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## **Emerging PSA Solutions:**

### ***Caution is Advised as We Wait for Maturity***

A new model of automated systems for the management of project work is rapidly gaining recognition, especially for applications in the Information Technology and Applications Development areas. Built upon the earlier models for project management, enterprise project management, project portfolio management, and enterprise resource planning, PSA aims to provide extended, integrated support for the functions involved in running a Professional Services Organization or an internal IT department.

Professional Services Automation (PSA) is primarily composed of Project Management (PM) and Enterprise Resource Planning (ERP) capabilities. The focus of PSA is on resource management (or human capital) like time, knowledge, skills and business relationships, as opposed to simple task management. Because the solutions are built on several different aspects of project, resource, and business management, we are finding that the purveyors of such solutions are coming from several areas of the industry.

## **Sources of PSA Solutions**

For starters, we can see at least four distinct groups that are providing PSA solutions. These are:

- ❑ Traditional PM Providers – These are vendors of traditional project scheduling and management tools, such as PlanView, Account 4, Artemis, Primavera and Business Engine.
- ❑ ERP Providers – These are the traditional Enterprise Resource Planning vendors, such as Oracle, PeopleSoft, SAP, JD Edwards, and Lawson
- ❑ PSA-specific Providers – These are new developers, building new solutions to support this newly identified application area. These include vendors such as Niku, Novient, Evolve, Changepoint, and Portera. In many instances, these solutions are not based on new tools, but are rather a “best-of-breed” creation, made via the acquisition of existing products.
- ❑ B2B Resource Exchange – This is a newly emerging category. Business-to-Business (B2B) tools are aimed at bringing businesses together, electronically, by providing immediate access to needs and supply data. A particularly pertinent (to PSA) aspect of the B2B category are the sites that promote the matching of available resources to defined needs. These would include SkillsVillage and Opus360. For instance, PlanView has alliances with

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three B2B personnel sites. In general, the concept of “the public labor exchange” has not gained wide acceptance. However, a more limited model, supporting organizations that have a pre-defined labor agreement (a private labor exchange), does show more immediate promise.

In all cases, of the four categories described above, the vendors are being compelled to extend their capabilities well outside of their traditional boundaries. This is being accomplished via acquisitions, mergers, and partnerships. For instance, in the PSA-specific category, Niku acquired project management products from ABT Corp., and Novient acquired project management capabilities from WebProject.

The other categories are just as active. PeopleSoft (ERP) has acquired Skills Village, while Artemis (PM) has acquired Opus360. More recently, Lawson expanded their ERP focus to acquire one of the PSA leaders; Account 4.

## **The Typical PSA Model**

A problem with this emerging category is that there is no typical PSA model. The potential coverage of a PSA suite can include processes and data for a plethora of projects, resources, finances, customer relations, opportunities, and other business operations. Each emerging PSA provider tends to focus on the area in which the firm has built its reputation, slowly expanding that focus and adding new capabilities (often via the merger & acquisition route).

Thus, the traditional PM providers tend to be rich in PM capabilities, whereas the ERP providers may initially emphasize the financial and human resource management functions. To complicate things even further, many early entries into this market are already redefining and redesigning their models. One of the first developers to enter and define the PSA market recently told me that they no longer label their offerings as “PSA”. In other cases, some of the acquisitions that were made to expand product depth have been abandoned.

This obviously is not a well-defined product area. To the potential PSA user, this presents both an opportunity and a risk. On the plus side, the lack of a rigid model means that there will be greater variation and selection available. The user should be able to find a provider that comes from the primary area of interest and shares a common focus with the user. On the other hand, there is little assurance that the products that are offered today will be available and supported a year later.

The immaturity and instability of the emerging PSA line of products poses a risk to the buyer of such services. The option (from several vendors) to access such services on a pay as you go basis (monthly subscription) reduces the potential loss of a large cash investment. However, since the cost of software licensing is

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but a small part of the total cost of implementing such systems, the possibility of having to abandon the system (or having the vendor abandon the system) this subscription mode reduces but does not eliminate the risk. The buyer should evaluate the risks and take them into consideration when selecting a vendor.

## **PSA: Now You See It, Now You Don't**

The emergence of a new market; PSA, has come at a difficult time. When first conceived, the technology arena, including software development, was in overdrive and investment capital was abundant. The Y2K scare had passed and the entire field was accelerating to full speed. Then the pullback hit and the market went into a holding pattern. (Or I guess "a spin" would be more accurate.)

Especially hard hit were the PSA-specific vendors. These had not yet established a solid customer base and were working more on investment funding than client income. The more established PM and ERP vendors, although also affected by the pullback, had a sufficient client base and income stream to keep their heads above water.

At the same time, the PSA-specific vendors appear to be redefining their target market and the products to support that market. As a result, the term PSA (that ironically had originated with these firms) is being dropped, in favor of things like Workforce Optimization and Enterprise Services Automation.

The marketing focus is being directed to internal IS operations and the CIO. There is less attention to Professional Service Organizations, partially because these types of organizations are suffering badly from the technical sector recession. The market just isn't there.

## **PSA Options**

If you are looking for PSA type solutions, you still have several viable options. The traditional PM software vendors will continue to branch outward to embrace additional capabilities in support of enterprise-wide services management. Likewise, the leading ERP vendors will also be adding functionality to expand opportunity management, project integration, and collaboration.

While this is all happening, prospective users will be advised to use caution in selecting a solution provider. If the new capabilities are being added via acquisition, it may take some time to achieve effective integration of the expanded functions. If the new capabilities are being added via internal development, it may take some time for the new features to reach maturity and become fully functional.

If you need strong PM functionality, your best bet may be to stick with established PM software providers. Their offerings will usually be the strongest in

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support of PM requirements. If your needs center more on financial or human resource management, you can expect better support from the ERP vendors, at the expense of weaker PM support.

Almost all PSA offerings will provide support for Microsoft Project. However, at this time, most PM practitioners rate that product as weaker than desired to support enterprise-level project management.

Another area of concern is the actual execution of the PSA capability within the organization. Unless your organization is willing to adapt its practices to match the out-of-the-box solution provided by the software vendor, you can expect to require customization of the application, using third-party providers.

Therefore, you can expect to make a choice between the following:

1. An out-of-the-box solution – accepting the design of the software vendor to drive your practices.
2. A biased solution – emphasizing the focus of the vendor, either toward PM functionality or ERP functionality.
3. A best-of-breed solution – selecting components from various providers and building a custom application and integration of the tools.

The term “best-of-breed” would lead us to believe that such solutions contain the best components possible. While this is potentially true, the fact is that the capabilities of best-of-breed products can be negated by the lack of seamless integration of the components. This has been a problem for those firms that acquire (or partner with) the best products, but struggle to make them work well together. It usually takes a few generations of system development to smooth out the problems of different characteristics and culture of the individual components.

PSA solutions aren't for everyone. Nor are the current PSA solutions fully developed and supported to the extent that we would like to see. For many applications, these emerging PSA solutions will be just what the doctor ordered (given some time for aging). For others, some of the tried and true PM solutions are still the best bet – as long as these solutions are capable of reaching out to other systems and tools so as to support the greater mission of the firm.

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