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Magic Quadrant for IT Project and Portfolio Management, 2005

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The IT project and portfolio management market is evolving rapidly. Because users want to better prioritize application development and other IT programs while controlling application portfolio demand, vendors are marketing increasingly integrated suites.

WHAT YOU NEED TO KNOW

Dynamics in the project and portfolio management market are leading to more comprehensive, but more costly, applications and implementations. Consider our evaluation criteria; negotiate modular, progressive implementations according to your specific needs; and compare competitive solutions on price when looking for the appropriate vendor in the 2005 IT Project and Portfolio Management Magic Quadrant to address your PPM needs.

STRATEGIC PLANNING ASSUMPTION(S)

Merger and acquisition activity in the IT PPM market will continue, with at least one more vendor being acquired through 2006, and at least two 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).

ANALYSIS

An improving climate for IT investments and the ongoing need for IT/business alignment continue to drive interest in IT project and portfolio management (PPM) strategies, including heightened interest in application support for IT PPM. This is shown in Gartner's Executive Program survey, which found that three of CIOs' 10 priorities are tied to PPM (see Note 1).

The top-two priorities were "delivering projects that enable business growth" (dramatically up from No. 18 in 2004), and "linking business and IT strategies and plans" (up from No. 4 in 2004). However, despite new attention to growth-oriented projects, IT organizations face mandates for sound project justification and auditable cost compliance (for example, under Sarbanes-Oxley). These dual drivers are fueling the demand for IT PPM applications, and we expect the IT PPM market's growth to accelerate.

PPM applications address a majority of the nine process areas described in the Project Management Institute's industry-standard "Project Management Body of Knowledge," including integrated functions for scheduling and tracking (project time management), resource profiling and allocation (project HR management) and time reporting (project cost management). With these core functions, vendors often offer variants of their products in multiple market segments — for example, in the PPM for professional services and PPM for new product development segments (see "Portfolio Management Adds Strategy and Process to PLM" and "MarketScope: PPM for Professional Services"). Although referred to as "project and portfolio management" suites, PPM tools are not limited to portfolio management and project management functionality, nor to managing groups (portfolios) of projects. With IT PPM, user needs increasingly stress linking portfolio analysis and prioritization features with IT project and service planning, tracking and cost management.

Mergers and acquisitions (such as Computer Associates' announced plan to acquire Niku and IBM's 4Q04 acquisition of Systemcorp) signal the emergence of strong players seeking to refresh their product lines. Our Magic Quadrant for IT Project and Portfolio Management, 2005 (see Figure 1) shows the new face of the market landscape after consideration of the vendors' vision and ability to execute (see "IT PPM Evaluation Criteria: Ability to Execute" and "IT PPM Evaluation Criteria: Vision"). Any vendor on the Magic Quadrant would be recommended in certain circumstances, depending on user needs.

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Figure 1. Magic Quadrant for IT Project and Portfolio Management, 2005
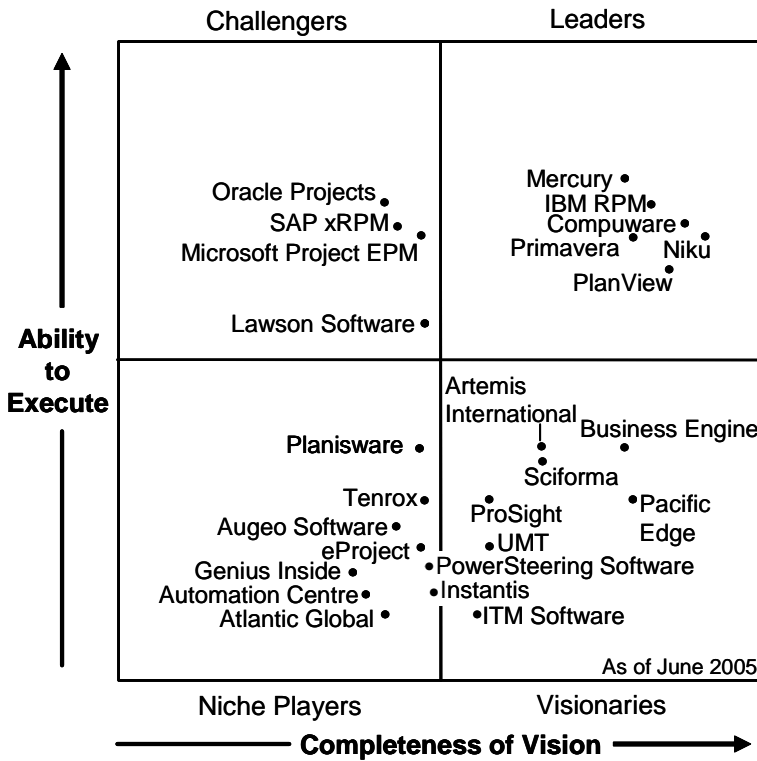
EPM Enterprise Project Management
RPM Rational Portfolio Manager
UMT United Management Technologies

Source: Gartner (June 2005)

Vendors are considered for inclusion on the Magic Quadrant based on several factors. They must have been active in the market for three years and have gained new customers in the past year (or have a substantial installed base actively adding licenses). The solution should address market needs (see Note 2), and management should show deep software experience, business education and integrity. The vendor should have had a market presence for at least three years, have annual revenue of more than $10 million (or strong investor backing) or bring significant innovation to the market.

Leaders

To be a leader requires not only having deep and broad product functionality, but also being a sound company with sales and marketing strength, a history of keeping pace with technology and a commitment to service excellence.

In 1Q04, Compuware executed on its planned integration between the Changepoint PPM solution (marketed as IT Governance) and the Compuware Application Reliability Solution's Quality Index, surfacing quality as a key indicator of project portfolio health. In 2Q04, it launched v.10 of Changepoint, featuring a new workflow design tool. Integration with Compuware Vantage enables application reliability and performance data to surface in the Changepoint portal, where alerts and

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workflows can be launched, and the time and cost of resolution tracked. Compuware is a $1.2 billion company with a heightened ability to execute in IT PPM, due to significant sales into its base of many large IT organizations.

IBM, in 4Q04, acquired Systemcorp for its PMOffice product, which is now part of its IBM Rational product line and sold as IBM Rational Portfolio Manager (RPM; see "PMOffice Acquisition Should Strengthen IBM's Rational Line"). Already used within IBM Global Services, which specified many visionary functional and performance needs, the product had also benefited from the use of IBM testing laboratories during the previous few years of development. Running on Unix in a 64-bit environment (as well as Windows), the product offers effective scalability. Version 6.1 shipped in 1Q05, and featured Tivoli integration for Information Technology Information Library (ITIL) support. For software development projects, RPM now supports the Rational Unified Process (RUP), with RUP content out of the box and templates for small, midsize and classic RUP projects.

Mercury's IT PPM product, Mercury IT Governance Center, reached v.6 in 2Q05; patches released in 4Q04 addressed issues with v.5.5, particularly with opening large projects, so that users did not need to create subprojects to manage dependencies. The new release exhibits vision in supporting compliance with regulations, such as Sarbanes-Oxley, via defined workflows with required controls and automated reporting. Given its growth, in December 2004, Mercury prudently added a new president, Tony Zingale, from Nortel, where he had led the e-business solutions group. Mercury adheres to a premium pricing policy and was profitable in 2004, with net income of $84.6 million on revenue of $686 million (just $76 million of which was in professional services).

In June 2005, Niku and Computer Associates (CA) announced plans for CA to acquire Niku in a deal worth $350 million, which is expected to close in August 2005 (see "Computer Associates' Evolution Continues With Niku Acquisition"). Niku earned $4 million in its fiscal 2005, ended 31 January, on $66.3 million in revenue (up 45 percent from 2004). Niku released Clarity 7.5 in December 2004, enabling system partitions for local flexibility within an enterprise governance framework. The company showed market vision by adding a tool for portfolio analysis and prioritization, as well as a Service Connect module to route nonproject work requests, featuring interfaces to Remedy and CA Unicenter. Channel sales through Capgemini are up in Europe, and some pipeline is in place from the prior Niku-CA partnership.

In 1Q05, PlanView released its rebuilt PlanView Enterprise in three modules: Enterprise Portfolio, Project Portfolio and Service Portfolio. Accompanying these are Prisms, PlanView's set of IT best practices in areas such as investment analysis, resource optimization and more. Enterprise Portfolio offers tools for investment analysis, prioritization and alignment with financial and human resources. Project Portfolio enables managers to analyze cross-project dependencies, estimate work and allocate resources. Service Portfolio supports the ITIL service-delivery standard. PlanView boosted its ability to execute with $25 million in investor funding from Apax Partners in 4Q04.

Primavera is executing in IT PPM, adding new customers partly based on improved IT service management, which often does not require full-featured project scheduling, and on pricing adjustments and more deployment options for its customers. Primavera's integrated solution scales well, and its portfolio management is perhaps the only tooling available that can present two portfolios at once; most vendors offer multiple portfolios, even unlimited instances, but presenting both at once in the same view is a unique feature.

Challengers

Challengers typically exhibit some platform myopia, or offer narrow products or services, but can still leverage their channel strength, international presence and installed base.

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Lawson's v.5.2 of its Service Automation (SA) product shipped in 1Q05 with enhancements in financial, resource, vendor and compliance management. The portfolio management enhancements include more support for program change management; however, SA is lacking in IT project life cycle management support, where graphical workflow modeling features or pre-designed project life cycles that map to projects in progress are insufficient.

Microsoft continues to impress with the ubiquity of its Microsoft Office Project. Collaboration with Office and Outlook will boost adoption of its Enterprise Project Management (EPM) solution in midsize enterprises over time, with improved ease of use to come. For implementation and for specialized IT PPM functionality, Microsoft will continue to rely on partners such as Business Engine, ProSight and Tenrox (for extra function) and BearingPoint and Pcubed (for services).

Oracle Projects Family Pack M adds prioritization features supporting strategic alignment, financial justification and investment ranking. In recent years, Oracle's project costing tool has been subsumed in a broader, general purpose PPM application. Family Pack M better enables earned value reporting, important to service firms and, increasingly, in federal government (including IT). Oracle remains mainly active in PPM professional services and PPM for engineering and construction.

SAP continues to execute in marketing its xRPM to its installed base which, as with most large vendors, is its first target. This has not kept SAP from gaining at least one customer using xRPM without leveraging an established SAP architecture, although that implementation is still in deployment. Recent xRPM enhancements include added process support for new product development, enterprise IT portfolio management, a PPM for professional services variant and Six-Sigma-specific portfolios.

Visionaries

A clearer set of leaders has emerged in recent years, but 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).

Artemis International's software revenue increased around its Java 2 Platform, Enterprise Edition-based Artemis 7, now in v.6. The new version offers improved performance-based budgeting, with planning features that better support project chartering in keeping with approved budgets. Despite successes in IT and other PPM segments, Artemis continues to lose money — $9.7 million in 2004, on $52.4 million in revenue, down from $57.3 million in 2003. Although 1Q05 showed signs of improvement, a profitable 2005 is essential to its continued ability to execute in the market.

Business Engine has extended its product vision by introducing a new alignment engine for portfolio analysis and prioritization, which is available as a stand-alone product or integrated with the Business Engine Network. Business Engine has significantly restructured its sales organization, and hired a new head of sales from PeopleSoft. It claims significant sales growth, expects a profitable second half after recent unprofitable quarters, and received an additional investment, Round E, of $4 million from Oak Investment Partners.

With v.2 of its Business Suite, ITM Software debuts in our market chart. The suite is composed of seven modules targeting IT management of projects, resources (including vendors), finances and compliance. Small but growing, ITM has been active in the market for three years with an innovative, moderately priced solution.

Pacific Edge took on additional investment and management as Portfolio Edge reached v.3.0, emphasizing financial planning, featuring workflow support and process templates. In 3Q04, Pacific Edge received $12 million in venture funding, and in 4Q04 announced a partnership with

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Troux Technologies to incorporate IT architectural data gathered automatically via Troux's technology. In January, Pacific Edge announced a new president and CEO, Mark Lazar.

ProSight continues to execute in the public sector, where it reports significant gains. Its partnership with Microsoft, through which it resells Project Server as part of a ProSight implementation, better integrates project management with application portfolio management, and appears to be paying off in customers and experience. As a result, ProSight is adding more of its own transactional PPM to enhance Project Server. The Federal Information Security Management Act support and compliance features added to the product may capture the attention of potential public-sector customers.

United Management Technologies (UMT), with v.3.2, expands its innovative portfolio analysis and prioritization solution with an integration to Project Server, thus enabling the fusion of PPM processes. Its system includes user-definable scorecards, integrated project and application portfolio management features, extended reporting capabilities, aggregation of data into organization and portfolio summary views, and program-level prioritization and optimization.

Niche Players

Niche vendors address specific market needs. Products from Automation Centre and Genius Inside leverage IBM Lotus/Domino technology for PPM. Geographically, Genius operates mainly in Europe, where Augeo Software and Planisware are also particularly strong. Atlantic Global is established in the U.K. and entering North America. Applications from Instantis and PowerSteering provide PPM functionality tailored to quality management under a Six Sigma approach.

Key Issues

What is the size of the market, and how are vendors positioned in it?

How will opportunities in the market be affected by competition, technology, and evolving user requirements?

What are the dynamics affecting this market?

What are the wants and needs of users?

Where are the future growth prospects for this market?

How should project/process management groups for an application organization be set up, and what support tools should be used?

Note 1

2005 CIO Agenda

- Delivering projects that enable business growth*

- Linking business and IT strategies and plans*

- Demonstrating the business value of IT

- Applying metrics to IT organization and services**

- Tightening security and privacy safeguards

- Improving business continuity and readiness

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- Improving quality of IT service delivery**

- Consolidating the IT organization and operations

- Developing leadership in the senior IT team

- Improving IT governance*

*PPM directly tied

**PPM related

Source: Gartner Executive Programs, "Delivering IT's Contribution: The 2005 CIO Agenda"

Note 2

Functional Areas for PPM Applications

PPM applications address a majority of these nine areas described in the Project Management Institute's "Project Management Body of Knowledge." For Gartner PPM market descriptions see, for example, "Administrative Applications Glossary," "Magic Quadrant for Project and Portfolio Management, 2004" and "Project and Portfolio Management Applications: Perspective."

Three Core Functions

Time management — manages deliverable activity timelines and deadlines for programs, projects, tasks and assignments

Resource management — manages 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 chargeback or billing of project expenses, such as those associated with time, travel, equipment or other material

Additional Functions

Scope management — preliminary requirements planning, including definition of project deliverables; may include tracking proposals or estimates against actual costs

Procurement management — supports 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 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, methodology, 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 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 enable users

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to manage their pipelines, report and forecast project progress, and perform portfolio analysis and prioritization; can integrate with back-office systems.

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