he adds, "is that the grant could be cut for your inability to spend those dollars. The grantors look to reallocate those dollars to more productive programs."

Consequently, Govia is depending on Clarity to give the department a better way to track grants and to signal earlier when money isn't being spent, so that the department can redirect those funds to other programs.

For its part, 24-by-7 uses Clarizen's collaboration and project management software to track the progress of phone system installations and repairs for clients and to share that information with customers.

Prior to going live with Clarizen in January, 2008, 24-by-7 had mainly been using [Microsoft Excel](#) spreadsheets to track client work. Hal Anderson, the company's CTO, says that as projects for customers got more complicated, 24-by-7 needed a more interactive project management solution than a static Excel spreadsheet and something cheaper and more flexible than [Microsoft Project](#), which some project managers inside the company used. (See [How to Select Project Management Software](#).)

"A web-enabled, low-cost solution was really our preferred alternative," says Anderson.

Although a weakening economy wasn't the main reason Anderson initially sought out hosted project management software, he realized a software as a service project management solution would help his company provide better service to customers, and thus compete with its big competitors.

"At the time, the large manufacturers—the [Siemens](#) and Avayas—were starting to experience a tightening of large system purchases. We thought, the easier we were to engage with, the more likely we would be considered a viable option to take over maintenance and help deploy a new system," he says. "We needed to offer better service at a lower cost. Having on demand, SaaS tools to interface with our customers was critical to fulfilling that goal."

PPM Vendors Respond to Market Demand.

Because the recession is spurring companies to look for cheap project management software, some providers of hosted project management tools are experiencing their best quarters ever, at a time of [decreased IT spending](#).

Avinoam Nowogrodski, CEO and co-founder of Clarizen, a provider of hosted project management software, says his two-and-a-half year old company, which targets small and midsize enterprises, benefited from "substantial growth" in September and October 2008 and that November was shaping up to be Clarizen's best month ever—all while the economic crisis roiled in the background.

"Customers are looking for a different type of solution that's more affordable, which has lower barriers to entry and doesn't require a big investment in hardware or maintaining servers in house. This economic crisis is an accelerator for the SaaS market," says Nowogrodski.

AtTask, another provider of hosted project and portfolio management software, is also seeing record growth. Scott Johnson, the CEO, says the fourth quarter of 2008 is shaping up to be the strongest quarter in his company's seven-year history. He attributes his company's fortunes to the fact that businesses need lightweight project management tools "to get more productivity out of existing resources" and to "better validate all of their IT projects." He says the software as a service platform is compelling to companies because IT budgets are tight.

Meanwhile, providers of on premise project portfolio management software are announcing new software as a service versions of their PPM products. CA unveiled its Clarity PPM On Demand project portfolio management solution at its CA World event in November.

Hot on the heels of CA's Clarity on Demand launch, Planview is announcing a SaaS version of its Planview Enterprise project portfolio management applications suite next week.

Also next week, long-time IT services provider [Compuware](#) is releasing a new version of its Changepoint PPM software, which the company has offered in a SaaS model since the late 90s. Compuware Changepoint Product Manager Greg Davidson says Changepoint 2009 includes enhanced functionality designed to address IT leaders' needs during a recession for more financial transparency and the ability to allocate staff across projects.

The recession has so many companies wary of making major investments in new software that some are turning to on demand project management software because the flexibility of the model allows them to only pay for the software as long as they need it, and that could be just for the duration of a given project.

Helge Scheil, corporate senior vice president of products and general manager of IT governance at CA, notes that food manufacturer Kellogg began using Clarity On Demand in early September because it needed project management software it could get up and running quickly for a major project.

"They needed to get a project management and program management solution in for a specific project they were running internally," Scheil says of the cereal maker. "They wanted to rent our solution for the duration of that project. That's a demand we're starting to see more and more."

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