Better Demand Management: An Integrated Approach
About Charlotte Newton

- 20 years in Glaxo/GlaxoWellcome, final role as Head of Corporate IT
- 10 years in IBM
- Certified IT Strategy & Change consultant.
- Specialised in integrated services management and technology enabled innovation, across industry sectors
- Currently Chief Innovation Officer in a large IBM outsource client team, leading a joint innovation partnership to bring IBM capability to drive mutual value
Objective for this session

- Consider why IT Demand Management is a challenge for many organizations
- Outline an approach to improve discipline and efficiency in the definition of demand and the planning of supply, with particular emphasis on forecasting.

Topics covered include:
- the context for Demand Management
- upstream enterprise activities and their impact on downstream service response
- managing forecast uncertainties
- enabling effective Demand Management across multiple suppliers
- and the value of an integrated approach.
Agenda

Why is IT Demand Management a challenge?

Role of forecasting

Enabling effective Demand Management

Value of an integrated Demand Management approach
The value potential of better managed demand has long been known.

<table>
<thead>
<tr>
<th>Supply Driven</th>
<th>Demand Driven</th>
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</thead>
<tbody>
<tr>
<td>Renegotiate outsourced contracts</td>
<td>Manage demand thru pricing, fit-for-demand drives affordability trade-offs</td>
</tr>
<tr>
<td>Leverage technology, factor costs, &amp; scale</td>
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<tr>
<td>Reduce complexity thru standardization</td>
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<tr>
<td>Best practices transfer</td>
<td>35-41%</td>
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</table>

Source: Booz Allen Hamilton, 2004
Demand Management is being given greater priority across industry

Priority given to Demand Management process to date: 21st of 25

Priority given to Demand Management going forward: 1st of 25

Source: itSMF Asian Survey 2008
What do we mean by Demand Management?

<table>
<thead>
<tr>
<th>Focus</th>
<th>Activity</th>
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<tbody>
<tr>
<td>Demand</td>
<td>Information Capture Process</td>
<td>The process of capturing and prioritizing the demand for IT services to deliver business value and maximize strategic alignment and resource utilization. AMR 2004</td>
</tr>
<tr>
<td>Supply</td>
<td>Planning Method</td>
<td>“A planning methodology used to manage forecasted demand” Wikipedia 2011</td>
</tr>
<tr>
<td>Demand &amp; Supply</td>
<td>Alignment</td>
<td>“…encouraging and ultimately institutionalizing a better alignment between the supply and demand for internal services” Booz Allen Hamilton 2003</td>
</tr>
<tr>
<td>Demand &amp; Supply</td>
<td>Understanding and Influencing</td>
<td>“…understand and influence customer demand for services and the provision of capacity to meet these demands” ITIL V3, 2007</td>
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</table>
Demand Management requires an end to end approach that influences and aligns customer and supplier domains.
There are differences of opinion about the what, who and how of Demand Management

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<th>supplier &amp; service</th>
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These differences are accentuated when customer and supplier are in separate companies.
Also, budgets are not aligned around what the customer wants and what they supplier can do

**DEMAND**

- Business Change & Priorities
- £$/€ Discretionary Budget ~25% Value Add

**SUPPLY**

- Technical Architecture, Standards & Strategy
- Fixed Budget £$/€ ~75% Run

What the customer wants to do is not always easy for the supplier to accommodate.
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Value of an integrated Demand Management approach
Tensions at the interface between demand and supply can be alleviated by forecasting.
Forecasting gives suppliers valuable information about service requirements, needed for effective service preparation.

**Physical requirement forecasts** enable resource and other capacity planning for changes to be deployed:
- Server OS
- Physical or virtual
- SAN
- DB etc.

**Non-functional requirement forecasts** enable planning of the right level of operational service:
- Number and location of end users
- Business criticality
- Data retention
- Security
- Etc.

This type of information is gathered early but often communicated to suppliers late in the project life cycle.
Here is a customer example of the effect of poor project execution, which included lack of any form of forecasting:

**IN**

- No configuration data
- Criticality not known
- Poor solution architecture
- Acceptance criteria not clear

**OUT**

- Service Delivery can’t assimilate requirements in time
- Lack knowledge of what is important
- Capacity is not available when needed
- Unforeseen incidents
- Standard remedies can’t be applied
- Inappropriate response by service providers
- No root cause analysis

- Customer dissatisfaction
- Increased cost of operation
- Need for remediation projects

E2E IT Supply Chain, Client Project Execution Study 2010

Bold text shows items that could have been avoided by forecasting.
Forecasting enables resources to be prioritised in line with business needs

However, forecasting is often weak or missing, which keeps suppliers constantly on the back foot.
Forecasting starts with upstream processes which are a source of long, mid, and short term information about demand.

**Long Term Forecasting** provides specific forecasts enabling alignment between lead times and project dates.

- **Demand** processes are a source of long, mid, and short term information about demand.
- **Supply** processes provide information to help shape the technologies and services required.

- **Project Portfolio Management**
- **Order History**
- **Mid Term Forecasting** provides ‘macro’ estimates used for e.g. quarterly projections.
- **Planning & Budgeting**
- **Project Portfolio Management**
- **Project Execution**

**Short Term Forecasting**
- **Apps. Architecture & Policy Management**
- **Applications Portfolio Management**
- **Legacy Management**
- **Infra. Life Cycle Management**
- **Infra. Architecture & Policy Management**

**Strategy & Direction**

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Demand Management is more than just forecasting

It’s all about forecasting and it’s a two way conversation which reinforces adherence to cost effective architectures and corporate standards.

E.G.
Short term forecast discussions cover:
- technical standards adherence
- TCO considerations
- and general technical guidance

Demand Management is the processes, roles and tools that enable efficient dialogue between disparate organizations.
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In a perfect world we would do all of these things...

- Understand business priorities and requirements
- Define business model changes

- Understand business affordability
- Design fit-for-demand solutions

- Confirm leadership
- Commit resources
- Execute

Understand Value (Demand)

Understand Cost to Serve (Supply)

Optimize Supply and Demand

Engineer the Delivery Model

Manage the Change

- Understand cost drivers
- Define performance improvement levers

- Align strategy, process, organisation
- Embed enabling systems and technology
- Define metrics
Here are some real world recommendations to start effective Demand Management

1. Define a clear process - break down the end to end process into clear short, mid and long term steps, and define a clear process for each

2. Recognise it’s not a one to one situation – multiple suppliers requires an integrated approach

3. Leverage current standards - link short term (project) forecast points to the toll gates in your project methodology lifecycle

4. Take a phased approach – initial deployment to test the fit and understand the value, then global adoption
Define a clear process

▪ Here’s the outline of a SIMPLE process covering short term forecasting developed with a client

| Trigger – Business Request | Register Demand | Develop Business & Technical Content | Consolidate Demand | Review & Confirm Supply | Monitor Forecast Trends |

▪ Areas to look out for
  – Mismatch between demand volume and the available channels for demand forecasting within the suppliers
  – Frequency of forecast reviews, manage by exception
  – Perceived effort - re-distribution of, rather than addition of, resources
  – Dealing with fuzzy projections of demand – keep a history to when a forecast is likely to become order
  – Supplier can fix it – keep the focus on upstream activities and not just downstream (supplier) processes
Recognise it’s not a one to one situation – multiple suppliers require an integrated approach.
Link short term (project) forecast points to tollgates in the project lifecycle

- Leverage established methods and practices to gain maximum traction quickly
- Educate, educate, educate about the importance of early forecasts, even though the numbers may be vague it really helps suppliers
  - The forecast schedule is as important as a project definition report or architecture document
- Build forecasting into personal objectives (human performance management)
Take a phased approach – client example, under discussion

The initial deployment consists of three phases, providing phased deliverables over a nine month period.

1. Configuration
   "Lean" the process; configure the workflow & plan early adoption; design integration with service provider processes

2. Early Adoption
   Phased early adoption within the pioneer Business Unit
   Learning Capture

3. Process Integration
   Background activities in parallel to embed the process and incorporate improvements based on initial learning

Roll out to other Business Units starting at week 18, "carrot shaped stick"

Timing is indicative, to be confirmed
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Integrated Demand Management addresses many demand / supply issues...

**Insufficient technical knowledge** in the enterprise, resulting in inefficient architecture, low conformance with standards and/or low understanding of TCO

**Inadequately specified RFS / Catalog orders** including technical errors, resulting in delays in the execution of the Service Request and Order Fulfilment processes, and low customer sat ratings

Inconsistent or **missing business prioritisation**, resulting in disconnect between business priority and how capacity and resources are allocated

Lack of forecasting of physical requirements from enterprise to service providers, resulting in **problems with capacity and resource planning**

Gap between the enterprise business view of requirements and supplier service view of requirements, resulting in **mis-communication and inefficiencies in governance**

Lack of integrated coordination of supply across multiple service providers, resulting in **serial lead times** and discussion about dependencies **too late in the demand life cycle**

**Failure to capture and communicate non-functional aspects of demand** (how many users, business criticality, data retention, security requirements, archive, etc.) which are crucial to enable effective operational support once a service is live, and which may have an impact on service arrangements that need to be put in place.
Demand Management Benefits Case Study

**Mis-communications & inefficiencies in governance**

**Situation**
- 25 week project, required 20 servers to be configured by external resources
- No demand management

**Action**
- Requirement for non-standard items communicated to retained IT
- External partner resources engaged in line with approved plan
- Technical guidance requested to support solution design

**Outcome**
- No technical resource available for guidance
- Requirements not communicated to supplier until orders were placed
- Lead time delays advised to retained IT but not passed quickly to project team
- Data centre space not allocated even though project is priority

**Impact**
- Significant slippage - **20% increase in project time**
- **Additional $140k cost incurred**
- Greatly increased risk to project delivery

**With Demand Management**
- Availability dates for required technology known early:
- External resources engaged later to fit with lead times:
- Technical support available to assist solution design:
- Requirement for non-standard items flagged early:
- Pre-allocated data centre capacity:
  - plan realistic dates
  - avoid overspend
  - identify non std reqs.
  - supplier is ready
  - prioritise capacity
...and reduces the differences of opinion which inhibit smooth cooperation around demand and supply

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<td>Understand each other's perspective</td>
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<td>Set expectations clearly</td>
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We model the value for clients based on their specific situation

These are the summary of key areas of value* from integrated, end to end Demand Management

We use a simple value framework to define the desired outcomes and measurable value which are used to track the benefits delivered by the process once it has been deployed.
Thank you

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