IDC MarketScape

IDC MarketScape: Worldwide SaaS and Cloud-Enabled PSA ERP Applications 2017 Vendor Assessment

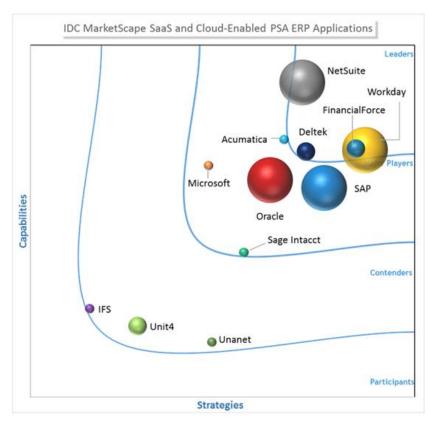Mickey North Rizza   Jordan Jewell
Kevin Permenter   Eric Newmark

THIS IDC MARKETSCAPE EXCERPT FEATURES DELTEK

IDC MARKETSCAPE FIGURE

FIGURE 1

IDC MarketScape Worldwide SaaS and Cloud-Enabled PSA ERP Applications Vendor Assessment

Source: IDC, 2017

Please see the Appendix for detailed methodology, market definition, and scoring criteria.

The content for this excerpt was taken directly from IDC MarketScape: Worldwide SaaS and Cloud-Enabled PSA ERP Applications 2017 Vendor Assessment (Doc #US42215717). All or parts of the following sections are included in this excerpt: IDC Opinion, IDC MarketScape Vendor Inclusion Criteria, Essential Guidance, Vendor Summary Profile, Appendix and Learn More. Also included is Figure 1.

IDC OPINION

DX Driving Change

Digital transformation (DX) is fundamentally changing enterprise resource planning (ERP) – allowing businesses to transform their decision making, which is enhancing their business outcomes significantly as we enter the digital economy. Digital transformation is an enterprisewide, board-level strategic reality for companies wishing to remain relevant or maintain or enhance their leadership positon in the digital economy. Digitally transformed businesses have a repeatable set of practices and disciplines that are used to leverage new business, 3rd Platform technology, and operating models to disrupt businesses, customers, and markets in pursuit of business performance and growth. DX is driving businesses to rethink their technology strategy, and that includes moving beyond their legacy ERP and back-office systems.

SaaS and Cloud-Enabled ERP Software

Instead of continuing to invest in antiquated on-premises systems, savvy DX businesses have turned their focus to SaaS and cloud-enabled software because they need a flexible, agile ERP system that is configurable, continuously updated, and quick to implement. With speed a guiding factor to winning business globally, businesses want and need more from their ERP systems than ever before, and that includes using the most up-to-date and advanced systems – found in SaaS and cloud-enabled ERP systems. SaaS and cloud-enabled ERP systems enable growing businesses to quickly expand into new regions around the globe without making major investments into their ERP infrastructure because they are extremely adaptive to accelerated rates of change. SaaS and cloud-enabled systems are also quite adaptive to dynamic operating models utilizing contractors and consultants, which is why this IDC MarketScape for SaaS and cloud-enabled professional services automation (PSA) ERP technology is extremely important to businesses on a DX journey.

IDC's 2017 *CloudView Survey* measures buyer sentiment globally across 31 countries. The primary benefits companies expect to achieve as a result of their professional services automation cloud strategy are listed in Figure 2.
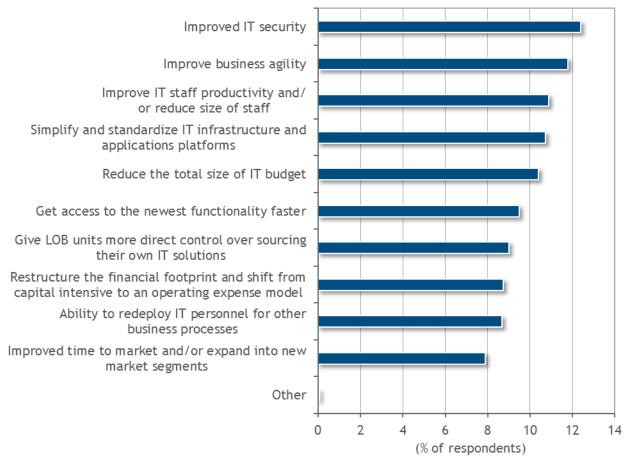
SaaS and cloud-enabled ERP bring the 3rd Platform and innovation accelerators to a business quickly, making innovation strategies a critical success factor when selecting the right technology partner. As an example, currently the SaaS and cloud-enabled ERP software packages are becoming more intelligent with cognitive aspects such as machine learning, deep learning, and natural language processing, coupled with advanced analytics on top of large curated data sets. The SaaS and cloud-enabled ERP solutions that are embedded with intelligence allow users to quickly establish more impactful data-driven business processes and decisions, reducing the time to value and significantly changing the ability to generate more revenue, cash flow, and profitable growth. And, critical to profitability, operating costs are reduced because routine tasks have been simplified, human errors

eliminated, basic business processes automated, and additional drilldowns, data extraction, and analysis eliminated.

FIGURE 2

Drivers for Adoption of Public Cloud Among Professional Services Organizations

Q.   Of the potential benefits of public or private cloud, which of the following do you expect to achieve as a result of your cloud strategy?

n = 364

Source: IDC's *CloudView Survey,* 2017

Services Economy Requires SaaS and Cloud-Enabled PSA ERP

The services side of the business world has increased substantially and therefore it has become increasingly important that ERP applications automate business processes for more than just goods. As a growing number of companies provide services including consulting, engineering, legal, accounting, marketing, government contracting, construction, software, and nonprofit services, they need ERP solutions that support the delivery of a project, including the automation of an entire project-based enterprise and include a mix of accounting/financial planning and management, purchase/sales

order processing, project and portfolio management (PPM), services-related supply chain, resource time and talent optimization, client issue management, knowledge management, and project/business analytics and opportunity management. These solutions are known as professional services automation ERP software.

Services organizations are demanding SaaS and cloud-enabled PSA ERP software from vendors with strong industry-specific expertise, deep customer references, and proven experience delivering measured value to the various services organizations. This IDC MarketScape helps end users evaluate 12 of the leading SaaS and cloud-enabled PSA ERP vendors. When evaluating vendors, key criteria to consider (all of which are discussed in this study) include:

- Solution functionality, user interface (UI), ease of use, and ease of implementation and integration with other systems
- Scalability, language support, pricing model, and the vendor's services focus, financial stability, and customer base
- Diligent vetting of customer references to examine solution pros/cons and the vendor's customer support, market knowledge, and overall level of value delivery
- Innovation and investment in the 3rd Platform and innovation accelerators, including intelligence

IDC MARKETSCAPE VENDOR INCLUSION CRITERIA

Through its clients and contacts across most industries, IDC frequently has unique visibility into vendor selection processes within many companies. The vendor inclusion list for this document began with those SaaS and cloud-enabled ERP solutions that IDC was familiar with having been evaluated for selection within recent professional services automation ERP deals. IDC then supplemented with several additional ERP vendors that it believed also provided qualifying PSA ERP systems. Vendors were then surveyed and further investigated to ensure that their ERP systems qualified as SaaS or cloud enabled and were already serving professional services clients. Ultimately, all ERP solutions included in this document met these criteria.

After an initial evaluation of software vendors serving in the PSA ERP market, which included each vendor's high-level application capabilities and existing PSA client base, IDC's Enterprise Applications team extended formal invitations to 12 software vendors to participate in our study.

The 12 participating SaaS and cloud-enabled PSA ERP software vendors in this study are:

- Acumatica
- Deltek
- FinancialForce
- IFS
- Microsoft
- NetSuite
- Oracle
- Sage Intacct
- SAP

- Unanet
- Unit4
- Workday

All vendors actively participated in the research, with a total of 39 references contacted and interviewed. Discussions with references included the systems utilized and their perception of the vendor and software in terms of technical support, account management, marketing message, level of value delivered versus price paid, ease of integration, user interface, and ROI. In addition, references also provided areas of improvement and their future business requirements.

ADVICE FOR TECHNOLOGY BUYERS

SaaS and cloud-enabled PSA ERP suites are evolving with functionality improvements occurring as often as daily. From the addition of the 3rd Platform with big data and analytics, social, and mobile to the innovation accelerators of cognitive, 3D printing, robotics, IoT, and advanced security, the systems continue to advance and improve at warp speed. Speed is the key as we move toward the DX economy enabling businesses to significantly improve in terms of market share, revenue, and profitable growth. It is recommended companies understand the current capabilities of their technology choices, along with the strategic direction and investment their PSA ERP software provider is making now and in the next three to five years. A guiding factor in our vendor research was the 3rd Platform and innovation accelerators' current capabilities and also the strategic and investment direction. It is critical buyers look for a technology partner that can take them well into the future and meet the speed key according to business needs.

As PSA ERP has increased in popularity, so too has the requirement for companies to have ERP capable for both services and products. If you are a product-centric business and have a services arm, you will want to consider software vendor packages that can handle both PSA and general ERP for your particular industry (manufacturing, retail, government, etc.).

Several vendors outlined in this study have more government-oriented SaaS and cloud-enabled PSA ERP solutions. Other vendors are focused on serving organizations in vertical industries such as consulting, professional services, marketing, construction and engineering, and nonprofit areas. The vendors vary widely in size, experience, levels of support, sales model, and focus on the market.

Before making purchasing decisions on SaaS and cloud-enabled PSA ERP software, businesses should consider:

- Levels of experience successfully implementing PSA ERP solutions: Does the vendor have experience with my type of product, service, and company size?
- Is the vendor knowledgeable about PSA ERP requirements as they affect my company?
- Does the vendor understand the regulations that will impact my business? How are these regulations reflected in my current product and how will it change in the future?
- What levels of support are available and are they geographically available for my business?
- What are my internal support resources and capabilities?
- Should I hire a third party to plan and assist with the implementation of the solution?
- Is the vendor financially able to provide the needed support? Can it support the needed investment in the development of future PSA ERP software requirements?

- Is the vendor committed to this market in the long term?
- Is the ROI achievable? Does the vendor have a track record of meeting the ROI requirements?
- Can the vendor or partners support my foreign operations?
- Can the vendor integrate with my company's other IT systems and those of my partners?
- Is the product available anywhere and anytime?
- Is the product updated frequently enough for my business needs?
- What new innovation is the vendor considering? How and when will it impact my business?
- What is the vendor's strategic investment outlook for the next three to five years? Why? How will that change and enhance my business?
- Will the vendor be a partner, helping my business grow now and in the long term?

This IDC MarketScape vendor assessment assists in answering these questions and others. Some of the references that participated in this study noted the current state of the SaaS and cloud-enabled PSA ERP software market has evolved quickly and is providing much more value than in previous years. In addition, many of the references were impressed there are now more vendor choices within the PSA ERP market. IDC expects some consolidation and specialization by niche may occur as the market matures and as general ERP product-centric software vendors look to add PSA capabilities to their portfolio of products.

VENDOR SUMMARY PROFILES

This section briefly explains IDC's key observations resulting in a vendor's position in the IDC MarketScape for SaaS and cloud-enabled PSA ERP applications. While every vendor is evaluated against each of the criteria outlined in the Appendix, the description here provides a summary of each vendor's strengths and challenges.

Deltek

After a thorough evaluation of all of Deltek's offerings and strategy, IDC has positioned Deltek in the Leaders category of this IDC MarketScape.

Founded in 1983 and headquartered in Herndon, Virginia, Deltek is a provider of ERP software for project-based businesses. Some of Deltek's primary vertical industries for PSA ERP are architecture, engineering, and construction (AEC); government contracting; consulting; and the marketing communications industry. Deltek has three PSA ERP product lines: Deltek Vision, Deltek Costpoint, and Deltek Maconomy. In April 2017, Deltek launched a new cloud-native PSA ERP named Deltek for Professional Services, with industry-specific capabilities and targeted to multiple professional services markets. The new solution was not considered in this IDC MarketScape vendor assessment because it is so new. The three solutions evaluated in the IDC MarketScape are:

- Deltek Costpoint was originally developed in 1994 to serve the government contracting sector. Costpoint provides financial management, project management, human capital management (HCM), business intelligence, and manufacturing, and it helps contractors – including IT and management consulting firms, aerospace and defense manufacturers, R&D firms, and nonprofits – comply with government standards including DCAA, DCMA, FAR, DFARS, MMAS, ASC 606, CAS, ACA, and SOX.
- Deltek Maconomy serves large professional services firms and global companies specializing in providing visibility into a company's relationships and engagements with customers.

- Deltek Vision is designed for professional services firms that range from small and medium-sized business (SMBs) to enterprises. It allows these firms to manage their clients, projects, and finances. Vision is used heavily by architecture and engineering, management consulting, IT consulting, and market research firms. Vision supports pre-built integrations with modules for customer relationship management (CRM), project management and resource management, talent management, project information management, collaboration, and market intelligence.

In 2016, Deltek brought in ˜65% of its total software revenue as cloud-related revenue. Deltek products can be deployed as a subscription model in a multitenant cloud or single-tenant cloud and in a licensing model for on-premises deployments. In December 2016, Deltek was acquired by Roper Technologies for $2.8 billion. Roper Technologies is a diversified technology company that specializes in providing a variety of products to niche markets.

Strengths

Deltek serves several markets within the PSA ERP market, allowing Deltek to develop specific functionality that other more general PSA ERP and goods ERP vendors do not feature. In industries, such as government contracting and engineering and construction (AEC), there are few competitors that can match Deltek's expertise.

Deltek's acquisition of the United Kingdom-based Union Square in 2016 provided the company with project information management and collaborative capabilities. Because of the vast amount of unstructured data that exists in the industries that Deltek serves, this functionality brings strong value to customers of its Vision and Maconomy products.

Challenges

Many of the products in Deltek's portfolio were formed by acquisition. Deltek has a large number of offerings that serve different vertical industries and provide varying functionality. At times, customers have a hard time comparing the products side by side to understand each product's respective strengths and weaknesses. Customers noted there is much confusion within Deltek for product assistance regarding functionality; efficiency is required to match the customer and its needs with Deltek products and personnel.

Although Deltek products have a vast amount of functionality for project-based accounting, many customers do not need all the capabilities to run their businesses, as noted by references. This results in customers having a hard time learning and adopting the product to just their specific needs.

All of Deltek's applications run on AWS infrastructure but not all are multitenant on the database or all application layers.

Consider Deltek When

Consider Deltek when you have multiple projects. All of Deltek's PSA ERP product lines should be considered by businesses that live and die by their projects. The PSA ERP applications are developed with project management and project accounting at their core. Specifically, Deltek Vision is best suited for companies in the architecture, engineering, and construction industry, as well as professional services. Deltek Costpoint is an excellent option for government contractors from small firms to enterprises. Finally, Deltek Maconomy is best suited for large professional services firms, CPA firms, and marketing and communications agencies.

Reading an IDC MarketScape Graph

For the purposes of this analysis, IDC divided potential key measures for success into two primary categories: capabilities and strategies.

Positioning on the y-axis reflects the vendor's current capabilities and menu of services and how well aligned the vendor is to customer needs. The capabilities category focuses on the capabilities of the company and product today, here and now. Under this category, IDC analysts looked at how well a vendor is building/delivering capabilities that enable it to execute its chosen strategy in the market.

Positioning on the x-axis, or strategies axis, indicates how well the vendor's future strategy aligns with what customers will require in three to five years. The strategies category focuses on high-level decisions and underlying assumptions about offerings, customer segments, and business and go-to-market plans for the next three to five years.

In this IDC MarketScape, each vendor's bubble size represents its total SaaS revenue for 2016 on a scale of 1 to 6, where 1 = "less than $100 million" and 6 = "$500 million or more."

IDC MarketScape Methodology

IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC judgment about the market and specific vendors. IDC analysts tailor the range of standard characteristics by which vendors are measured through structured discussions, surveys, and interviews with market leaders, participants, and end users. Market weightings are based on user interviews, buyer surveys, and the input of IDC experts in each market. IDC analysts base individual vendor scores, and ultimately vendor positions on the IDC MarketScape, on detailed surveys and interviews with the vendors, publicly available information, and end-user experiences in an effort to provide an accurate and consistent assessment of each vendor's characteristics, behavior, and capability.

Market Definition

This IDC MarketScape evaluation focuses on SaaS and cloud-enabled professional services automation (PSA) ERP solutions. IDC defines ERP as follows:

> ERP is a packaged integrated suite of technology business applications with common data and process models that digitally support the administrative, financial, and operational business processes across different industries. These processes manage resources, including some or all of the following: people, finances, capital, materials, suppliers, manufacturing, supply chains, customers, products, projects, contracts, orders, and facilities.

ERP suites and the associated applications are utilized to run the business and typically start with finance and include procurement and inventory/asset management and may also include HCM, order management, manufacturing, distribution, services, engineering, PLM, and supply chain. The software can be specific to an industry or designed to be more broadly applied to a group of industries.

Typically, ERP suites are architected with an integrated set of business rules and metadata, accessing a common data set (logical or physical) from a single, consistent user interface. ERP suites are available as on-premises, hybrid and, increasingly, cloud SaaS deployments.

Professional services automation applications are application solutions used by businesses that are in the professional services vertical industry. In particular, these applications serve businesses that sell their employees' services and are typically project based (deliver a project as the core component of the business model), instead of product based. In essence, PSA applications are a mirror of the applications that form an ERP goods application suite but with modified functionality to facilitate the delivery of services projects. Solutions in the professional services vertical are used by the following microverticals:

- Accounting
- Legal services
- Management and IT consulting
- Advertising/PR/marketing
- Architecture
- Engineering services
- Construction
- Government contracting
- Nonprofit/not for profit

A PSA ERP suite of applications can automate essential business processes of an entire professional services enterprise and include at least a mix of accounting/financial planning and management, purchase/sales order processing, project and portfolio management, services-related supply chain, resource time and talent optimization, client issue management, knowledge management, and project/business analytics and opportunity management. PSA applications meet the needs of professional services firms because the applications provide a special variant of enterprise software to meet key business requirements. PSA applications are architected with an integrated set of business rules and metadata, accessing a single data set (logical or physical) from a single, consistent user interface. In IDC's view, PSA ERP suites can automate the process of both internal or embedded services organizations and standalone services businesses.

The PSA applications market is derived from the following functional areas: enterprise asset management, financial accounting, financial performance and strategy management, human capital management, order management, other back office, payroll accounting, procurement, project and portfolio management, collaboration, and services operations management. The percentages of revenue that the PSA market draws from the previously mentioned functional areas fluctuate every year, depending on vendors' capabilities and successes in meeting customer and industry-specific requirements by packaging and implementing appropriate solutions to optimize the biggest business value. PSA solutions also require deep integration capabilities to CRM and HCM solutions.

LEARN MORE

Related Research

- *Worldwide Software as a Service and Cloud Software Forecast, 2017-2021* (IDC #US42014217, July 2017)
- *Organizing the Organization for Digital Transformation Success, Part 2: Successful Digital Transformation – Key Considerations* (IDC #US42580317, June 2017)
- *Organizing the Organization for Digital Transformation Success, Part 1: Defining Digital Transformation, Types of Transformation, and Core Competencies* (IDC #US42580217, June 2017)
- *IDC PlanScape: Intelligent ERP for Digital Transformation* (IDC #US42800017, June 2017)
- *i-ERP (Intelligent ERP): The New Backbone for Digital Transformation* (IDC #US41732516, September 2016)

Synopsis

This IDC study provides an assessment of the leading SaaS and cloud-enabled PSA ERP software solutions and discusses what criteria are most important for companies to consider when selecting a PSA ERP system.

Mickey North Rizza, program vice president of IDC's Enterprise Applications and Digital Commerce, stated, "The SaaS and cloud-enabled PSA ERP market is fast becoming a requirement in the services economy. As companies move beyond goods manufacturing and add services, they need professional services automation as part of their ERP functionality. The services perspective is accelerating and now integrating more of the 3rd Platform of mobile, social, and big data/analytics and the innovation accelerators such as cognitive with machine learning, natural language processing, and advanced analytics on curated data sets. This means SaaS and cloud-enabled PSA ERP will continue rising in importance, aiding businesses on their DX journey."

About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.

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