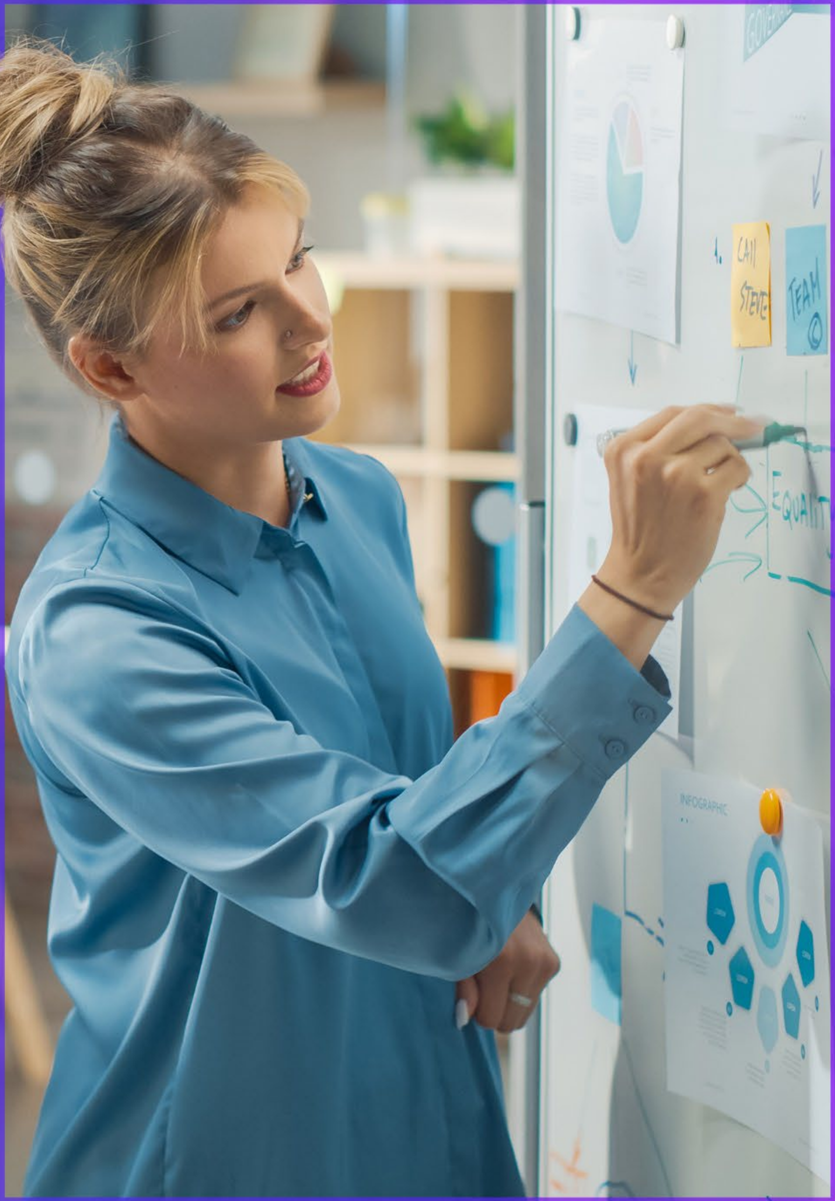
KPMG

How to improve demand management and reduce capital spend



A C-suite guide to improving portfolio management and reducing spend on strategic change initiatives in 2023

Introduction

Every organisation faces huge pressure to keep pace with digital change to drive efficiencies and support modern ways of working. That means you need to plan and fund strategic change initiatives to achieve your business objectives.

But are you realising the desired outcomes from your spend? Many organisations are struggling to keep pace with change and making funding decisions that actually lose money.

To avoid that happening, it's important that you make good decisions at the demand stage and prioritise effectively – especially given that it's unlikely that you can support all your initiatives immediately. After all, budgets are finite and under pressure in an uncertain economic environment. And there's always a tension between 'keeping the lights on' to maintain critical operations and investing for the future.

So, how do you manage demand effectively? How do you ensure you're getting the best possible return on investment across your strategic portfolios? And how do you make sure you're targeting valuable and limited resources at the right projects?

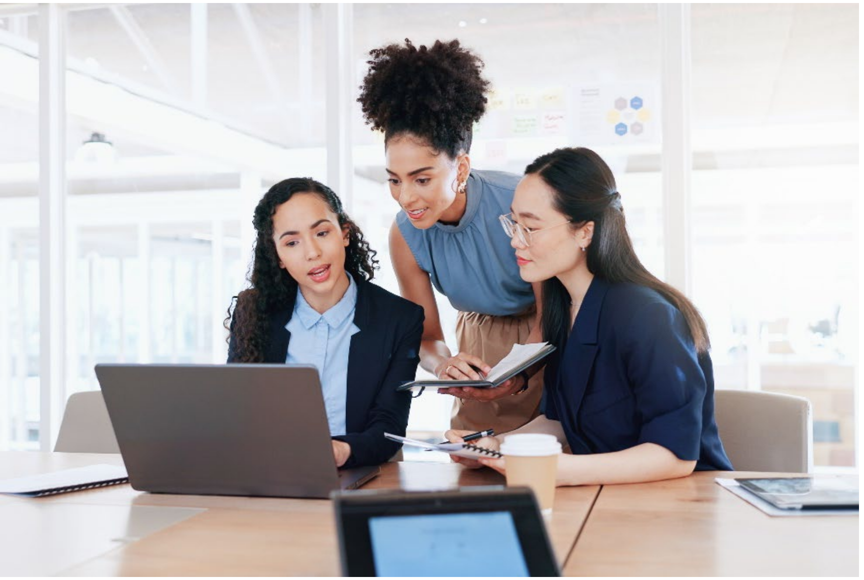
It's important that you:

- critically challenge the justification for projects
- explore synergies across your portfolio
- look for ways to reduce spend by highlighting decommissioning opportunities
- fund short-term rather than longer-term initiatives
- run projects in the right order to avoid delays
- clearly articulate and measure what is valuable to your organisation.

Continue reading for our six steps to improved demand management that will help you set more effective prioritisation criteria and get the most from your spend.

01 Make sure everyone is clear on your strategic objectives

You need to make sure everyone involved in the budgeting cycle is clear about the strategic objectives of your organisation. That includes the people raising requests for capital as well as those who will critically assess demand. Without that, you can't make the best calls on which projects to prioritise.



That might sound obvious, but many businesses we've worked with haven't had a strong handle on what strategic value means to them – or how to articulate it.

Collaboration is key here. Establish a team of leaders across your organisation to join up your business and IT strategy and agree your objectives. You can then map potential initiatives against these objectives to help ensure you hit your goals and can justify spend.

We've found that an effective approach is to set up roadmapping workshops. We bring together a team of people with competing priorities to collectively agree how initiatives fit together.

The starting point is to list your strategic objectives. Then put time and effort into prioritising them. Challenge your team on what matters most to your organisation – is it a 'must do' regulatory project, a 'should do' efficiency initiative, or a 'could do' project to improve employee experience?

Ask yourself:

- ✓ Are we clear on our strategic priorities at a C-suite level?
- ✓ Are we clear on how our projects align with our ESG goals?
- ✓ How do we communicate our priorities with business leaders?
- ✓ What's the role of our project management office – is it critically assessing organisational value?
- ✓ Are our business and IT priorities aligned?
- ✓ Are we confident that we're prioritising projects that support our key objectives?

02 Get a clear view of demand – from new and ongoing projects

Of course, to make funding and resourcing decisions, you also need a clear picture of demand. And that's not just about being able to see your pipeline of new requests. You also need to have a clear view of projects still in flow, and business as usual operations.

Start by identifying your top ten inflight projects – the ones that deliver the best value and most benefits. Consider the following questions:

- What are they set to achieve and when?
- Do they align to our collective view of strategic priorities?
- If not, what's missing – and how do we achieve that? Is that already covered by a planned project?
- Do they enable other initiatives?

Truly challenge whether these projects are delivering in terms of wider strategy and take tough decisions to pause, redirect or stop projects that aren't.

You can make a big difference by looking at IT service management data. Consider what infrastructure is critical, identify burning platforms and look for duplication. That will help drive decisions on investments and decommissioning.

Ideally, you'd be able to view all the relevant data in one place. But often, project management offices spend a lot of their time manually updating and collating spreadsheets. And these rarely provide a complete view of all the variables they should be taking into account.

You can take away the administrative burden by automating the data capture process and improve data transparency with tools like ServiceNow. The best of these off-the-shelf solutions can help you make better decisions by connecting your data to provide an integrated data model with powerful reporting and scenario mapping functionality. But even then, you need to interpret the data, work with the business to break down silos and create a single view, and align the business and IT strategy.

Get it right and you'll be able to make decisions on demand that are data-driven, not personality-driven. That levels the playing field and means that the money doesn't go to the manager who's best at making a case. Funding goes to the project that delivers the best ROI and is best aligned to your strategic goals.

Ask yourself:

- ✓ How are we collecting data on new demand and ongoing projects?
- ✓ Do we have a clear view of all the data we need in one place or is it siloed?
- ✓ Are we making decisions based on data, or based on who tells the best story?
- ✓ Are we prioritising 'keeping the lights on' or improvements?
- ✓ Are we deviating from the scope of our portfolio?
- ✓ Are we critically challenging the justification for projects – is it worth investing in infrastructure which will be decommissioned within five years?
- ✓ How do we map project requests to our strategic priorities – are we doing it manually, automating the process, or not doing it at all?

03 Understand dependencies across your portfolio

Change doesn't happen in isolation. When you're prioritising projects, you need to think through the dependencies across your portfolio.

It's not as simple as saying, "Customer experience is our top strategic priority. We'll prioritise this CX project that offers a strong ROI." You need to understand whether for the project to be a success, you first need to complete or carry out another piece of work.

Think through whether another project would enhance the benefits if it was done first. If you carry out projects in a certain sequence, can you reduce the technical complexity? Does the project require a tough architectural decision to be made?

You might find that you actually need to prioritise master data or a back-office system upgrade to enable other projects that will deliver more obvious benefits.

Ask yourself:

- Which parts of our portfolio are critical to developing other improvements?
- How are we checking for dependencies when we prioritise investment decisions?
- How many dependencies are there for each project, and what does that mean for timescales?
- Are we balancing quick wins against more strategic investments over many years?
- Are there a couple of projects that are a single point of failure for the whole portfolio?
- Have we got conflicting tool purchases – not in line with our architectural roadmap?

04 Balance risk across your portfolio

The probability of success rests on more than strategic alignment and projected benefit. You also need to measure risk when evaluating projects.

For example, complex projects increase risk and require more effort – we've found that's not always fully reflected in a higher planned cost at the outset.

You should also consider adoption complexity. It can be challenging to hit your organisation with lots of change all at once, especially in a similar department. It increases risk and can cause delays as new ways of working take time to embed – ultimately delaying the realisation of the projected benefit.

Look to balance risk across your portfolio – with high risk, high reward projects balanced with lower risk, medium reward programmes.

Ask yourself:

- ✓ What's the technical complexity of the portfolio and can this be balanced over multiple years?
- ✓ What's the scale of the projects within the portfolio?
- ✓ How many other projects are we running in that area of the business?
- ✓ What's the impact on business as usual, and how many users will be impacted?
- ✓ How do we currently measure risk?

05 Model different scenarios

Answering the questions above, should give you more robust criteria for your capital spend decisions. And that may provide you with a roadmap that you're happy with and that's affordable.

But for many businesses, it makes sense to model scenarios based on their chosen criteria. Weight different factors – like cost, benefit, and risk – to show how different roadmaps will impact your business and the funding outcome.

Tools like ServiceNow offer roadmapping and scenario planning out of the box. And that means analysts – who may have been building roadmaps in PowerPoint – can spend more time adding value and challenging decisions.

Once you have the relevant data and have applied your criteria, the PMO is equipped to explore scenarios dynamically. If the priority is reducing cost, you can identify projects that offer the biggest return within a set budget. Where the priority is balancing spend across your strategic priorities, you can give each an equal weight and split the spend accordingly. If your focus is on the biggest benefits, map out what impact funding the projects that promise the top benefits has on other factors like risk.

You may still struggle to meet your constraints. In that case, challenge requesters and ask them what can be achieved with a proportion of the funding they've requested. Would the key benefits still be achieved in year 1? Could the scope be spread across multiple years, or even be reduced?

Ask yourself:

- ✓ What could be achieved with half the requested money?
- ✓ Can some similar projects be consolidated to reduce management cost?
- ✓ Are there synergies across the portfolio to fund more overall benefit?
- ✓ Are there projects that are not justified?
- ✓ Are there funds already committed to third parties for multi-year projects?
- ✓ Is the estimated cost the true full cost – have change management, training and run costs been factored in?

06 Build in clear processes for approvals and objection handling

Every organisation will have its own unique approval process. Typically you'll need to involve the Board to sign off on strategy. You may also need preapproval from your architecture and security teams, and other key stakeholders.

Depending on the size of funding required, you'll then need sign off from the CIO or Board. The PMO then collates and challenges requests, with the final recommended portfolio allocation being presented by the CIO. Final approval should be relatively short given that the whole process is detailed and lengthy.

Portfolio management tools can help streamline the approvals process with approval workflows. ServiceNow, for example, enables approvers to view different scenarios in multiple views, including recommended scenarios and rejected scenarios with the rationale for any decision. This saves time for the PMO in creating communications materials, and collating preapprovals.

How you manage demand for your portfolio spend shouldn't be a black-box process. It's important to keep the teams that have submitted a request up-to-date with progress. The best approach is to involve them in the process – for example, by holding an independently facilitated session with all the relevant leaders to prioritise and agree the roadmap.

The PMO should outline the process and ask for all the relevant data upfront to avoid any frustrations and hold ups. Being clear and transparent, setting expectations and keeping the stakeholders involved in the process means they are bought into the resulting recommendation. And if there is a challenge to the process, it can be shown to be robust.

Ask yourself:

- ✓ Do we have a documented process?
- ✓ Have we set out clear expectations and timelines?
- ✓ Do we have the option of an independent challenge?
- ✓ How do we engage the approver(s) in the journey to shortcut the approval time?
- ✓ Is approval managed manually?

Your strategic portfolio management checklist

Being able to prioritise spend on your strategic initiatives is about understanding your organisation's goals, the dependencies across your portfolio (what projects enable what) and how you can make the most of your investment.

This checklist will help you see how you could improve your approach.

- We have a clear set of strategic priorities for our portfolio
- We communicate our priorities with project owners and the project management office clearly
- We have a robust process for mapping project requests to our strategic priorities
- We are prioritising projects that support our key objectives
- We collect all the data we need to manage new demand and ongoing projects
- We collect IT service management data to inform the strategy
- We have a clear view of all the data we need in one place
- We understand the dependencies between different projects and the wider business
- We gauge the complexity and risk of projects and take this into account when managing demand
- We measure the complexity of adoption and take this into account when managing demand
- We have a clear view of how many projects are running in each area of the business and the impact on business as usual
- We critically assess our portfolio for available synergies to maximise benefit and reduce spend

Improve your Strategic Portfolio Management with ServiceNow and KPMG

ServiceNow's strategic portfolio management (SPM) solution provides:

A configurable platform ready to interface. Organisations typically have a complex SPM architecture where fragmented tooling and data compromises decision making. ServiceNow's SPM provides an integrated data model to deliver full transparency

Strategic alignment. ServiceNow enables you to reduce spend by investing in your priorities. These are set, up front, in the demand stage and outcomes are measured against these priorities in a continual evaluation process throughout the rest of the lifecycle

Speed. ServiceNow accelerates delivery by connecting change across the enterprise, with a seamless transfer from demand management to run. It reduces delays by delivering a central, consistent method for delivery and effective resource allocation.

KPMG connects the people, processes and technology, helping you harness the power of ServiceNow and upskill your people.

We understand your existing challenges. We can compare your situation with our reference models so you can focus your solution and agree your target state. We also show you how you can drive insights from your new data sets to improve decision making on your portfolio spend. And our approach to adoption helps you embed improved ways of working and achieve the best possible returns.

To learn more about demand management and how scenario planning looks in ServiceNow, contact:

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