



February 29, 2008

Trends 2008: Project-Based Solutions

by R "Ray" Wang and Andy Salunga
for Business Process & Applications Professionals

February, 29 2008

Trends 2008: Project-Based Solutions

This is the third document in the "Enterprise Solutions For A Project-Based World" series.

by R "Ray" Wang and Andy Salunga

with Sharyn C. Leaver and Meghan Donnelly

EXECUTIVE SUMMARY

In 2008, Forrester believes that project-based solutions (PBS) adoption will continue to be driven by specific microverticals in professional services, construction, real estate, and the public sector. A worsening economic climate will up the ante on features that enforce compliance and efficiency. The preference for comprehensive solutions will drive demand for tools that apply program management techniques, deliver on integration and collaboration, and provide new deployment options. Business process and applications professionals considering solutions along the project life cycle should seek industry-specific solutions from vendors who embrace the vision of dynamic apps.

TABLE OF CONTENTS

2 Business Drivers Focus On Compliance And Efficiency

Chaotic Realities Persist In Project-Based Enterprises

3 The Scope And Flexibility Of PBS Solutions Will Increase

Solution Scenarios Expand To Address Broader Project-Based Requirements

Robust Project Management Capabilities Complement Rigorous Program Discipline

Four Industries Continue To Best Epitomize The PBS Vision

Dynamic Businesses Require Deeper Integration And Collaboration

Hybrid Deployment Options Emerge Based On Companies' Business Environments

RECOMMENDATIONS

8 Choose Solutions By Industry, But Align By Project-Based Process

NOTES & RESOURCES

Forrester conducted discussions with 71 vendor and user companies through various interactions such as inquiry, advisory, and briefings.

Related Research Documents

"Forrester's Long-Term Packaged Applications Strategy Framework"
December 11, 2007

"Making The Marriage Work: Lean, Six Sigma, And The Business Process Maturity Model"
November 21, 2007

"Introducing Project-Based Solutions"
May 10, 2007

BUSINESS DRIVERS FOCUS ON COMPLIANCE AND EFFICIENCY

Signs of an economic slowdown in 2008 are driving project-based professionals to focus on initiatives that address compliance and efficiency (see Figure 1). Conversations with 71 clients and vendors of PBS technology indicate that this focus stems from mandates to:

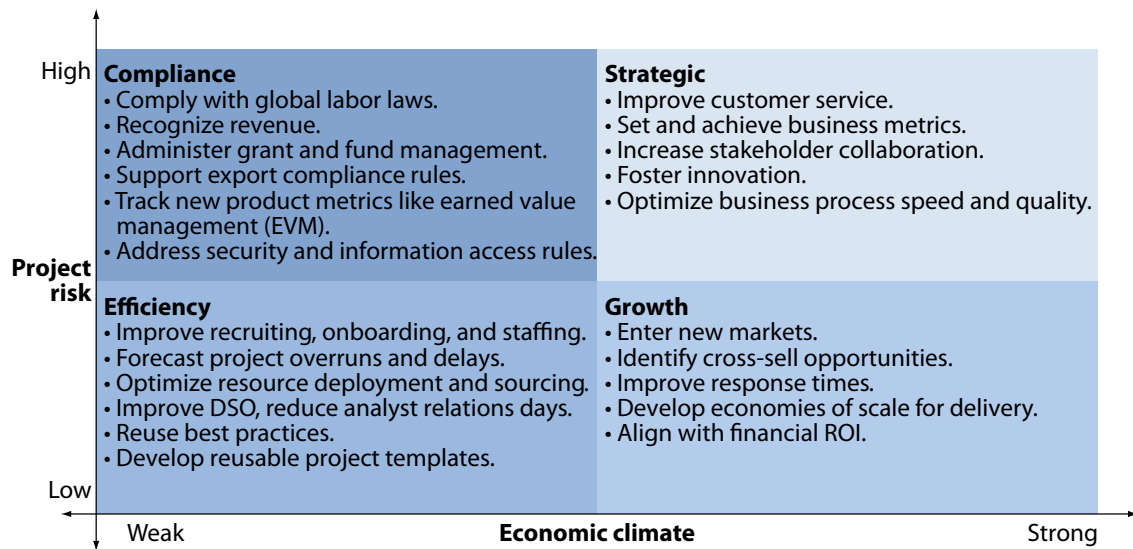
- **Address regulatory and compliance threats.** The specter of increased regulation emerges as a complex reality across all industries. Global legislative bodies continue to increase regulation around labor laws, intellectual property protections, and export compliance requirements. Financial bodies seek improved internal controls, operational transparency, and revenue recognition. Public sector agencies pressure suppliers to address global terrorism, security requirements, and improve accountability via metrics such as earned value management (EVM). Mitigation of risk must be considered at both the portfolio level and the project-execution level.
- **Improve profitability and operational efficiency.** Margin pressures bring cost reduction and revenue optimization top of mind. Project-based businesses seek improvements in engagement cash flow and profitability. Common requirements include the capture of all project costs by process and the mapping of project-based life-cycle processes to contractual terms. The increasing number of partner-driven engagements requires key stakeholders to collaborate on invoice creation, bill reviews, and submissions. The result: increased profitability through the reduction of days sales outstanding (DSO) and improvement in billing accuracy through better cost capture.
- **Optimize business process and quality.** The global competition for innovation and talent tilts priorities toward speed to market. Rapidly changing product/service innovation life cycles force reductions in time to market, advancements in flexible design, and prioritization for vendor/supplier collaboration. Resource optimization requirements drive project-based professionals to take a careful look at the alignment of resource skills and experience with project requirements. Success depends on an organization's ability to transcend functional fiefdoms and move toward a business-process orientation.

Chaotic Realities Persist In Project-Based Enterprises

In many industries, a focus on efficiency and compliance translates into a “hunker down” mentality, where significant change is avoided in favor of more modest, streamlining initiatives. Project-based firms have no such luxury. They must respond to the most dynamic challenges, including the changing:

- **Nature of business.** Globalization, outsourcing, and shared services increase complexity in collaboration. New collaborative business models have firms rushing to deliver project deadlines 24 hours, by seven days, by 52 weeks, and by seven continent markets.
- **Composition of the workforce.** Both a changing and graying workforce highlight the importance in attracting, retaining, and motivating employees. Project-based enterprises face challenges in succession planning for next-generation workers accustomed to new work environments such as telecommuting and job sharing.

Figure 1 Investment In PBS Solutions Shifts To Compliance And Efficiency



43372

Source: Forrester Research, Inc.

THE SCOPE AND FLEXIBILITY OF PBS SOLUTIONS WILL INCREASE

As enterprises continue the shift to a service-based and project-based world, dynamic, knowledge-based requirements drive demand for PBS. With broader adoption in 2008, PBS must support: expanded solution scenarios, tighter integration to project management methodologies, continued industry specialization, optimized integration and collaboration support, and improved hybrid deployment options.

Solution Scenarios Expand To Address Broader Project-Based Requirements

Traditional approaches segmented by internal or external stakeholder orientation and product or service delivery no longer make sense. Key trends include:

- **Adopting existing solutions for new success imperatives.** Success with project portfolio management (PPM), professional services automation (PSA), asset management, and workspace/facilities management solutions drives adoption into new externally facing, revenue-generating services. For example, internal IT shops seek to expand the use of proven PPM solutions such as CA Clarity, Compuware Changepoint, Planview, and Primavera Systems for their externally facing professional services organizations. Project-based professionals also look to their traditional enterprise resource planning (ERP) solutions such as Epicor Software, Oracle, and SAP, for integrated, project-based business flows.¹ Meanwhile, enterprises with project accounting and scheduling systems seek to expand usage of solutions like Microsoft Project Server and Primavera Systems for product development.

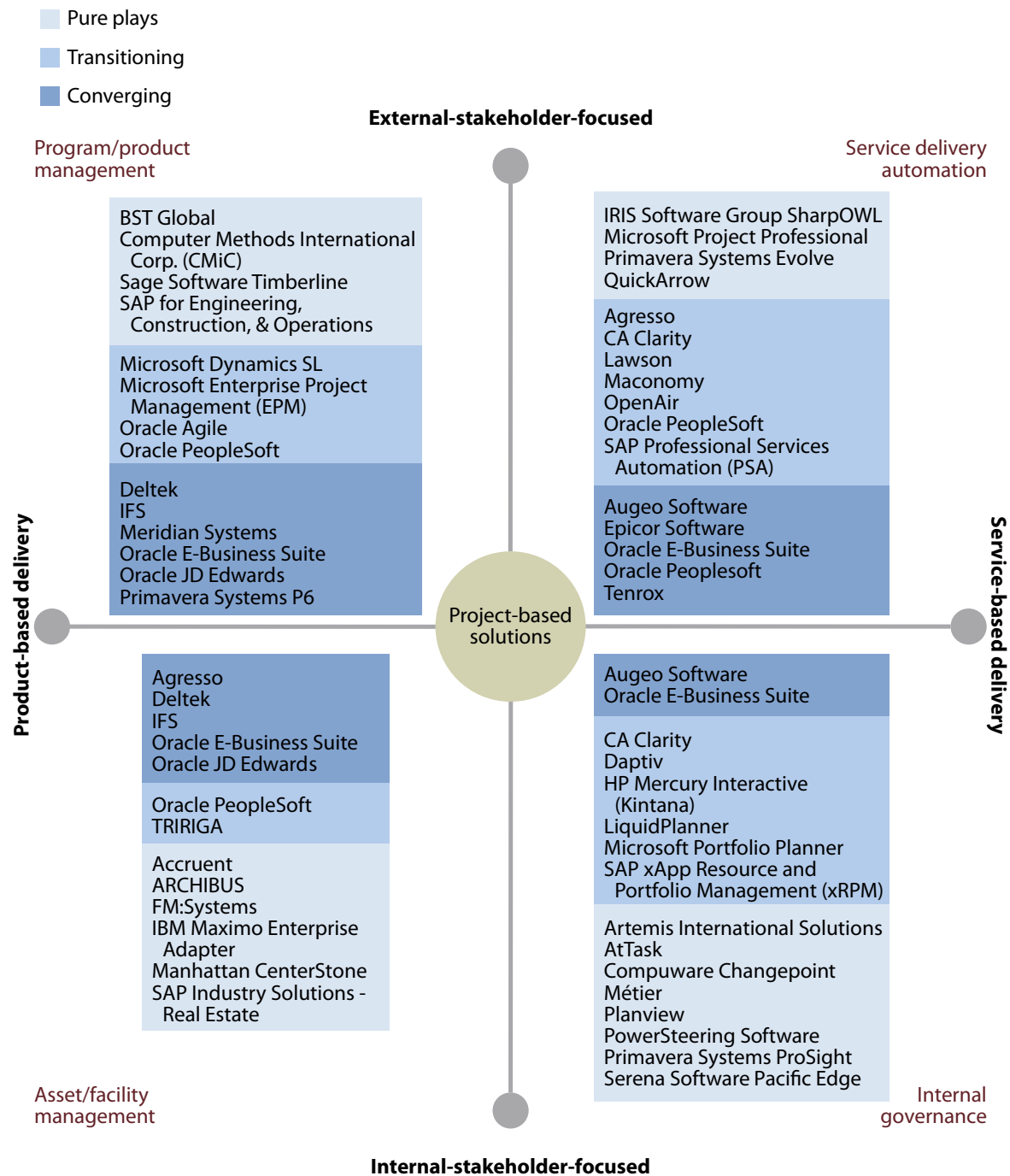
- **Transitioning from legacy three-letter acronyms to a PBS view.** The core capabilities in legacy monikers like PSA, PPM, and facilities management share many common capabilities. Use cases expand in the direction of a common PBS vision. Vendors such as Augeo Software, Deltek, Epicor Software, IFS, Oracle, Primavera Systems, and Tenrox also move toward a convergent vision and expand their solution footprints to address program/product management, service delivery automation, internal governance, and asset/facility management (see Figure 2). In an extreme example, one Maconomy partner has taken the core PSA product for Agency and Consulting markets and expanded it to facilities management for a global retailer. In another example, Agresso, known for services delivery automation, has moved into the asset management space with its Field Force offering. Over time, expect the “P” in PBS to shift from “project” to “program”.

Robust Project Management Capabilities Complement Rigorous Program Discipline

Business process and applications professionals must manage increasingly complex project environments with a common program discipline because they draw on the same resource pool, need to be reported on as a whole, or have unique funding situations. Trends in program management capabilities include:

- **Emerging links to project management methodologies and frameworks.** Collaboration among a multitude of internal and external stakeholders drive enterprises to incorporate project management and process improvement methodologies and frameworks. The result: a broad adoption by both solution providers and business process professionals to align with the Project Management Institute’s Project Management Body of Knowledge (PMI PMBOK) or internally customize a project-based solution to align with the PMBOK. Many of the vendors provide PMI-certified consultants to help companies deploy their solutions, and the client companies themselves often have their own consultants or employees with PMI certification.
- **Increased emphasis on process improvement.** While there is less explicit incorporation of process improvement methodologies like Lean and Six Sigma into vendor solutions, many vendors and companies noted for project-based solutions to have incorporated process improvement elements to enable process improvement efforts. Indeed, the PMBOK and its associated Organizational Project Management Maturity Model (OPM3), Capability Maturity Model Integration (CMMI), Information Technology Infrastructure Library (ITIL), and other frameworks, with its focus on best practices, align quite well with, and are increasingly integrated with, process improvement methods and frameworks.
- **Prioritization of project metrics.** Metrics have also emerged as a critical focus for project-based solutions. Companies continue to need performance measurement tools to help them understand how well they are executing projects and programs relative to plan. Companies need forward-looking metrics, ranging from sophisticated earned value models to tried-and-true cost, schedule, and performance measures. These traditional back-to-basics measures of project health have not been replaced since they continue to drive leaders’ decisions throughout the project life cycle. But there is increased emphasis to extend those metrics across the different organizations involved in a project to best align limited resources.

Figure 2 Vendors Converge On PBS



43372

Source: Forrester Research, Inc.

- **More actionable insight and business optimization.** Project leaders need real-time schedule and performance metrics — from an overall project level down to individual resource levels — to manage the current effort and determine next steps to staff the next project in the portfolio. This instantaneous access to project-based information and desire for business optimization helps to reduce delivery risks and issues as they happen while creating an agile and responsive business.² Increasingly, these metrics are also extending to focus on how projects are adding demonstrated financial value and how these projects align with companies' growth strategies.

Four Industries Continue To Best Epitomize The PBS Vision

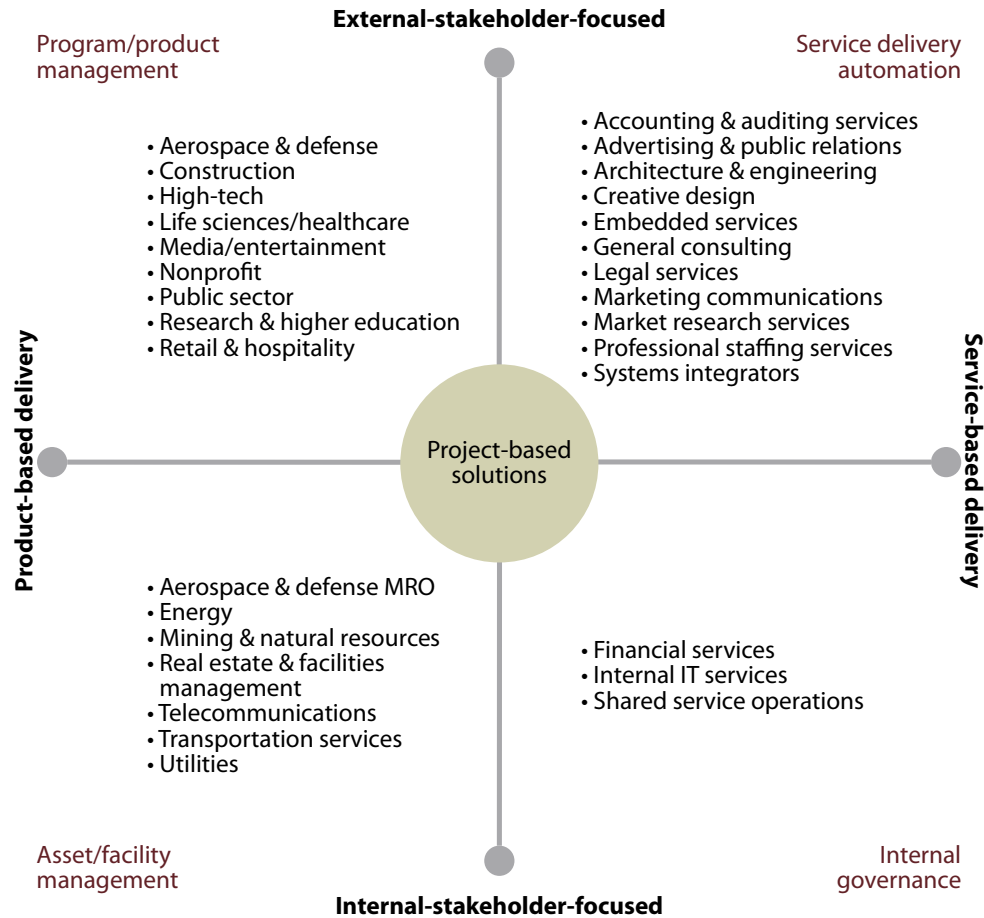
Most industries align best with specific corners of PBS — areas such as program/product management, service delivery automation, internal governance, and asset/facility management (see Figure 3). Microverticals within professional services, architecture/engineering/construction, public sector, and real-estate firms lead in PBS adoption. Among professional services, architecture & engineering, creative design, and system integration firms extend their market adoption. In the public sector, government contracting continues as the dominant microvertical, while construction grows to include infrastructure, commercial, multifamily residential, hotel, education, healthcare, and senior living firms. Real estate and facilities management expand to incorporate the complete life cycle of developers, building operators, and management companies.

Dynamic Businesses Require Deeper Integration And Collaboration

Faced with time-to-market pressures, interdependence on partners, and changing business models, project-based businesses seek dynamic applications that improve collaboration, integration, and process flexibility.³ Key trends for PBS that address this need include improved:

- **Stakeholder collaboration.** Collaboration and the development of solution-centric ecosystems are essential for success as companies continue to manage federated and indirect resources — whether co-located, offshore, contractor, or subcontractor resources.⁴ One example: Project-based enterprises need to see which resources are available, what their skills are, and how they can select from the best source at the time they need them. In addition, solution development techniques now engage partners, suppliers, and customers in the process. Expect Web 2.0-styled collaboration tools to become a standard underpinning of PBS.
- **Integration.** Cautious IT spending trends guide project-based professionals to prioritize interoperability and post-implementation flexibility. To avoid the rip and replacement of existing solutions and support the preference for best-of-breed solutions, investment in integration remains a key requirement. Early adopters often show how harmonized IT systems reduce cost of ownership and complexity related to the monitoring of schedule, budget, and resource capacity/allocation of key performance indicators. This means that a mix of human- and integration-centric business process management tools will also become foundational components of PBS offerings.

Figure 3 Certain Industries Fit Best In Four Defined Categories



43372

Source: Forrester Research, Inc.

Hybrid Deployment Options Emerge Based On Companies' Business Environments

While certain vendors have a particular focus, whether on-premise or on-demand, their clients have tailored hybrid approaches to meet their needs. Several considerations and trends are driving this hybrid approach, namely:

- **Practical decision criteria.** After firms assess their deployment environment, selecting a PBS becomes a matter of weighing logistical considerations. Process and applications professionals consider criteria such as the comprehensiveness of the deployment, whether enterprise rollout or pilot; level of trust, both in terms of security and data integrity; and criticality of timeliness in deploying a solution.
- **Organizational process and project maturity.** Increasingly, business leaders place emphasis on standardizing the various elements of managing the project like resource allocation, project

accounting, even sourcing the critical project talent. Highly sensitive environments with stringent project documentation requirements and trust issues prefer on-premise installations. Adoption of on-demand solutions will increase as companies raise their business process and project maturity levels.⁵

- **Business users increasingly driving purchasing decisions.** Decentralized project accountability by project managers requires whatever solution, whether on-premise, software-as-a-service (SaaS), or a combination, to meet practical capability considerations. Project leaders prioritize functionality inherent in the solution over deployment options. Whether the solution is on-premise or on-demand is a complementary consideration. Vendors such as Meridian, Oracle, and Primavera Systems provide such hosted options.
- **New licensing models emerging based on SaaS deployment models.** At the same time, the very nature of SaaS as a relatively lower cost, quickly deployable alternative makes it an attractive option. This is particularly true for smaller niche organizations (40 to 50 employees) in the services delivery automation space, as well as one of the pilot options in larger organizations who adopt solutions from vendors such as Augeo Software, Daptiv, OpenAir, and QuickArrow.

RECOMMENDATIONS

CHOOSE SOLUTIONS BY INDUSTRY, BUT ALIGN BY PROJECT-BASED PROCESS

Business process and applications professionals in project-based industries that are selecting a PBS solution and/or updating their PBS strategy should:

- **Start now — regardless of where they are in the technology adoption life cycle.** You don't need to buy a bunch of new technology to start. This is about building a sustainable strategy that will help guide existing and future technology investments, projects, and maintenance plans. A lot of work is in the planning phases. Focus on the important tasks and projects around governance and process design before committing to any technology investments.
- **Align requirements with project-based processes.** In fact, some of the vendors we interviewed indicated the opportunities for smaller organizations (200 to 1,000 employees), particularly in the services delivery automation space, to quickly standardize their project management methodologies. As a result of their strategic planning process, these smaller firms can then identify the best solution that meets their needs and allows them to quickly deploy a solution that provides them a competitive advantage over their larger competitors.
- **Assess project and process maturity.** PBSes range from having project and process methodologies in mind as part of their offering (as vendors noted, to remain flexible and methodology-neutral) to having the methodologies "baked in". Benchmark your organization

against established project management standards like the PMBOK, OPM3, or PProjects IN Controlled Environments (PRINCE2) for process management standards like the Business Process Maturity Model or CMMI. Your maturity level will provide a strong indication of the type of solution best suited for your needs.

- **Start within the industry and consider specific scenarios.** Identify the vendors that have shown proven capabilities in your industry or related industries. PBS vendors have developed significant business process expertise in many core industries. Take existing project processes and map them to the key PBS processes. Identify key use cases and then develop demo scenarios for the vendors during the selection process. Those vendors with the vertical capability to meet your scenarios or easily account for flexible scenarios should remain on your shortlist.
- **Assess integration points to core applications.** In enterprises with multiple ERP systems, you must carefully consider integration back to core financials, core human capital management, or other project-related systems. Document the integration points by business process. Account for the cost of customization by using a methodology such as Forrester's Total Economic Impact™ (TEI).⁶
- **Choose a project scheduling tool.** Microsoft Project, Planview, and Primavera Systems remain the top choices. Make sure the selected PBS vendor supports the tool with which the business users will be most comfortable. For simple scenarios, the vendor-provided tool may meet basic requirements; however, not all vendors address complex scenarios.
- **Assess the long-term packaged apps strategy.** Best practices often include not only a current assessment of apps strategy but an ongoing review. Leading companies often use an assessment framework to gauge progress. To assess your long-term apps strategy, take Forrester's Long-Term Packaged Apps Strategy Best Practices Self-Assessment.⁷

ENDNOTES

¹ Project-based solutions not only address current market requirements; they also track time, resources, and expenses by embracing a project and program across the project life cycle. Overall metrics are project-based, not organizational. Project-based solutions deliver on seven macro project-based processes. See the May 10, 2007, "[Introducing Project-Based Solutions](#)" report.

² The next strategic move for organizations seeking business optimization will be to combine business intelligence (BI) and business process management (BPM) for visualizing process metrics and business results together and, even more important, to turn transactions into decisions. If BI vendors don't put higher emphasis on this very real business optimization trend soon, they'll be outflanked by BPM vendors that are busy reinventing BI and moving aggressively into the emerging business optimization market. See the September 19, 2007, "[From BPM To Business Optimization](#)" report.

- ³ Dynamic applications provide the collaboration platforms, business process flexibility, business intelligence, and service-oriented architecture required to support dynamic project-based enterprises. See the September 24, 2007, "[The Dynamic Business Applications Imperative](#)" report.
- ⁴ Digital business networks increase specialization and mutual dependence among new stakeholders such as suppliers, partners, customers, and employees. See the May 7, 2007, "[Solutions-Centric Ecosystems Disrupt The Enterprise Software World Order](#)" report.
- ⁵ As companies strive to link their project and process excellence objectives, they must understand their level of process maturity to achieve their strategic goals. See the November 21, 2007, "[Making The Marriage Work: Lean, Six Sigma, And The Business Process Maturity Model](#)" report.
- ⁶ Forrester developed an ROI-based methodology for analyzing and evaluating the costs, benefits, and risks of IT decisions, termed Total Economic Impact™ (TEI). TEI allows the measurement of the effectiveness of an IT decision or project and can be used as a proactive, predictive tool. See the July 11, 2006, "[The Financial Impact Of Packaged Applications](#)" report.
- ⁷ Forrester's long-term packaged applications strategy framework distills findings from our discussions with hundreds of business process and applications professionals to define the critical capabilities necessary for building a cohesive and effective application portfolio. See the December 11, 2007, "[Forrester's Long-Term Packaged Apps Strategy Best Practices Self-Assessment](#)" tool.

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, Inc. (Nasdaq: FORR) is an independent technology and market research company that provides pragmatic and forward-thinking advice to global leaders in business and technology. For more than 24 years, Forrester has been making leaders successful every day through its proprietary research, consulting, events, and peer-to-peer executive programs. For more information, visit www.forrester.com.