

# Enterprise Architecture to Operationalize Business Strategy

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# Agenda

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Strategy and the challenges of execution

EA's role in strategy execution

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Extending EA to business strategy

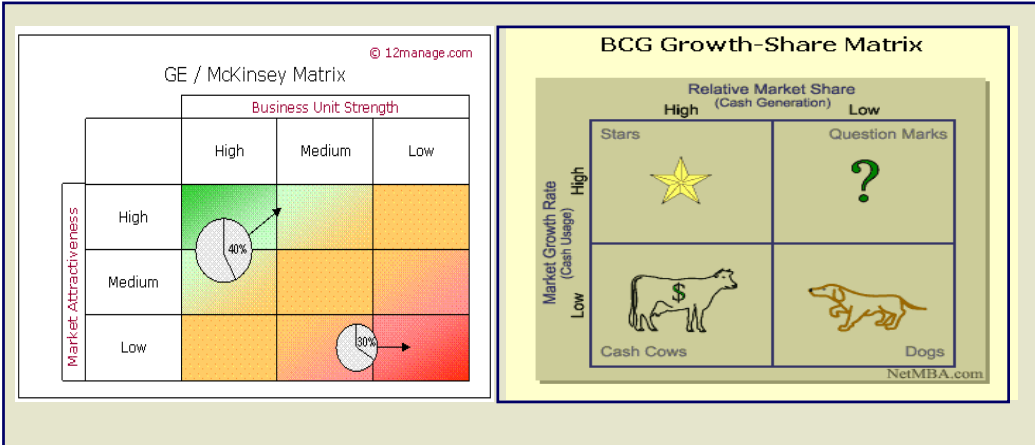
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Discussion

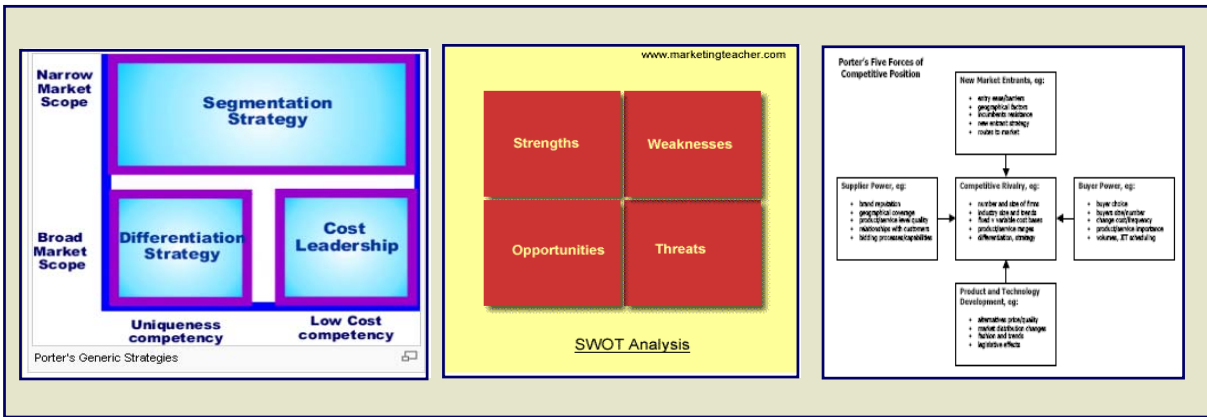
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# Corporate and business strategy

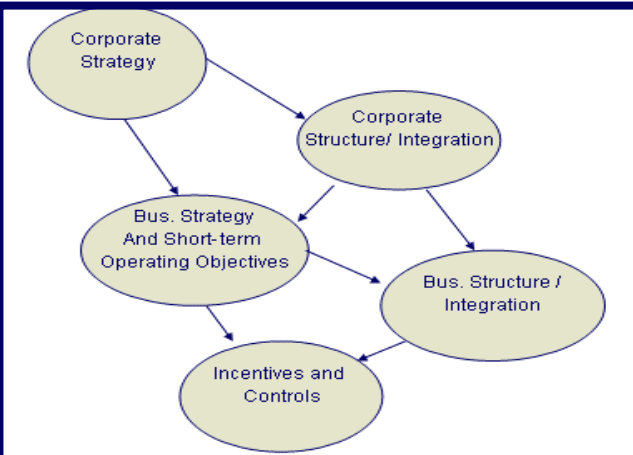
## Corporate strategy



## Business unit strategy



# Implications of strategy<sup>1</sup>



Strategy creates demands	
Structure	Centralized / decentralized
Capabilities	Competencies and skills
Standardization	Level of standardization / SOPs
Assignments	Roles & responsibilities
Coordination	Communications and integrating activities
Resources	Level required (e.g. a low cost strategy may demand investments in technology to lower costs )

Considerations	Actions
<b>Incentives, performance measures, and improvement</b>	<ul style="list-style-type: none"> <li>Align short term objectives to the longer term strategy</li> <li>Align Incentives / controls to strategy and short term and long term objectives</li> <li>Establish controls that monitor performance against strategy</li> <li>Analyze variance and root cause so adjustments can be made</li> </ul>
<b>Managing change</b>	<ul style="list-style-type: none"> <li>Communicate the rationale, implications, and value and benefit of the change</li> <li>Ensure the individual's role in effecting the change is understood</li> <li>Ensure they understand what it means to them (i.e. timing, and other factors)</li> </ul> <p>These factors are important to securing their buy-in.</p>
<b>Culture</b>	<ul style="list-style-type: none"> <li>If the culture is not conducive to a successful implementation address behavioral and cultural change as part of the implementation master plan</li> </ul> <p>Adjustments can range from staff changes to changes in reward structures.</p>
<b>Power &amp; influence</b>	<p>Individuals / organizations want to preserve their power base</p> <ul style="list-style-type: none"> <li>Manage power shifts with appropriate executive leadership</li> </ul>

<sup>1</sup> "Making Strategy Work", Lawrence Hrebiniak, Warton School Publishing, 2005  
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# Current situation<sup>2</sup>

## The Office of Strategy Management

Q&A with: Robert S. Kaplan  
Published: March 27, 2006  
Author: Martha Lagace

"Why is there such a persistent gap between ambition and performance?" ask Robert Kaplan and David P. Norton in "[The Office of Strategy Management](#)" in the October 2005 *Harvard Business Review*. "The gap arises, we believe, from a disconnect in most companies between strategy formulation and strategy execution. . . . [But] it doesn't have to be like this."

"... data from a Bain Consulting study, notes that **seven out of eight companies** in a global sample of 1,854 large corporations failed to achieve profitable growth, though more than 90 percent had detailed strategic plans .... "

- (a) Many **organizations don't have a consistent way to even describe their strategy**, other than in a large strategic planning binder. We believe strongly that **organizations need to find a consistent, coherent way to translate their strategy into operational terms.**
- (b) **Sixty percent of typical organizations do not link their strategic priorities to their budget**, virtually ensuring that key strategic initiatives do not get funded and resources may not be supplied to deliver on the strategic plan.
- (c) **Two-thirds of HR and IT organizations develop strategic plans that are not linked to the organization's strategy.** This is extraordinary.
- (d) **Seventy percent of middle managers and more than 90 percent of front-line employees have compensation that is not linked to the strategy.**
- (e) Most devastating, **95 percent of employees in most organizations do not understand their [organization's] strategy.**

In short, there is often a chronic disconnect in organizations between strategy formulation and strategy execution.

# Current situation<sup>1</sup>

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## Examples

M&As often failure to achieve the expected benefits that drove the transaction.

- A 10 year study of 340 major acquisitions found that 57% of the merged companies lagged behind industry averages 3 years after the transaction was completed

## Results of poor execution

- Employees don't understanding how their job relate to execution outcomes
- Trading partners (customers and suppliers) becoming confused as the organization stumbles in positioning itself
- There are delays and time & money is wasted
- The firm responds inappropriately to competitive pressures or is distracted and fails to respond
- Financial analysts downgrade the stock as performance fails to meet expectations

**Organizations often can't execute the strategies they develop or fail to get the benefits expected when the strategy was crafted**

# Complicating factors

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Factors	Implication
Strategies are often vague	Vague strategies can't be translated into specific actions, measurable objectives and metrics
Implementation issues aren't considered during strategy formulation	Planning and execution are interdependent... planning affects execution... and execution affects strategy over time ..... execution is generally more successful when those responsible for executing are involved in the formulation process
A lack of understanding of what it takes to execute	Execution doesn't receive the same attention as making strategy. MBA programs teach how to create strategy but not execution...In addition strategy planning is often taught in silos (marketing, finance, HR, etc) rather than as an integrated process
Execution is complex involving a large number of people over a long period	Information must be shared... communications is a challenge Incentives must be aligned to reward the right behaviors Change must be managed Power and influence must be considered and addressed

# Question

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What's needed to successfully implement business Strategy?



# Answer

## 6 key elements:

1. Consider implementation issues during strategy development	2. The strategy should be clear and unambiguous to ensure	3. Long term needs must be translated into short term objectives
<p>Implementation considerations should be taken into account when the strategy is developed.</p> <p>Anticipate potential issues in execution</p>	<p>To ensure demands of the strategy (e.g. organizational capabilities, competences, resources) are understood / resources; roles &amp; responsibilities are clear</p> <p>Helps ensure those tasked with implementing the strategy understand the specific actions required and performance expectations</p> <p>Allows short term goals and metrics to be established that align with the strategy</p> <p>Whatever the strategy, differentiation, low cost, innovation, it will fail if it is not well defined, communicated and understood.</p>	<p>Associated performance metrics must also be developed to help determine implementation progress and needed adjustments</p>

# Answer

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## 6 key elements (continued):

4. Address communications and integration requirements of the strategy	5. Focus on the people side of execution	6. Follow a unifying integrated approach
<p>The strategy must be communicated throughout the organization.</p> <p>Organizational units must be able to communicate</p> <p>Organizational unit activities must be integrated to support process capabilities</p>	<p>Even with a good plan, execution may not work due to politics, inertia, and resistance to change</p>	<p>Managers need to understand what's required to make strategy work</p> <p>Provide a roadmap to guide execution — tell us what to do, when &amp; in what order.</p> <p>Execution requires a disciplined process or logical set of connected activities that enables a strategy to work.</p>

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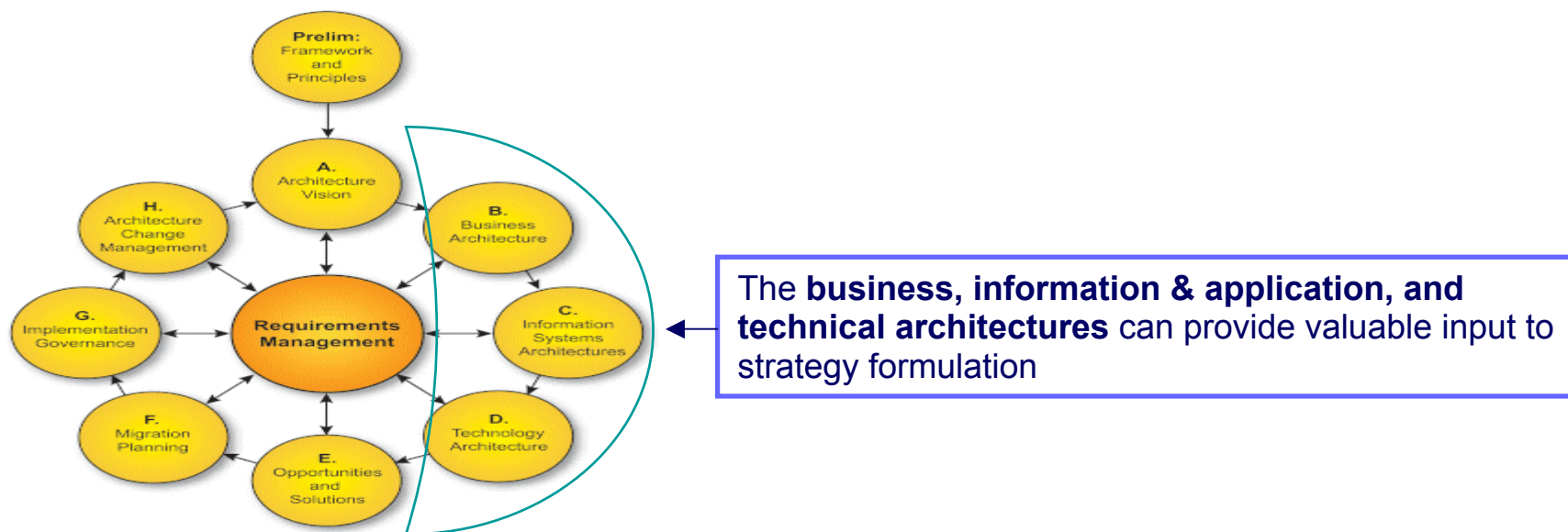
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Discussion

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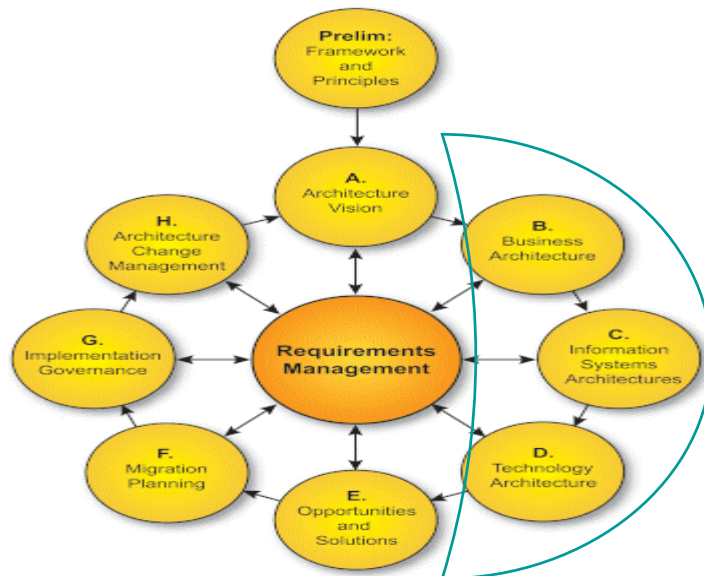
# 1. Consider implementation issues

- What does the current organization structure look like?
- How are roles & responsibilities currently defined (RACI)
- What competencies exist within the current organization
- What capabilities exist to help communicate the strategy and support inter-organization communications in general (e.g. social networking or other collaboration technologies to help with communications)
- What integrating tools, technologies, services, applications exist to support inter-organizational integration and cross-functional integration (orchestration capabilities in a service oriented environment)



## 2. Begin with a clear, unambiguous strategy

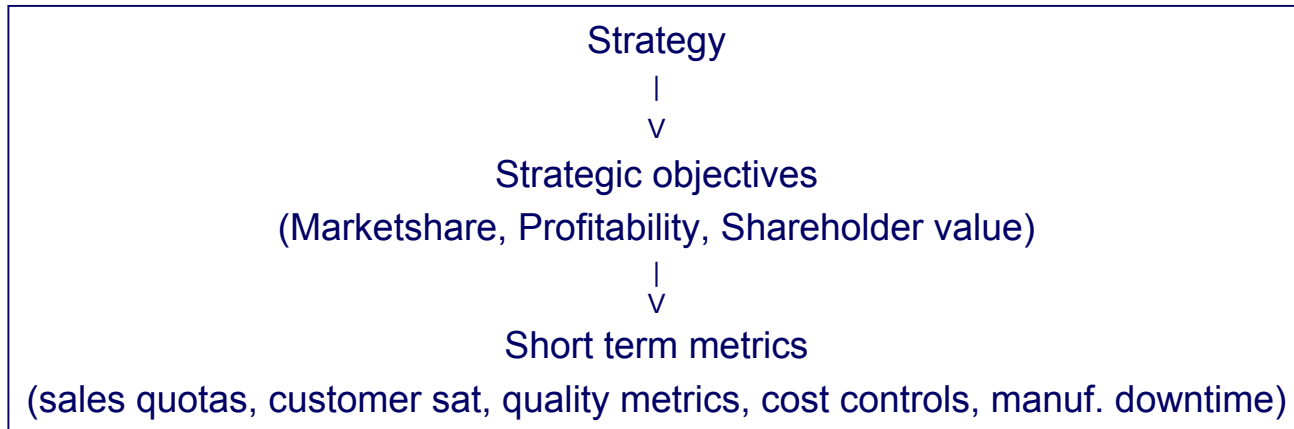
- The EA organization, since they have to translate strategy into business, information systems, and technical architecture, are a leading indicator as to whether the strategy is 'clear and unambiguous'.
- EA will recognize early if the strategy is ambiguous. It will be difficult to define the future architectures if the strategy is ambiguous. The EA organization should be working with senior management as strategy is being developed to ensure it can be represented in business, and information architectures..



Enterprise architects need a clear, unambiguous strategy in order to develop the future **business, information & application, and technical architectures**, and so they can act as a 'leading indicator' as to whether the strategy is clear and unambiguous..

# 3. Translate strategic needs into short term goals

Long term needs must be translated into short term goals & performance measures



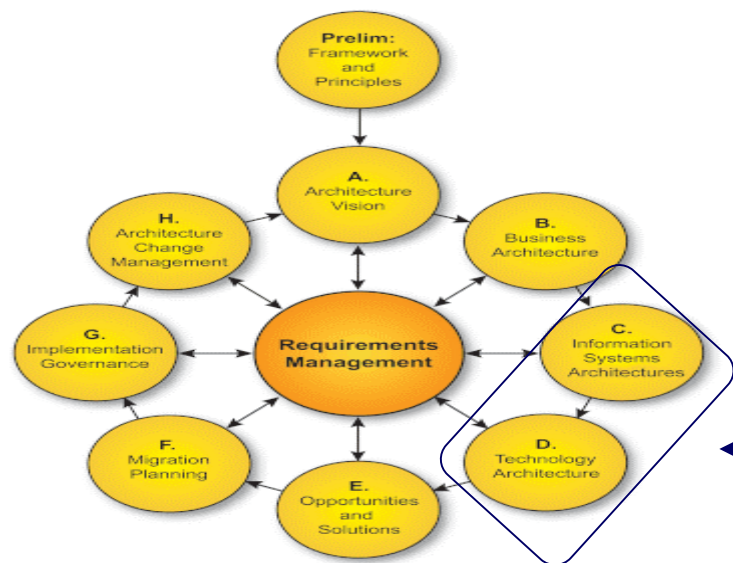
**Business architecture:** Will help define & document short term goals and metrics & the linkage to strategic objectives as well as a future RACI matrix.

**Information architecture:** defines various metrics to be captured and the linkage to strategic objectives as well as operational and business intelligence capabilities necessary to capture and report on the short term performance metrics.

**Technical architecture** ensures the necessary technical infrastructure exists to capture and report on the short term metrics.

## 4. Address communications & integration requirements

- Communications are an important part of strategy execution. The information, applications and technical architectures can play a vital role in supporting this communications.
- Structure leads to the separation of the organization into operational units, but to operate effectively, and achieve the desired goals, integration or coordination is needed.



The **information, applications, and technical architecture** again are important in achieving the coordination and integration required across business units by enabling effective coordination / information sharing

## 5. A focus on the people side of execution

- Cultural change has to begin with behavioral change.
  - EA can help support changes in roles & responsibilities, and put in place the performance metrics, and reporting required for behavioral changes.
  - EA can put in place communications capabilities to promote changes in behavior and cultural norms.
- Part of addressing the people aspect, may involve a shift in power and the alignment of resources to achieve and support such changes in power.
  - EA plays a major part in defining how resources are allocated in both the business architecture, as well as the applications and technical architecture.



The **information systems architecture** can define the necessary information and systems necessary for revised recognition and reward programs necessary to effect desired behavioral changes, including incentives important in changing behavior and culture,.



## 6. A unifying integrated approach

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“ An Enterprise Architecture or **Master Plan** establishes the agency-wide **roadmap** to achieve an agency’s mission through optimal performance of its core business processes within an efficient information technology (IT) environment <sup>1</sup>.”

A Master Plan links business strategy to elements needed to realize the strategy

- Business processes & procedures, including governance models
- Organization structure / roles & responsibilities
- Information technology support

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<sup>1</sup> FEAF Definition  
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## 5. A unifying integrated approach

**The Master Plan is driven by the aspirations of the enterprise (i.e. Mission / Objectives)**

- What is the purpose of the Enterprise ?
- What does it want to achieve ?

**Aspirations drive business strategy**

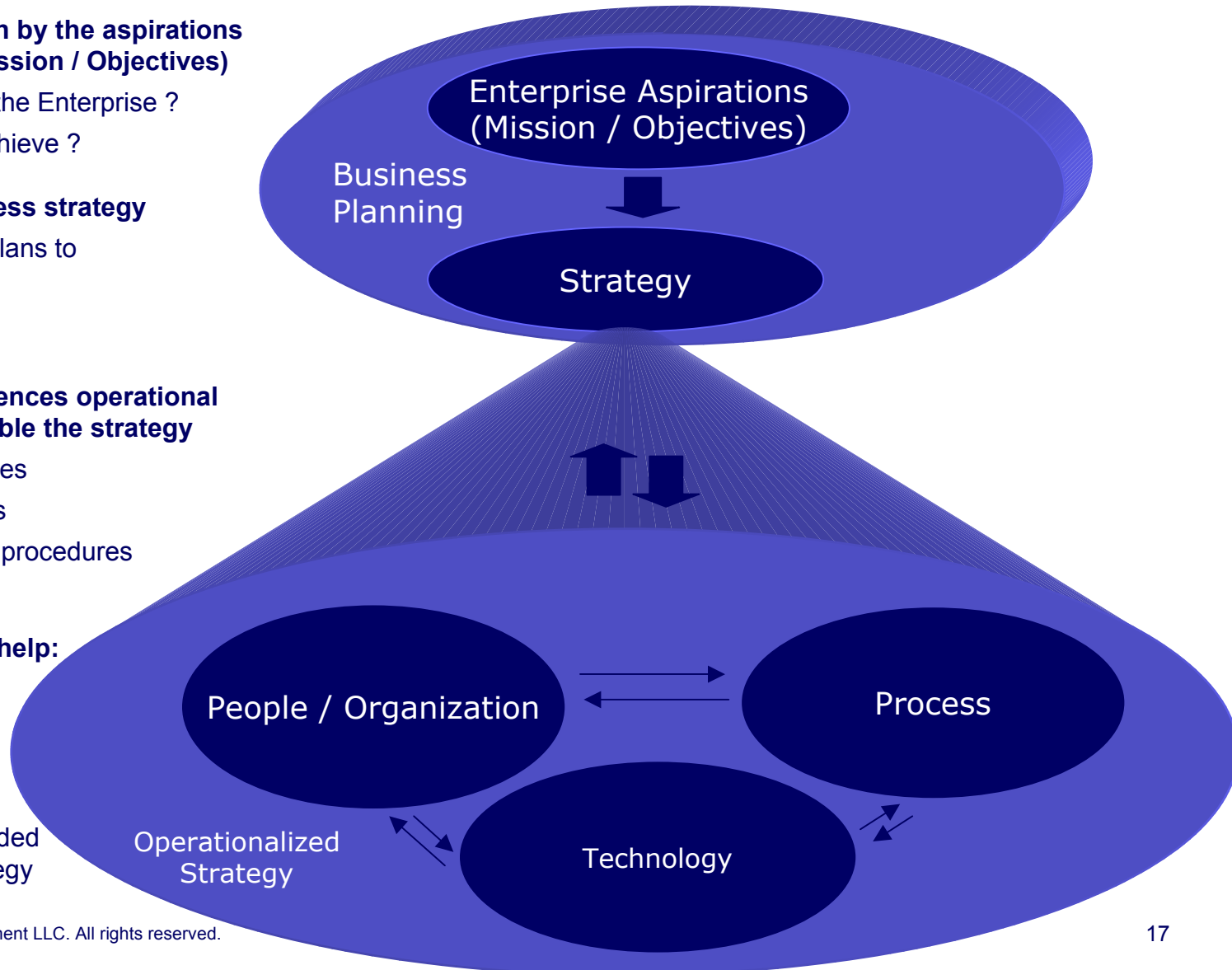
- How the organization plans to achieve its purpose

**Business strategy influences operational characteristics that enable the strategy**

- Organizational structures
- Roles & responsibilities
- Business processes & procedures
- IT enablement

**Master Plan is a tool to help:**

- Plan
- Analyze
- Implement
- Measure performance and continually improve operational elements needed to achieve business strategy



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# 7 Steps for extending EA beyond technology

Position Enterprise Architecture as Master Planning for the execution of business strategy. This won't happen overnight!

- 1 First, change the language of EA, refer to it as “Master Planning”
- 2 Next begin a conversation. Emphasize the role of “Master Planning” in Business Strategy execution within IT to gain understanding and buy-in, then extend to the business community.
- 3 Include business staff on the “Master Planning” team. The focus will shift from technical architectures and applications portfolios to a broader model of the business that includes plans for organizational and process change in addition to an applications portfolio and technology roadmap.
- 4 Develop the business case for “Master Planning”. This can be done by developing metrics for the cost of strategy implementation failures in general, and with specific examples of costly failures within your organization.
- 5 Reposition “Master Planning” outside of IT. Today EA typically reports to the CIO and is considered a technical exercise. Have it owned by a senior business executive. If you have a Chief Strategy Officer, it might report in there.
- 6 Begin with a Proof-of-Concept if possible. Choose a business unit that is receptive and willing to invest the time and resources to demonstrate the value of “Master Planning”.
- 7 Learn from the effort, and adjust your “Master Planning” framework accordingly.

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# Questions / discussion

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