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Selecting High-Impact Projects:

Improve Demand Management Processes to Maximize ROI

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> *Come away primed to assess your organization's aptitude for selecting high-impact projects that maximize value return and optimize resource utilization.*

Executive Summary

Every leader who endures the annual corporate budget cycle should come prepared with headache medicine and a small supply of antacid. The problem is the same year after year – there always seems to be more needs than funding allows. The financial and resource demands needed to deliver critical business initiatives exceed supply.

It's important for organizations to invest in the projects that provide the highest business impact while maximizing the available funds and resources. Project portfolios, which are a collection of programs and projects, must be responsive to changing business needs and take full advantage of the overall business value of projects.

However, organizations are often challenged with selecting the best projects for investment and sequencing them to start. Too often, the projects selected to move forward are chosen on a first-come, first-served basis. Worse, leadership most frequently prioritizes the pet projects of the loudest voices in the room – at the expense of more strategic project prioritization. This kind of decision making demonstrates major gaps in intake, approval and prioritization processes.

To address this challenge, organizations need to create alignment between business strategies, projects and the value they want to deliver. They must also develop rigor around their approaches to approving and prioritizing projects. Developing a high-impact project portfolio is the result of a long-term, iterative process that transforms alongside the business.

If that sounds like a tall order, don't worry. You can (and should) take a step-by-step approach to implementing and maturing your organization's demand management processes – a holistic set of capabilities to coordinate and manage the intake and approval of high-impact projects, so informed prioritization can happen.

While demand management transformation is different from one organization to another, there are several key challenges, processes and best practices to learn from.

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In this white paper, we'll cover the foundation, while outlining the steps one $20B tech company took on its journey to successful demand management and informed prioritization. You'll come away primed to assess your organization's aptitude for selecting the highest impact projects that maximize value return and optimize resource utilization.

Benefits of Demand Management Process Improvement

With robust demand management and informed prioritization processes in place, organizations can realize the following benefits:

- Investing in the projects that provide the highest business impact

- Maximizing the available funds and resources

- Improving time-to-value with faster processing from when a project is proposed to when it's initiated

- Simplifying approval processes with consistently prepared business cases for more projects

- Providing greater visibility to leadership, leading to more frequent buy-in on the projects that make the most strategic sense for the organization

- Achieving greater stakeholder satisfaction with the demand management process

- Enhancing trust by empowering shared decision-making processes across functions.

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You can realize some of these benefits in a relatively quick timeframe, while others will build up over time. To get there, you need to understand the foundation of implementing high-impact demand management processes. The first step? Identifying the top challenges that stand in the way of implementing effective demand management processes.

Getting Demand Management Right

Robust demand management and prioritization processes are effective at aligning project requests with business objectives, resource capacity and funding. They ensure the portfolio focuses on the best projects for the organization and stage them for timely delivery.

This provides the added benefit of improving relationships with key stakeholders because it establishes what they can realistically deliver with available project resources and funding.

So why are these processes so challenging for many organizations? There are several reasons, including:

- Demand management and prioritization processes require the cooperation of multiple teams and organizations (e.g., Business and IT or Business and HR).

- A lack of trust and siloed decision making, which requires a major mindset shift to happen across the entire enterprise.

- Fair, equitable and understandable standards of demand management and prioritization are lacking.

- Agreement on the definition of value to determine the highest value projects is complicated, at best.

- Forecasting available project capacity in a reliable manner is difficult.

- Existing demand management tools may not align with the required demand management process, or the tools have low user adoption.

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In the case of our tech company client's example, their challenges were unique to them but provide a useful window into how challenging demand management and prioritization can be without robust processes in place.

When Demand Exceeds Capacity

Our client was experiencing exponential growth, doubling in size every five years. They had developed their own highly customized systems and processes that were simply not built to sustain a $20B company.

Their processes and systems required significant changes to scale and meet growing, disparate customer demands. They knew they needed to shape up their project portfolio to move forward with the projects that best met the demands of their customers and stakeholders – while continuing to grow in a capacity-based, sustainable manner.

Previous attempts to implement demand management and prioritization processes failed due to a lack of momentum, low adoption and a lack of trust-building and alignment. While the company's skyrocketing growth looked great on paper, teams tended to operate from a scarcity mindset.

Key business drivers put their projects forward with little to no guidelines requiring them to vet their projects. Instead, their teams just 'made it work,' recognizing little need for the demand management processes that had failed them in the past.

After all, they felt, why wait to propose a project when budget and timeframes are finite? This territorial approach contributed to a highly reactive, unaligned and unoptimized project portfolio.

The client recognized their lack of vetting processes was doing them more harm than good. Leadership required deeper visibility to assess projects from an enterprise-wide, strategic perspective. Meanwhile, teams worried that with increased invisibility, their projects would lose buy-in and approval. They needed greater alignment and trust across the board to assuage all user members of the organization and encourage widespread adoption.

For demand management and prioritization to be successful, the client knew their organization needed to embrace change. As such, organizational change management became a foundational aspect of the early stages of this company's project demand management journey.

Most organizations may already have a robust change management program in place, but many – as in the case of our client – will still need to build people and change approaches into the demand management implementation process.

We recommend consolidating demand management to encompass not just one process, but a set of three processes that manage the resource and funding capacity constraints of the business. The process of demand management involves three core areas:

1. **Intake** – Project needs are proposed and reviewed by project portfolio decision makers to determine if the initial case for investment is sufficient for submittal of a detailed business case.

2. **Approval** – The business case is presented to portfolio decision makers for assessment. Key considerations for approval include benefits, cost, complexity and resource requirements.

3. **Prioritization** – If approved, the project is scheduled to begin based on its time-to-value and capacity of resources, relative to other projects waiting to begin.

In the case of our tech company client, their portfolio decision makers gradually leaned into this set of processes to choose projects that:

- Met stakeholder demands as they continually evolved with changing business conditions

- Contributed the highest value to the enterprise's financial, compliance and operating objectives

- Gained alignment and consensus, making shared decisions for what's best for the entire company.

The way you choose to structure the programs and processes surrounding these core areas of demand management will vary from those of another organization. Some companies, for example, will choose to adopt new tech-enablement projects and work around them. Others may choose to focus more on the people side first, defining and refining key roles and foundational processes.

As an example, our client chose to improve their people and change management first, then identified owners and processes before piloting a staggered go-live on automations.

In general, the core areas of intake, approval and prioritization are shared among all demand management processes. Let's take a deeper look now at some best practices to achieve successful demand management outcomes.

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Best Practices for the Best Outcomes

The demand management process links strategy to the portfolio of programs and projects that will be delivered to create the highest value for the organization.

Best practices for a demand management process include:

- A centralized process that directs proposals into an intake channel to streamline decision making, including approval and prioritization

- Criteria for determining project benefits, feasibility and risk with a mechanism for comparison between projects

- Constraint-based capacity planning (i.e., resources, funding) to limit the number of project approvals

- Frequent communications with requestors and stakeholders regarding decision-making status of their requests.

Building off these best practices, our tech company client worked with us to discover the best demand management transformation journey for them. Collaborating with business process owners and key stakeholders, we provided the framework needed to capture requests as well as review and rank them based on business priorities.

The result ensures the enterprise works on the most time-sensitive, highest-value work. Key practices in place at our client's business now include thorough governance processes used to evaluate, rank and prioritize projects. The company also formed a cross-functional, portfolio-decision-making team with members from across departments.

Why? In the early stages of demand management transformation, we facilitated mini-adoption scenarios to test how leadership tended to prioritize projects. Our test pilots' feedback soon confirmed that they could not swiftly or effectively align on decisions, so we went back to the drawing board.

From there, we collaborated to assist leadership in identifying key ambassadors across various departments. These ambassadors came together to form a demand management team. This team is responsible for managing the portfolio intake process by ranking projects based on a range of criteria and determining each project's potential benefits, feasibility and risks.

Executive business owners now prioritize and approve the rankings, which are first filtered through the demand management team, freeing them from last-minute, tactical decision-making to focus on the bigger strategic picture. It also empowers each business area involved in the intake, prioritization and approval process.

With a well-defined intake process and highly structured governance in place, our client has improved alignment, resource allocation and delivery predictability. They are fostering greater consistency with common processes, tools and templates, which makes it easier for business leaders and decision makers to compare notes on their project portfolio decisions. This collaborative spirit, in turn, bolsters the business acumen of stakeholders across the enterprise – from the demand management team to key business drivers and project owners.

Does your organization have **the structure in place to enable you to select the highest-impact projects**, maximize value return and optimize resource utilization? Consider the following questions for your organization:

- How do you request projects?
- How do you define project value?
- How do you select criteria for approving projects?
- How do you estimate available resource capacity?
- How do you determine project funding?
- How do you determine start dates for projects?
- How do you track proposed project benefits?

If you cannot easily answer these questions, then you should work to understand the impacts of the process gaps in your demand management plan before you can achieve the benefits of closing them.

What is the impact of approving projects that do not provide the best value for your organization?

- Organizations that don't consistently use evaluation criteria for approving projects risk minimizing the portfolio's return on investment.

What is the impact of approving and starting more projects than you can deliver?

- Late delivery of projects can cause both real project costs as well as opportunity costs and reduce credibility with stakeholders.

What is the impact of over-allocating team members to projects?

- Project team members become stressed and tend to make their own decisions about how to best use their time across projects, resulting in conflicting priorities and project delays.
- The inability to properly focus or having to assign misaligned resources reduces the quality of work.

What is the impact of stakeholders finding alternative approaches to addressing their needs?

- Stakeholders might go to a 'sympathetic ear' to get the work accomplished that could impact other priorities.
- Stakeholders might bring in consultants to deliver a technology solution that is not aligned with the organization's technology direction and architecture.
- Projects could get deployed without full consideration of external customer impacts resulting in customer dissatisfaction.

What is the impact of projects that do not deliver the benefits promised?

- Departments don't realize the anticipated cost reductions or revenue increases.

Assessing the negative impacts of process gaps will likely take a cross-functional team to identify the gaps and determine the ramifications. If your team finds that your project portfolio contains more value drainers than value deliverers, then it may be time to reconsider your company's approach to demand management.

One way to achieve this is by evaluating your own practices against best practices presented in this white paper. Another option is to work with an outside partner to identify the areas you need to improve.

What Can Demand Management Do for You?

Demand management empowers your organization to approve only the highest value projects that you have the capacity and funding to deliver. It allows you to:

- Balance stakeholder needs with the strategic goals of the business, contributing to a project portfolio that delivers the maximum value to your organization.

- Apply a capacity-based approval approach so you can focus on the projects you can realistically deliver and develop a reputation for meeting your commitments to implement projects.

Improving your demand management processes empowers your organization to select the best projects, maximize value return and optimize resource utilization. The combination of improved processes and the benefits they provide can also instill a greater sense of trust and alignment among stakeholders – a virtuous cycle that reinforces itself within a high-impact organization.

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Craig Horgan is the Portfolio Management Lead for Centric Consulting's Enterprise Portfolio and Program Management Practice. He partners with clients on the execution and delivery of EPPM engagements that lead to long-term sustainable results. Craig has over 20 years of experience deploying and scaling EPPM functions to drive the selection and delivery of IT solutions that enable business strategies, increase operational effectiveness and improve the bottom line.

Want to learn more about our perspective on demand management or other topics related to **Enterprise Portfolio and Program Management (EPPM)**? **Let's talk**.

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