ABSTRACT

Demand Management is the process an organization puts in place to internally collect new ideas, projects and needs during the creation of a Portfolio (from now on PTF). This collection is done internally but should also consider the external market situation and the general Strategy of the Organization. Demand contains two main actions: initiatives Collection and Assessment (following the Strategic Objectives definition) and preceding the start of the Portfolio budgeting, prioritization and selection phases. What is possible to do to better manage Demand and maximize the value added to Portfolio Management? The first opportunity is that Demand can represent a connection with the business and the entire Organization. A second opportunity is that a continuous Demand Management approach can simplify the portfolio collection, prioritization and selection. For Demand Management to be a real opportunity in Portfolio Management should be organized and planned respecting the interpretation of the matter and the maturity of the Organisation and should be also treated as a specific matter.

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INTRODUCTION

Demand Management (from now on DM) is the process an organization puts in place to internally collect new ideas, projects and needs during the creation of a Portfolio (from now on PTF). This collection is done internally but should also consider the external market situation and the general Strategy of the Organization. Demand is successful when the final output is useful to prioritize and select a valuable strategic aligned portfolio. The more the process is able to capture the real strategic commitment of the Organization and merge it with the past ongoing activities the more Demand is a success factor in building the correct portfolio and support planning and project management. There are many aspects of this process to take into consideration and this chapter aims to address the many questions about this activity: who should manage the Demand? How could Demand take into consideration the Strategic Direction without frustrating bottom-up new ideas/projects proposal? How the attention on old and new components should be balanced? How should Demand be managed to be aligned with the specific characteristics and requirements of Organizations?

Background

Demand Management is usually included inside Project Portfolio Management (PPM) activities. In several international Project Portfolio Management standards, the words “Demand Management” are not used and this set of activities is not debated. In the real world Organizations are struggling with this phase as it is very complex and involves many stakeholders.

Traditionally, Demand Management is thought of a topic in supply chain management, composed of operational and strategic sub-processes that focus on determining sales forecasting, synchronize it with the production capacity of the company and the chain, incorporate the company strategy, and map customer needs (Croxton et al., 2008). Often, Demand management is linked with marketing processes as it is the key interface between the production activities of a company, and planning and market control systems, encompassing several activities including forecasting, processing customer orders, establishing delivery dates (Vollmann et al., 2004). It includes marketing and its coordination between the agents in the Supply Chain (internal and external) and Demand Planning (Mentzer & Moon, 2005).

The same purpose of meeting customers’ need is somehow reported also in the ICT field, where, in order to manage planning, production and delivery, just like in any other properly managed business, the organization has to balance orders for its products and services (i.e., Demand) with the ability to produce them in terms of resource and scheduling constraints (i.e., Supply) (Gentle, 2007).

ITIL V3 framework 2007 Edition used to refer to Demand management as an aspect of the Capacity management process in the Service Strategy book. The 2011 Edition, instead, clarifies differences between the two processes and recognized to Demand management the dignity to be defined as a stand-alone process within the service strategy stage, aimed to understand, anticipate and influence customer demand for services. In this way, Demand management works in accordance with capacity management to ensure that the service provider has sufficient capacity to meet the required demand (Cannon, 2011).

According to ITIL (2011), the purpose of IT service strategy is to define how the service provider will enable and how the organization will achieve business outcomes. Therefore, ITIL demonstrates that Demand management is associated with a number of other processes, like strategy management, service portfolio management, financial management, business relationship, and capacity management. This means that demand can actually come from different sources, not only related to supply chain.