

# I D C   E X E C U T I V E   B R I E F

## Driving Enterprise Change Management for Business Responsiveness

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### Introduction

Multiple drivers are pushing market growth and adoption of integrated life-cycle and enterprise change management tools by G2000 organizations including the emergence of a global economy and complex sourcing; regulatory compliance demands; technology and development shifts with the evolution of service-oriented architecture (SOA); and the need for and creation of governance across the life cycle as a result of these factors. End-to-end life-cycle management, from requirements through to change and configuration management across platforms and across life-cycle phases, is a pressing need for adaptive businesses worldwide. This includes mainframe and other platforms, since business-critical software typically runs across environments. Application modernization and integration across platforms and technologies is a critical driver to enable competitiveness. To facilitate better collaboration between the business, IT, and operations, IDC also sees an emerging trend for requirements visualization as a means to improve alignment across groups.

This Executive Brief will lay out the factors supporting market growth, the benefits of coordination, and the need for process and organizational strategies as a complement to automated tools.

### Understanding the Drivers for Growth

Detailing the factors that are pushing increased adoption is helpful to considering the context for enterprise change management and requirements:

- **Complex sourcing for application development projects and programs:** Nearly all Global 2000 organizations are using offshore or outsourced resources to complement existing internal IT resources and execute IT software initiatives in order to be competitive in a global economy. Collaboration and communication across co-located teams and business owners is challenging enough. The need to manage and coordinate code

management and processes across distributed, internal, and outsourced teams is key and will drive continued market growth for automated change management and requirements as a result.

- **Regulatory compliance initiatives** (such as Sarbanes-Oxley) will continue to demand coordinated management and audits for code creation and customizations of software needed to run businesses. The legal mandate for compliance is pushing organizations to provide funding for automated tools, as well as process and life cycle management initiatives, and will do so for the foreseeable future. Since the alternative is heavy fines and/or possible jail time for executives, the political will and the actual capital are available for on-going enterprise change management and other application development (AD) life-cycle initiatives. This is of global concern for international companies, both for doing business domestically and as regulations evolve beyond U.S. borders to incorporate additional initiatives (e.g., Basel II, etc.).
- **Demands of complex technology and development paradigm shifts** (pervasive computing, emerging SOA approaches) require greater consistency with regard to life-cycle management. To be successful with SOA, businesses have no choice but to closely collaborate with information technology (IT) staff. Businesses must incorporate effective communication and collaboration between IT and business sponsors to create services that represent business needs and are viscerally tied to changing and adaptive business strategies. Similarly, business requires deep IT expertise and support for effective execution, change and quality management, and incorporation of appropriate, timely requirements. SOA environments are much more complex than traditional development, in which 70 – 80% of IT project failures have been tied to poor requirements and ineffective change management, thus requiring even greater focus on requirements and life-cycle management.
- **Integrated life-cycle management (ITLM) solutions** are driving greater governance across the board for application life-cycle management (ALM) phases. Increasingly, IT life-cycle management tools provide coordination between and across change management, requirements, quality, process and prioritization of the IT project portfolio. This, in turn, both educates the public and acts as a driver for increased market growth as the market consolidates to enable more effective end-to-end life-cycle governance. Process and organizational strategies must combine with automated tools in this context to enable effective implementation.
- **Additional acquisitions and product announcements** since March 2005 will feed on-going growth of the space and drive estimates higher for 2005 through 2007. These acquisitions range from requirements management consolidation (i.e., nearly all major Software Change and Configuration Management

vendors own a requirements management tool or are evolving product capabilities), but also encompass many acquisitions over the past three years in the IT Portfolio Management arena.

IDC predicts continued growth for the SCM market during 2005--2009. Indeed, it appears that while the aforementioned drivers for the market remain as core factors and are evolving, additional market circumstances, such as product announcements and acquisitions, are impacting the space in the areas of SCM, requirements, and IT PPM.

All these activities exemplify increased coordination across AD life-cycle phases and closer integration for users at a time when market and development upheaval drive organizational demand for greater rigor and control across requirements, change management, and IT Project Portfolio Management (IT PPM). In addition, the inclusion of methodology management and open sourcing of methodology by some vendors means that process management is in a position for greater uptake during the forecast period.

Taken together, these events combine to strengthen IDC's growth expectations for 2006 and beyond for the SCM market. Concomitantly, IDC also expects growth in the requirements management space.

## **Benefits**

Existing and persistent demand for software development productivity and quality of business-critical applications, coupled with increasing software complexity, will continue to drive growth in the SCM market across platforms. Change management governance and SCM are key elements for attaining integrated application life-cycle management. Effectively coordinating and orchestrating across platforms, technologies, and processes helps to unify development across the platforms and organizational silos, and gives management the necessary insight into development activities.

Requirements must be more tightly aligned — IT must be more responsive and adaptive to business needs, just as businesses have to be more attuned and responsive to competitive pressures in a global economy. In that context, IDC sees the increasing emergence of intuitive, graphical-requirements development tools. Integrated and automated application life-cycle management capabilities across life-cycle phases is a key element in enabling control, management, and responsiveness of business-critical and other software. Greater control, management, and responsiveness can enable organizations to increase the responsiveness and adaptability of IT projects to meet business needs within the constraints of time, cost, and quality.

The Application Lifecycle Framework (ALF) initiative, an open source project designed to create standards, is facilitating coordination between SCM tools and other life-cycle phases, which should help to encourage product integration overall, as key vendors get on board with the standard.

The adage "improve or be outsourced" has never been more resonant — driving IT and businesses to collaborate more effectively, and placing weight and value on code management, discipline, and better alignment between business requirements and IT. We expect to see ongoing evolution and coordination between SCM and emerging requirements and process management, just as SCM and IT life-cycle management (ITLM) vendors are pushing towards the benefits of coordination and prioritization via IT project portfolio management (ITPPM) products. Regulatory compliance and auditing requirements demand effective change management enabled by SCM vendors.

The drive to better coordinate requirements and change management — including change management coordination across both distributed and mainframe platforms — for closer IT coordination and business adaptability is key. Increasingly we see the emerging coordination of enterprise change management with graphical requirements simulation/visualization to enable better communication between business and IT. IDC also sees the cross-IT and operational benefits of requirements prioritization with enterprise change management to be a key emerging trend. Market upheaval is the pain point pushing G2000 organizations towards stronger communication and more responsive software development projects and programs that are aligned with business across the life cycle and across deployment environments.

## **Challenges**

Challenges to adoption of enterprise change management and requirements include process and organizational barriers to consistent, rigorous, and disciplined approaches (shifting from ad hoc processes). Political infighting can interfere with appropriate prioritization of requirements, projects, and change management, so it's helpful to have an organizational framework for effective implementation of an enterprise life cycle.

Human beings are more deeply wired for consistency than they are for change. It's vital to have strong management buy-in, incorporate effective marketing to focus on shifting existing processes towards greater rigor, and to help shift staff attachment away from political fiefdoms (and occasionally from attachment to lack of accountability). Incentives can help, but pilot projects that successfully incorporate stronger approaches that are in line with corporate objectives, such as lowering costs, provide mentoring examples that help adoption.

These challenges are also problematic between IT teams that are building software and the operational teams that manage the platforms on which the software runs, and who typically must address maintenance of the applications. Lack of consistent change management from both the upfront development side and the ongoing operational side is extremely costly to G2000 organizations. Automated tools that manage change across both the development and operational environments, coupled with processes to facilitate communication and coordination across these typically disparate

groups, can be extremely helpful to increased efficiency and cost savings. (By far the majority of spending on software typically happens during its lifetime after being put into the application asset portfolio.)

In addition, more agile process approaches that slice larger initiatives into smaller pieces more closely connected with key business imperatives enable quicker responsiveness. In other words, excellent processes, marketing, incentives, management buy-in, and training support are critical to success for end-to-end change and life-cycle management.

## **Conclusion**

Existing and persistent demand for software development productivity and quality for business-critical applications, coupled with increasing software complexity, will continue to drive growth in enterprise life-cycle and change management.

Software enterprise change management and requirements will be more tightly aligned, and increasingly IT must adapt faster to changing business needs, just as businesses have to be more attuned and responsive to competitive pressures in a global economy. In addition, close and iterative change management and communication between IT development and operational staff is key to cost savings and to facilitating management of software across its lifecycle regardless of whether the development occurs and the software resides on distributed or mainframe platforms. Tools, processes, and organizational strategies that facilitate coordination between IT and operations can cut costs and increase efficiencies of scale when appropriately and effectively implemented.

IDC expects the most adaptive organizations to combine appropriate technology choices with effective process and organizational strategies for end-to-end change and requirements to drive enterprise application life-cycle management.

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