



White paper

How Software as a Service is Changing the Face of Project Management

Software as a Service has the potential to do for business software what Henry Ford did for the motor car.

Small, medium and large organizations are beginning to use both niche and enterprise Software as a Service applications in their business. Key software decision makers realize they need to achieve more with a decreasing IT budget. This makes purchasing Software as a Service a viable and often better alternative than purchasing licensed software.

Spending on projects is on the rise and because of this there is an increase in the need for accountability to senior management. Projects are the preferred vehicle of strategic change. These two factors are driving the uptake of project management applications.

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What is Software as a Service?

Software as a Service (SaaS) is offered as a subscription allowing clients to access an application via the net. The customer only needs internet access to use the application.

SaaS providers take care of the rest, hardware, software, support, security, training, patching and upgrades.

SaaS providers have the reserve capacity to handle any spikes in usage, outages or network mishaps and while providing continuous, global and secure access.

In summary the key characteristics of a SaaS application are:

1. No difference between the license fee and the hosting fee.
2. The application is delivered over a web browser
3. The application is highly configurable, but not customizable.

What's happening in the SaaS market?

Software as a Service has entrenched itself as a staple of the software industry. Recent key events include the first Software as a Service Convention: SaaScon. SaaScon was a meeting of vendors, subscribers and leading minds discussing how the shift from desktop computing to SaaS or webtop computing will happen.¹

¹ For more information on SaaScon go to www.saascon.com

Software as a Service has established itself as a viable technology

Saugatuck Research released findings that indicate that companies in the U.S. using SaaS is approximately 26%, up from 11% in 2005 and uptake is predicted to be as high as 47% by the end of 2007²

Salesforce.com a leading SaaS provider projects \$710 million in annual revenue for the 2008 fiscal year.³

Nucleus Research, found that 32 % of SaaS customers are using on-demand CRM with 23% using on-demand project management. Future SaaS buying intentions are shifting from CRM to project management, with 29 percent of companies planning to buy on-demand project management software in the next 12-18 months... ..“Managing customers and projects is the next step after acquiring them, making integrated project management a key factor in driving greater value from CRM,” said Rebecca Wetteman, Vice President of Nucleus Research.⁴

Gartner estimates that the SaaS industry will grow to \$19.3 billion by 2011

At the end of 2006 SaaS represented a \$6.3 billion dollar market. Gartner estimates that the SaaS industry will grow to \$19.3 billion by 2011.⁵

Research was conducted on Australian market acceptance of SaaS during October-December 06. Some of the major findings included: SaaS is considered an emerging technology in Australia, with a large potential market penetration. SaaS is most commonly used for CRM and financial applications. 77% of respondents will evaluate SaaS on a case by case basis.⁶

As we can see SaaS has entrenched itself as key medium for software delivery. In the future SaaS is shaping up as the preferred delivery mechanism for business applications.

² "Three Waves of Change: SAAS Beyond the Tipping-Point." Saugatuck Research

³ http://www.salesforce.com/assets/pdf/investors/Q407_Press_Release_2-21-07final_w_Financial_Stmts.pdf

⁴ <http://www.sugarcrm.com/crm/about/press-releases/20070319-advanced-project-management.html>

⁵ Software as a Service: Is it the next big thing in Australia? A white paper by Salesforce.com

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From a competitive point of view

In order to remain competitive companies need to become more focused on their core business and SaaS can help achieve this by freeing up resources

In his book, *Living on the Fault Line, Revised Edition*, Geoffrey Moore makes the case that companies should only focus on core activities and outsource everything else. Moore describes any non-core activity as context activity.

Moore also says that “there is no context activity that cannot become someone else’s core task... this is where they are putting their A team. It’s context to you but is core to them.” By outsourcing context tasks the original company is able to execute at a lower cost.

Hosting software applications is context to most companies. Hosting and supporting them in-house does not provide any benefit to the core activities of the company, the company derives value using the applications to perform its core and context activities more efficiently. Herein lies the advantage of SaaS, companies can derive the full value of the software with very few of the overheads and none of the start up costs associated with purchasing traditional software.

Key market factors driving the uptake of SaaS.

The shortage of both staff and money

The need for software continues to grow in most companies. In contrast budgets continue to shrink resulting in a search for new ways to get things done.

Small and some medium companies are more aware of these limitations. These companies have much smaller IT teams who are going to struggle to support and maintain an ever increasing number of applications.

This awareness and the flexibility to seek alternatives have led many SME's to adopt SaaS. SaaS applications like ERP, CRM and project management are designed to be used by large enterprises and offer a comprehensive set of functionality. This is delivering a win for many SME's having high quality functionality available to them like a large company, but with few of the overheads.

The average deployment of Salesforce.com is under 10 seats

Larger companies are realising they are faced with the same problems as smaller companies: not enough people, not enough budget. This is leading these companies to purchase SaaS solutions to reduce overheads.

When considering total cost of ownership of licensed software it becomes increasingly unlikely that an in-house solution can be purchased and maintained given the resource constraints faced by most companies.

Implementation times need to be shorter

Due to the high capital of both labour and cost implementations of licensed software are often measured in months or years. This gap between the time that the product was purchased and when they start to realize benefits of it is far too long.

For the business this will further inhibit the investment SME's are naturally more sensitive to such constraints, which explains why they have led the adoption of SaaS. "I'll have it implemented in a few weeks? That certainly beats months of trying to run the application myself..."

Large businesses are coming to the same realization turning to Software as a Service to get the same advantages that small and medium companies have been experiencing for some time now.

Companies need more control over software growth

SaaS offers a more flexible way to match business growth. Small and medium sized companies have chosen applications that suited them at the time of purchase but would not necessarily have all the functionality the company needs as it expands.

Economies of scale allow SaaS providers to profitably offer enterprise grade software to only a handful of users per customer. So the customer is able to take subscription for 5 or 10 users to start off and then add more as required. Should the customer have a surge in the number of users it requires for a period of time then it can simply increase its number of users for the period and then decrease its number of users when they are done.

SaaS can help minimize the impact of acquisitions and mergers this is because infrastructure often has to be (re)built and deployed before a new location can be up and running.

SaaS represents an opportunity to get things up and running using a PC with web access. This sort of flexibility will mean that downtime is minimized during these internally turbulent times.

Vendors need to be more accountable

SaaS vendors need to be accountable as their pricing is subscription based, if a company is dissatisfied with their SaaS provider then they can cancel any time they want and find a new vendor. Smart customers will use the SLA to their advantage; make sure that the service meets your minimum requirements and that you enforce it.

SaaS providers need to make continuous improvements to the software in order maintain their customers. This translates into small frequent releases, and because of the way the software is designed this is easy to execute with minimal to zero impact. Contrast this with traditional software upgrades which frequently represented a major project and interruption to business as usual.

If you buy software licences then the vendor gets nearly all of their money upfront, as the customer you have very little leverage in order to get things fixed after the software has been deployed.

The main reasons companies don't upgrade immediately after a release is due to disruption to business, new versions being unreliable and not enough budget⁷

Operating in multiple locations

If the company's network runs at a comparable speed to the internet then it is likely that it represents a major overhead to the IT department. This is especially so if the company has offices over multiple locations all reporting to a single project office. There can be considerable demand on the company's internal infrastructure. .

For those of you who are thinking what about security, SaaS is designed to be secure in the internet environment. SaaS couldn't have achieved the acceptance it has if security was an issue.

Integration with other applications

Integration is being acknowledged as a key requirement for many companies. How are we going to get financials out of the Project Management System into the ERP? We've got a deal in the CRM how do we match it to a project in the project management system?

⁷ Software as a Service: Is it the next big thing in Australia? A white paper by Salesforce.com

The more integrated your IT is the lower your overheads. SaaS can help you integrate sooner

These are the sorts of integration questions that are becoming more important to customers. What are the savings if we can automate this? How many man hours can we free up in order to do higher value work with this simple integration.

SaaS applications are able to communicate with other applications with API's using universal languages such as XML or SOAP. This allows two-way integration with a minimum fuss and effort, saving staff manual effort to run effort.

SaaS is deployable in a very short order this allows integration to be a focus early in the implementation cycle. SaaS providers will be more responsive to integration needs because they know they have to meet customer expectations in order to get and keep customers.

Project Management Software Market Drivers

Project management is gaining higher visibility with senior management

There is a strong correlation between the drivers for the SaaS market and the market for Project Management applications.

Increased focus on project management

Companies are spending much more on projects and increasing the focus on project management. They are aware that they need to make it a core skill in order to remain competitive in the current market. Given that projects are the primary method used by organizations to implement change, making project management a core activity is inevitable. That should not mean automatically that they need to make hosting and maintaining project management software a core task.

As there is an increase in spending there needs to be an increase in the accountability. This will require project management software, to track spending, time and resources.

Implementation Cycles

Enterprise Project Management applications can be difficult to implement

Many client server project management applications require long implementations times. Microsoft Project Server is notoriously difficult to implement in a speedy manner.

Time spent implementing is time spent not gaining the benefits of the software. If you have project management software where the implementation is going to take 12 months and your competitor has software as a service and implements in 2 months you'll be 10 months behind your competitor in terms of operational efficiencies. Can you afford to be left behind?

Reduce Investment Risk

Project centric companies often have variable workforce numbers SaaS deployments can be continuously altered to meet needs

This is really a flow on from reducing implementation cycles. The longer the software is being implemented the longer you have to continue doing things the old way. There is the additional risk that you may be unable to implement at all, and then you'll have lost your investment.

Compared to SaaS you can lease licences for a month or a quarter and see how it goes on a small scale trial. 10 people at \$50/user/month are \$500 for the month about the price of a single Microsoft Project 2007 licence.

Total cost of ownership studies have shown that traditional software licence purchases and implementation approach does not look as financially attractive as the SaaS approach over a three year period. In fact the cost differential for SaaS versus traditional licences increased from 111% at 24 months to 174% after 36 months.⁸

In short these studies demonstrate that purchasing software licences is a disadvantage over implementing a SaaS solution.

Number of people working on projects frequently varies

Projects are discrete events; set beginning and set end with the number of people working on projects varying over the life of the project. SaaS is generally charged on a per user basis with no upper or lower limits. You can vary users month to month based on your requirements.

This represents the ultimate flexibility in using software. This is advantageous for project centric companies who frequently have lumpy growth depending on how many projects they have on at the time. In these situations companies can scale back the subscription levels during lean times and scale back up when they are really busy.

Running Projects across multiple locations

Internet access to the software means that all users can update a single database from anywhere there is an internet connection. All project teams can be kept on the same page easily, regardless of their location. This can be important for major offsite projects, where you are working on a client site out of reach of your own network and need to log important information back into the project management system.

⁸ Software as a Service; a comprehensive look at the total cost of ownership of Software Application. Software Industry Association.

Integration

Integration is a key issue for many project management applications. Companies potentially need their project management system to integrate with a number of individual systems including their financial system, possibly their timesheet system and possibly their CRM application. This data needs to be shared between the systems to minimize efficiency and effectiveness.

SaaS and project management software are highly complimentary technologies. So make sure if integration is a key requirement that this is communicated with the vendor so that an integration strategy is prepared as part of the implementation process. This will ensure that you have integration from day one.

SaaS and Project Management software is a perfect match.

Market Driver	SaaS Market	PM Software Market
Improve resource usage	√	√
Shorten Time to implement	√	√
Flexibly Manage Growth	√	√
Improve Accountability	√	√
Simplify Integration	√	√
Reduce Investment Risk	√	√
Any time any where	√	√

As you can see there is a strong correlation between the market drivers of the SaaS market and requirements of project management software applications. By utilizing project management software as a service small, medium and large companies are able to begin to realize benefits in 30 to 60 days.

About b-smart Project Management Software as a Service

Available only as SaaS, bijingo is a comprehensive project management solution, allowing small, medium and large companies to implement in a way that's meaningful to them in as little as 30 days. b-smart has no ongoing requirements from I.T. Customers are able to flexibly manage users around the world and bring data back to a single point allowing for effective project and portfolio management. b-smart is able to integrate with a wide range of financial applications and will integrate with other applications as required.

About bijingo Pty Ltd.

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