

OPTIMIZE

**IT DEMAND MANAGEMENT
FOR THE REAL WORLD**

MERCURY™
BUSINESS TECHNOLOGY OPTIMIZATION

EXECUTIVE SUMMARY

In a perfect world, the IT department responds to requests like a well-oiled machine. Each proposed project comes in through the front door with solid business justification. There's plenty of data to help prioritize each request according to its business value—whether it's a routine PC upgrade or a strategic application implementation. IT can respond in an instant to changing priorities, redeploying resources to take on new demands. The coffee pot is never empty and doughnuts are abundant.

In the real world of IT, the squeaky wheel usually gets the oil. Projects come in through the front door, the back door, or the side door—and all too often priority is determined by the title, budget, or charisma of the requester. In many cases, there's no consistent process for evaluating or scheduling projects, no chargeback to the requester's department, no measurement or follow-up after the project is complete. And the pink box contains nothing but crumbs by 8 a.m.

Today there is a practical solution for automating the management of all of the demands that are placed on IT—without introducing new administrative headaches or budgetary heartburn. It's called IT demand management, and it empowers executives to focus on the *business* outcomes of IT projects. This paper provides an overview of how it works, why it's an important step in achieving your IT governance goals, and what the benefits are to your IT department and your business. This paper also explains how Mercury paves the way to effective, cost-efficient demand management by offering sophisticated products, best practices, customized consulting services, and responsive support every step of the way.

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DEMAND MANAGEMENT DEFINED

According to Principal Analyst Craig Symons of Forrester Research, demand management is “an IT governance process that enables IT and the business to optimize the investment in IT through fact-based decisions.” Simply put, it is an automated process for capturing, evaluating, and prioritizing all of the demands or requests placed on IT—from high-volume routine service requests to deploying changes across core applications.

But to truly understand the business value of demand management, it is necessary to step back and consider its role and “fit” within the bigger picture of IT governance.

A Critical Part of IT Governance, a Top Priority for Business Technology Optimization

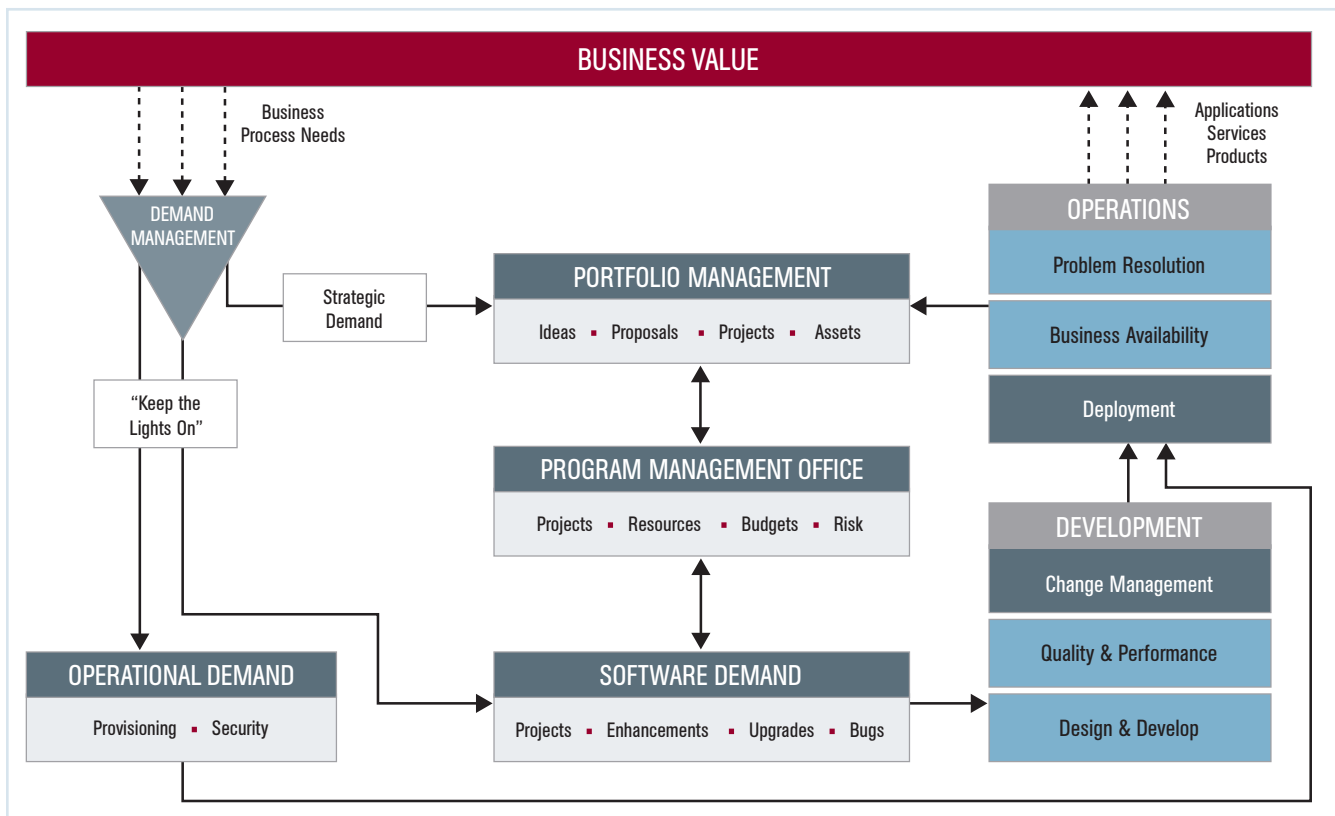
There is growing recognition among enterprises of all types and sizes that the key to getting great business results from IT is to run IT like a business.

It is no longer enough to focus on managing IT projects and outcomes. Executives are embracing IT governance strategies that focus on the *business* outcomes of IT projects. They are keenly aware that optimizing IT governance processes is a prerequisite for optimizing the business. And they are implementing IT governance solutions that can manage the priorities, processes, and people needed to transform IT from a cost center into a competitive weapon.

Demand management, or the management of all the requests made to IT, is a core element of IT governance—and is in fact an excellent starting point for implementing a comprehensive governance strategy.

“[Our] research reveals that firms with superior IT governance had more than 20-percent higher profits than firms with poor governance given the same strategic objectives.”

– Peter Weill and Jeanne Ross, “IT Governance: How Top Performers Manage IT Decision Rights for Superior Results,” Harvard Business School Press 2004



Demand management is an excellent starting point for implementing an integrated IT governance solution. The IT governance process covers both strategic and routine service requests.

Many CIOs today view IT governance not as a “process” but as an iterative cycle of planning and execution with three core goals:

- Better visibility and control over IT costs, risks, and resources
- Improved ability to meet compliance requirements, harnessing IT to automate processes and controls and managing compliance projects from concept through production
- Better alignment between IT priorities and business objectives to maximize the business value delivered by IT

“As IT aligns more closely with the line of business, IT governance becomes increasingly important to the delivery of insight and updates regarding the utilization of resources.”

– Theresa Lanowitz and Matt Light, Gartner

Types of IT Demand

Demand management deals with the influx of requests for IT services, maintenance, and operational support—each varying in its level of importance to the organization. These requests typically fall into four key categories:

- **Strategic Demand:** Requests for new projects that have major strategic impact on the company, such as implementation of a new ERP solution or a migration to a new hardware platform
- **Operational Demand:** Management of key IT assets that impact the company’s ability to conduct its core operations: improving network security and identity management capabilities, patch management, adding storage capacity, etc.
- **Tactical Demand:** Routine, day-to-day requests such as onboarding a new employee, upgrading users to a new version of their personal productivity software, etc.
- **Application Enhancements:** Requests for upgrades or revisions to existing applications and business processes

Interestingly, IT organizations today spend an average of only 24 percent of their budget on strategic projects and new priorities, and 76 percent on operational activities and routine service requests. And the budget allocated to strategic projects is likely to decline, because once new projects go into production they become an ongoing operational expense. In other words, maintaining a good balance between strategic and tactical initiatives requires IT to adopt good governance processes.

“IT governance is a real balancing act. How do you maintain your strategic vision while you keep the wheels running? There are multiple variables to consider: strategic opportunities, tactical requirements, resource capacity and saturation, cost issues, business value, business and technical risk, short-term vs. long-term value, and more. Without effective IT governance, you drop the ball.”

– Margo Visitacion, Vice President, Forrester Research

WHAT’S WRONG WITH DEMAND MANAGEMENT AS USUAL?

For many companies there is no consolidated view of all the requests or demand made to IT, and that’s precisely the problem. There are multiple processes, inconsistent implementation of those processes, frequent exceptions to policies, and in some cases no established processes or policies at all. The result is little or no visibility into the requests made of IT, creating all kinds of problems: an inability to control IT cost and staffing requirements; difficulty achieving compliance with regulations such as Sarbanes-Oxley or implementing best practice standards such as ITIL; and misalignment between IT priorities and business objectives.

Checklist: You Need Better Demand Management Processes If...

- Requests frequently come in through the back door, eating up staff time without delivering much business value
- No one really knows whether the staff is working on the projects with the highest business priority
- You cannot provide visibility to the business or prioritization of requests for IT services and ongoing activities
- You’re using multiple systems to collect, track, and resolve IT service requests
- You can’t enforce the business processes you’ve established for handling IT requests
- The service levels for responding and completing requests are difficult to track and report

- It's often difficult to redeploy resources to take on new projects
- There's no audit trail for requests or actions taken

A BETTER APPROACH: AUTOMATED, COMPREHENSIVE IT DEMAND MANAGEMENT

There's no question that many companies need a better way to manage all of the demands placed on IT. The question is how. With demand constantly increasing and budgets under constant pressure—and with existing practices often firmly entrenched by habit and inertia—how can the IT department implement a new demand management solution without upsetting the applecart? This section describes a new approach; the next section describes specific products and services from Mercury and provides advice about how to make it work in the real world of IT.

Overview

The overarching objective of demand management is to create and control a front door to IT so that all incoming requests are collected, prioritized, scheduled, and fulfilled based on objective, consistent criteria according to business priority. Essentially the goal is to create a complete picture of all the requests made to IT—past, present, and future; tactical, operational, and strategic—so you can make better decisions and identify trends.

There are several key milestones on the path to effective demand management:

1. **Consolidating all demand on IT:** The demand management solution must capture *all* requests on IT so you'll have the information you need to determine which requests have the highest business priorities and how they match up with your staff and technical resources. By consolidating IT demand, you can give users and stakeholders a comprehensive picture of past, present, and future demand, grouped by category so demand can be prioritized, assigned, viewed, and tracked across multiple dimensions, helping you identify key trends.
2. **Digitizing the complete IT lifecycle:** Once all requests have been captured, requests can be processed based upon your best practices and business rules for that type of request. Mercury refers to this process of modeling, automating, measuring, and enforcing rules as "digitizing" the demand management process. Every typical IT project, such as bug fixes, upgrades, vacations, provisioning a Blackberry, and so on can be evaluated, prioritized, and scheduled based on the digitization of your company's best practices and policies.
3. **Managing status, service levels, and trends:** With digitized processes in place and a smooth flow of data about projects and resources, you'll have the information and real-time visibility necessary to effectively manage status, service-level agreements, and trends. Equally important, you'll have audit information that can be critical in meeting compliance requirements.
4. **Influencing behavior through visibility and cost of the requests the business makes of IT:** A demand management solution can further increase its value to the organization if it can provide a basis for visibility and charge-back for IT services. Once charge-back policies have been implemented, an effective demand management solution can also give each department or line of business a better picture of what it's paying for and what it's receiving in terms of IT services. This capability in turn influences behavior; for example causing a department to drop lower-priority requests or escalate strategic projects.

Business and Technical Advantages

- Prioritize and schedule activities according to highly specific criteria and adjust the criteria to reflect changing business priorities.
- Remove ambiguity about IT costs, benefits, resource allocation impact, staffing requirements, etc.
- Identify opportunities to save money and staff time by outsourcing specific projects.
- Get better reporting, visibility, and control by consolidating demand and digitizing policies.
- Improve your ability to meet regulatory requirements and comply with industry standards.
- Tighten the alignment between IT priorities and business objectives to maximize the business value delivered by IT.

"Mercury IT Governance Center™ has given us the visibility we need to effectively prioritize and evaluate which projects will deliver the most value to the business. We can now allocate the right resources to the most important projects—ensuring we deliver on time and within budget. Mercury IT Governance Center has been so successful within IT that our other business units have adopted it."

– Susan Ligon, PMO Program Manager, Sealed Air Corporation

THE MERCURY SOLUTION: MERCURY DEMAND MANAGEMENT

Effective demand management requires more than the installation of a software product. It requires solid up-front thinking by senior management to determine the overarching goals for IT governance and the role of demand management within those objectives; it requires active support and participation by business management, not just IT management; it requires well-defined business processes and governance processes; and it requires clear and consistent communication among all stakeholders, throughout the management lifecycle.

If it sounds difficult, compare the challenges of implementing demand management with the cost, complexity, inefficiency, risk, and waste of business-as-usual.

Mercury smoothes your road to effective, cost-efficient demand management by offering sophisticated products, best practices, customized consulting services, and responsive support every step of the way. Whether you're overhauling your IT governance processes or adding demand management to your existing IT governance processes, Mercury can provide the assistance you need.

Product Overview

Mercury Demand Management™ is an integral part of Mercury IT Governance Center, a portfolio of products that give you visibility and control over IT projects and the roll-out of strategic changes at the enterprise level. Mercury IT Governance Center is key to business technology optimization (BTO). BTO ensures that every dollar invested in IT, every resource allocated, and every application in development or in production is fully aligned towards business goals. It also is paramount to complying with regulations such as Sarbanes-Oxley and Basel II, and to implementing best practices such as ITIL.

You can implement Mercury IT Governance Center applications such as Mercury Demand Management, Mercury Portfolio Management™, Mercury Program Management™, or Mercury Project Management™ individually, starting with the area of greatest need, then expand across IT, adding value all the way.

Mercury Demand Management supports your complete management lifecycle, including routine but high-volume service requests as well as complex and strategic demand requests. You can prioritize with visibility, enabling your business users and IT to collaborate efficiently at every step, cutting costs and accelerating resolution. The product enables you to consolidate, prioritize, and fulfill demand for both strategic projects and day-to-day activities. It also allows you to manage service levels, giving IT a way to communicate with business teams in concrete, objective terms.

CIOs who embrace ITIL will find Mercury to be particularly powerful in automating IT service management in accordance with ITIL guidance and principles.

With Mercury Demand Management, you can:

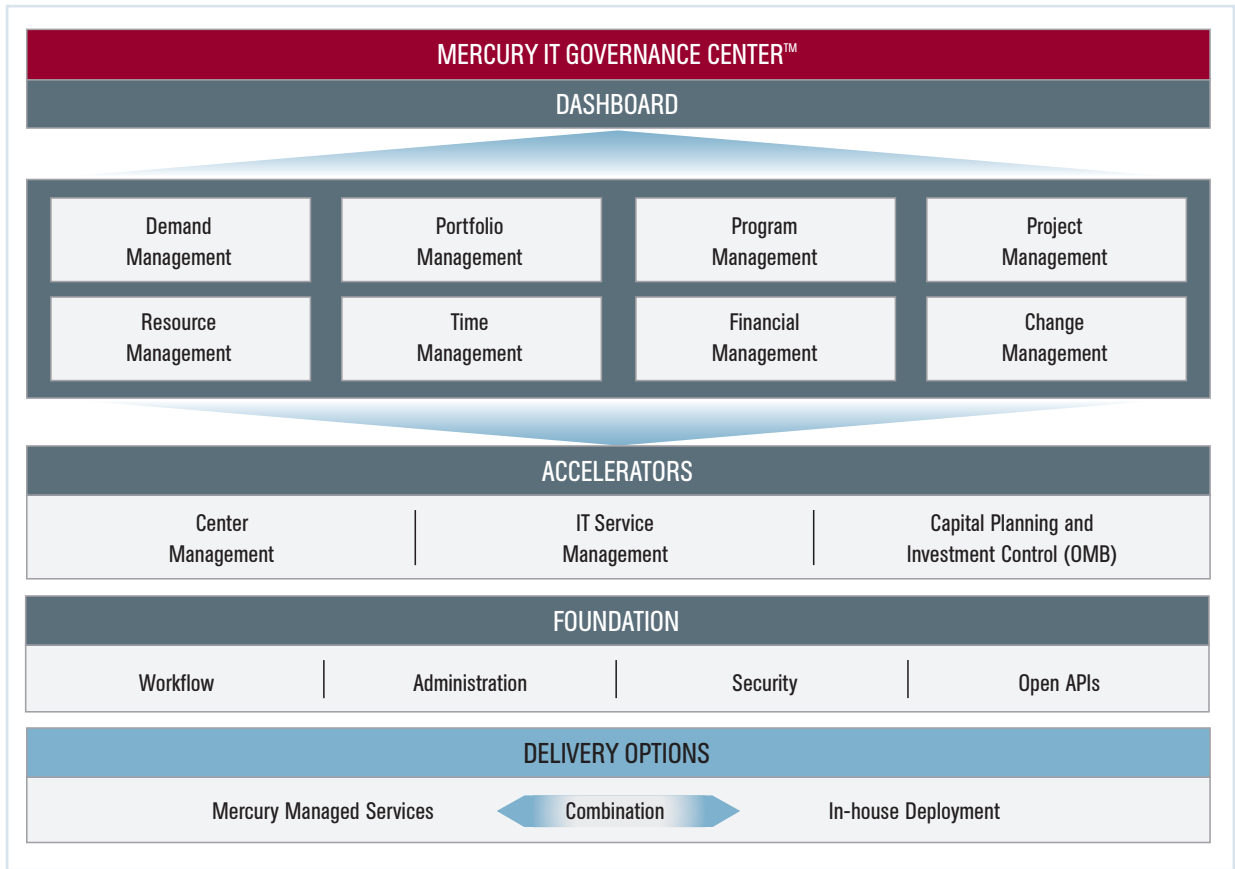
- Consolidate and store all IT demand in a central repository
- Prioritize requests and schedule actions based on priority, date, contribution, or other metric
- Configure an unlimited number of demand categories based on your requirements.
- Capture a complete audit trail
- Receive rapid time to business value via Mercury Managed Services™ or Mercury Consulting Services™ deployment

“We deliver high-quality IT at about one-half the industry average cost. In our business, where cost, quality, and repeatability are everything, Mercury IT Governance Center offerings bring us a powerful competitive advantage.”

– Bob Moore, CIO, PaeTec Communications

“Mercury IT Governance Center was selected and implemented to support our Oracle E-Business implementation. We are now adopting it as a standard to support a common enterprise approach.”

– Jeff Johnson & Craig Simms, IT Corporate Applications, Constellation Energy

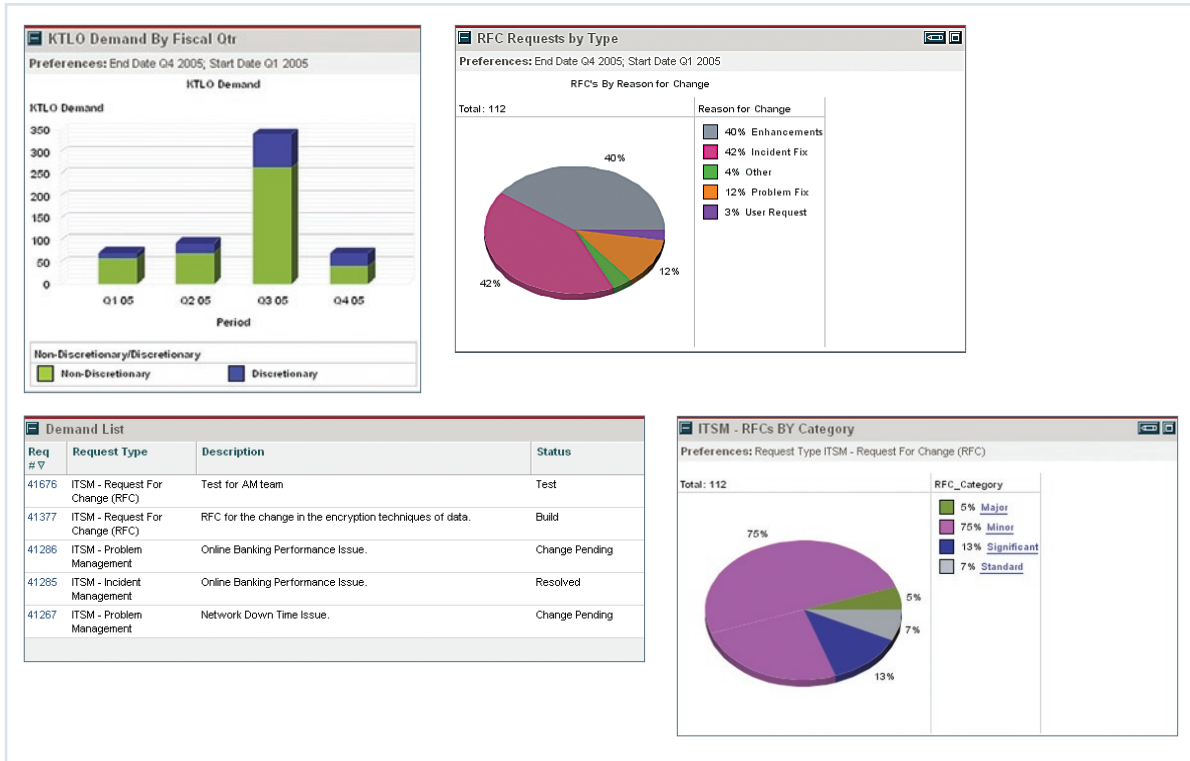


Demand management is a critical element of IT governance, and Mercury Demand Management is an excellent starting point for implementation of a comprehensive IT governance solution.

How it Works

Mercury Demand Management captures requests across the business so each can be evaluated and prioritized based on its business value. Unlike traditional help-desk applications that tend to focus mainly on issues received at a call center, Mercury Demand Management is an integrated solution that captures all requests from all sources—from routine, high-volume web-based requests to strategic demands. Through a web browser, users get a complete picture of past, present, and future demand, grouped by category so demand can be sliced-and-diced across multiple dimensions to help identify trends. And if you need to integrate with existing help-desk or demand capture solutions, Mercury Demand Management supports you with APIs and flexible interface tables.

Mercury Demand Management also provides the digitized processes and data necessary to manage request status, service-level agreements, and trends. Everything that happens to a specific request can be viewed and reported on with an extensive audit trail and transaction history. With this level of visibility and control, you can focus on the highest-priority requests and spend your time making decisions and resolving exceptions.



Mercury Demand Management provides complete visibility into all requests by type and by status to help users identify trends.

Implementing Mercury Demand Management

Mercury Demand Management can be implemented at your facilities or accessed as a hosted service running on Mercury's managed infrastructure.

All applications for IT governance must strike a fine balance between process rigor and flexibility. And in order for new processes and tools to be adopted by the IT staff, it is particularly important that they be adaptable to the company's culture. Many employees avoid technologies that disrupt their comfort level and normal routines.

Here are a few practical suggestions for ensuring a successful adoption of your demand management solution:

- **It's all about communication.** The best planning and the most brilliantly conceived policies will be wasted if you don't establish strong communication with all stakeholders. Encourage feedback and input during the planning stages, be open about decisions made, be clear about the expectations and changing roles and responsibilities for each stakeholder, and make communication a regular and expected part of the daily routine. This way your demand management policies will quickly become part of the fabric rather than a focal point for resentment.
- **Start by standardizing how demand is introduced.** Establish clear and concise rules, and keep your policies focused on business value and business risk. If your front door is clearly marked and easily accessible, no one will need the back door.
- **Leverage dashboards for increased visibility.** Take advantage of the Mercury IT Governance Center Dashboard™ to get better visibility not only into Mercury Demand Management but also the relationships between Mercury Demand Management, Mercury Portfolio Management, Mercury Project Management, and so on. These products work together to give you a clear picture of the interrelationship between supply and demand, so you can begin using analytics more effectively for decision making.
- **Focus on measuring the right stuff.** Collect and analyze metrics that can truly help you determine business value, risk, cost, or key trends—metrics that impact your decisions about which projects to implement and which to stop or hold.
- **Provide better transparency into IT service costs to influence behavior.** Demand management should ultimately be about influencing behavior. By instituting charge-back policies for services provided, you can help service requesters understand the true costs of what they're requesting and in many cases curtail projects that don't really deliver a good cost/benefit ratio.

Mercury Best Practices

Mercury Best Practices™ are a centralized knowledge base that provides industry-leading process, product, and people guidance to maximize your Mercury solution, increase effectiveness, and decrease total cost of ownership (TCO) for your demand management initiatives.

Mercury Best Practices bring the experience of hundreds of successful Mercury implementations to your project. They enable you to streamline your Mercury product implementations, increase productivity, improve process efficiency, and strengthen end-user product adoption. Mercury Best Practices are always evolving, taking into consideration new approaches and leveraging new experiences. To provide a reliable and consistent result, they evolve by comparing experiences from Mercury personnel in many different roles and different geographic regions.

Mercury Process Best Practices for Mercury IT Governance Center cover the following processes:

- Roadmap Planning
- Demand Management
- Portfolio Management
- Project Management
- Resource Management
- Financial Management
- Application Change Management

Mercury Managed Services for Effective IT Governance

Mercury Managed Services enable you to accelerate time to value and reduce costs in your IT governance initiatives. We'll configure and host your Mercury IT Governance Center implementation using our infrastructure, ensuring continual availability while your team continues to use and benefit from your Mercury applications.

Working together, Mercury Consulting Services and Mercury Managed Services can provide you with the initial configuration of your system. After your workflows have been configured, Mercury Managed Services will deploy your applications using our infrastructure, ensuring 24x7 access and providing round-the-clock support.

THE MERCURY ADVANTAGE: INTEGRATED DEMAND MANAGEMENT FOR STRATEGIC AND OPERATIONAL INITIATIVES

Many other vendors offer demand management solutions and many companies build their own demand capture applications and processes in-house. Mercury Demand Management is distinct in several respects:

- **Mercury is the only vendor with a comprehensive IT governance solution.** Demand management should ideally be implemented as an integral part of a comprehensive IT governance solution, yet most other vendors offer only piecemeal IT governance applications. Mercury can assist you with any facet of designing, implementing, operating, and managing your total IT governance solution.
- **Mercury brings a top-down planning, bottom-up adoption strategy to Mercury Demand Management.** Mercury's strategy for implementing IT governance solutions such as demand management is to actively involve business management in planning and to communicate effectively with IT staff every step of the way, ensuring executive-level support and efficient adoption.
- **Mercury is the only vendor that helps you manage both strategic demand and service requests.** Mercury Demand Management gives you visibility into and control over all types of demand requests—tactical, operational, application enhancements, and strategic—allowing you to keep the big picture in mind as you make decisions about any given request.
- **Mercury is the only vendor that integrates IT governance into the big picture of BTO.** Mercury's expertise doesn't begin and end with demand management for IT governance. Mercury's products and services optimize the strategic touch points where technology and the business meet, focusing on areas such as portfolio and proposal assessment, governance and validation, quality and performance assurance, business service levels, and application change management.

CUSTOMER EXAMPLES

Xcel Energy

Formed by the merger of New Century Energies of Denver and Northern States Power of Minneapolis, Xcel Energy is the fourth-largest combination electricity and natural gas company in the United States, with five million gas and electric customers in 11 states, 11,000 employees, and annual revenue of \$7.9 billion.

To reduce costs and improve corporate performance, Xcel Energy determined it needed to better align IT projects with strategic business initiatives. This required finding a comprehensive way to capture, analyze, and prioritize IT demand while providing business units with a clear, easy-to-access view of IT processes, resources, activities, and status. Xcel Energy selected Mercury IT Governance Center and rapidly realized impressive results:

- \$8 million saved in stopping non-essential projects
- \$10 million redeployed to higher-value projects
- Strategic spend increased from 37 to 57 percent two years after initial implementation

Birlasoft

Four years ago, Birlasoft, a global outsourcing company for software development, questioned how it could achieve Six Sigma and CMM Level 5 best practices without having any clear visibility into how well it was managing its processes. Executives decided to convert the company's manual project management processes into digital processes using Mercury IT Governance Center. Doing so would ensure that project managers and developers conformed to best practices as they gathered system requirements, built and tested applications, and deployed and supported them on an ongoing basis. Instituting a standard framework for workflow processes yielded impressive results for Birlasoft:

- Improved their bottom line by reducing costly project overruns, saving more than 2 million to date
- Reduced project management costs by 67 percent
- Increased customer transparency to projects

PaeTec

One of the fastest-growing telecom companies in the United States, PaeTec Communications began using Mercury IT Governance Center more than six years ago to gain full visibility and control over its IT activity. Not only did this transparency enhance the trust between IT and the customers it served, but automating business processes improved workflow throughout the company. The results for PaeTec include the following:

- Cut average trouble-ticket handling time almost in half during a one-year period, from 85 hours to 45 hours—even though the number of requests handled per month increased by 11 percent during this timeframe
- Avoided a \$1.3 million purchase of separate HRMS software when it leveraged Mercury's offerings to automate key HR processes
- Cut IT request handling time by 50 percent
- Reduced IT costs to approximately one-half the industry average

SUMMARY

The overarching goal of demand management is to create a complete picture of all the requests made to IT, so you can make better decisions and identify trends. Mercury Demand Management has distinguished itself as a practical solution for real-world IT departments. And Mercury Demand Management is not simply a new technology that is imposed from above. It is a comprehensive approach to demand management that can make life easier and more rewarding for IT staff as well as requesters of IT services—in many cases it quickly becomes difficult to remember how the IT department managed demand “before Mercury.”

Mercury Demand Management is a key element of a comprehensive IT governance solution, and an excellent starting point for making the move to a fully optimized business and optimal business outcomes. The bottom line is that with Mercury Demand Management, you can ensure that IT has what it takes to meet the needs of the business.

MERCURY[™]

Mercury is the global leader in business technology optimization (BTO). We are committed to helping customers optimize the business outcome of IT.
WWW.MERCURY.COM

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