The Open Group: Oslo June 11 2013
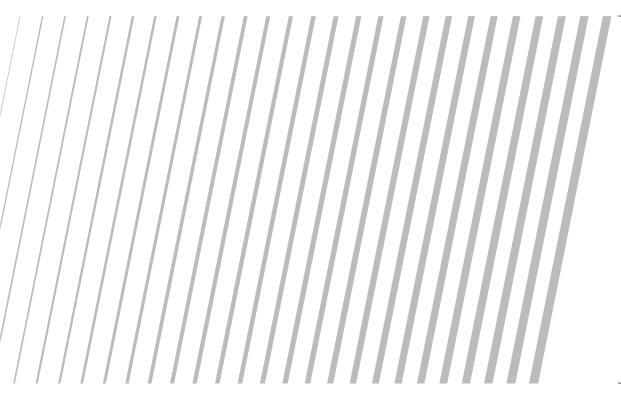
Business Architecture
for
Transformation

Presenter
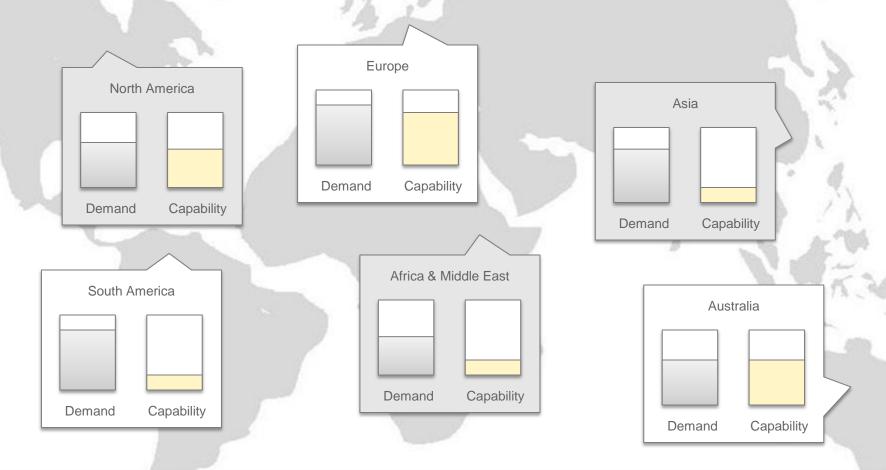Mick Adams

THE _Open_ GROUP
Distinguished IT Architect
Profession Leader
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Business Architecture 2013?

Geographic Opportunity Spectrum

This roughly correlates to TOGAF certifications: UK (15%), USA (12%), Netherlands (10%), Australia (7%), India (6%), Canada (4.6%), South Africa (4.1%), France, China, Finland (3% each)

Recap: why do companies want architects?
Successful architecture functions gravitate toward a few key areas

Most of the confusion here lies in the fact that architecture can and is applied successfully to a multitude of areas. That said key uses are:

Business Use	Business Outcome
As a decision support mechanism for business and/or technology strategy (i.e what is the IT impact of business requirement "x")	Higher accuracy when estimating total project effort. Better functional & non-functional fit when selecting packages.
To mitigate implementation risk through proofs-of-concept or modeling	Get-it-right first time. Avoid budget blow-outs due to poor design. Simulate financial impacts through models.
To measure and/or enforce compliance of solutions to an overall enterprise roadmap and/or strategy	Reduce rogue implementations. Maximize re-use and value of existing IT investments. Streamline vendors.
To manage the interface between third-parties or offshore design and development teams during projects	Integrate third parties (contractors / consultants / partners) faster, more cheaply, and consistently.
To set longer term IT standards and ensure horizon technologies are included, and to demonstrate business/IT alignment	Balance short-term decision making with longer term view. Uncover opportunities to exploit new technology.

Companies use different architecture for different purposes – i.e enterprise architecture generally does decision support, target state enterprise roadmaps, and compliance; whereas solution architecture does specific point solutions for key business problems

Why Business Architecture?

Definition:
Business Architecture is a business discipline for developing a blueprint of the enterprise that provides a common understanding of the organization and is used to align strategic objectives and tactical demands.

Importance of Business Architecture
Effectively managing large business and technology organizations in today's complex environment (regulatory, changing business focus, etc) and bureaucratic organizational structures is extremely challenging. **Business Architecture is a well proven, structured discipline that gives business and operational executives common language to describe function needed to achieve efficiency.**

Important Uses of Business Architecture

1 **Operational Effectiveness**
Business architecture provides ultimate transparency and traceability to senior executives. It enables root cause analysis of problems such as customer attrition, profitability, cost effectiveness, regulatory issues, etc. The traceability that business architecture enables allows executives and practitioners to use the same vernacular in root cause investigation and resolution.

2 **Planning Transparency**
Many companies operate on a silo'ed budget paradigm. Organizations or units are dispatched funds to align to their initiatives or strategies. Many times this creates overlap, duplication, and tactical initiatives. Business Architecture allows investment decisions to be directly linked to the overall strategy. Also, the traceability Business Architecture gives allows companies to track the effective use of their spend.

3 **Transformational Change**
Companies often struggle with large transformational change, many times writing off large amounts of money because they got something large wrong along the way. Frequently these initiatives are IT led with business having little to no insight into how the change is progressing. Business Architecture provides a mechanism for identifying a roadmap in a common vernacular that an executive and a practitioner can understand. It provides linkages and traceability throughout the entire program.
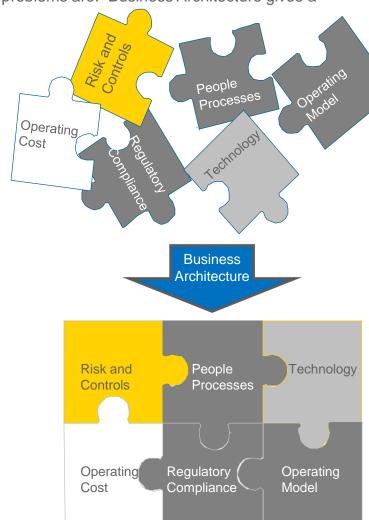
Operational Effectiveness

In today's complex business and regulatory environment, organizations are extremely challenged in not only how to solve their most complex problems but even to understand what their complex problems are. Business Architecture gives a structured view which helps them manage the morass.

Operational Benefits

- **Traceability/Transparency –** A common model that is business owned and business aligned that can give business context to implementation level detail.
- **Common Vernacular –** Getting common names and descriptions is extremely valuable in connecting different teams such as business and technology.
- **Consistency –** A business capability or a process view drives consistency across different organizational units.
- **KPI / Metrics Framework –** Metrics defined and captured at a lower level can be aggregated to higher level of the business. This highlights areas that can be optimized.

Use

- **Operational Cost Reduction –** Alignment of cost and profitability numbers gives executive decision makers the data they need to determine areas for cost reduction
- **Risk Management –** Alignment of risk and controls to process or capability area provide effective visibility to the implication to business units
- **Compliance / Regulatory –** Mapping of regulatory compliance obligations provides a clearer understanding of gaps and the path moving forward
- **Application Portfolio Management –** Aligning the application portfolio to capability areas determines functional gaps or overlaps that need to be managed in the environment
- **IT Architecture Management** – Alignment of future state process goals combined with an architecture blueprint allows for effective governance of architecture standards.
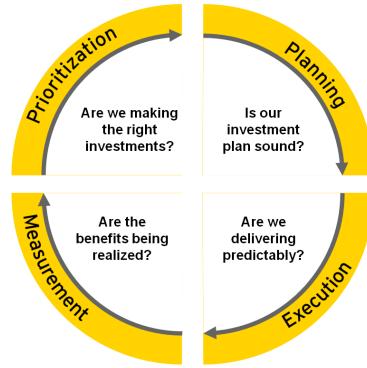
Strategic Planning Transparency

Business architecture allows senior executives to visualize how initiative investment directly impacts their top strategic priorities.

Strategic Planning Benefits

- **Target Operating Model Alignment –** Many companies invest in a target business operating model. Business architecture translates this into an executable plan.
- **Customer Alignment –** Capability and process views directly align to customer interactions and enable greater customer alignment.
- **Common Vernacular –** Getting common names and descriptions is extremely valuable in connecting different teams such as business and technology.
- **Business (Not IT) Driven IT Investments** – Through a common understanding of the world, business executives have more direct control of technology spend.
- **Strategy articulation/ translation**– enables discussion and articulation of the impact of broad strategy statements to specific implementation level implications. Also enables the assessment of key capabilities

Use

- **Strategic Investment Prioritization –** Leveraging a business architecture to provide direct traceability between capabilities and strategic goals allows for ensures that initiative investment dollars are distributed appropriately.
- **Capability Analysis –** Assessment of current state capabilities, against desired state and industry leading practices can crystallize strategic needs.
- **Multi-Channel Capability Design –** Designing capabilities agnostic of channel constraints allows for a consistent customer experience
- **Program/Project Rationalization –** Creating a common vernacular across organizational boundaries create apple to apples comparisons of initiatives
- **Business Case Development –** Alignment of KPIs/Metrics to business capabilities and processes gives operational transparency to the health of a function.

Circular diagram with four quadrants:
- Prioritization — Are we making the right investments?
- Planning — Is our investment plan sound?
- Execution — Are we delivering predictably?
- Measurement — Are the benefits being realized?

Transformational Change

Business architecture provides a structured and consistent way to link detailed implementation details to higher level capabilities. This enables business ownership as well as effective coordination of implementation teams.
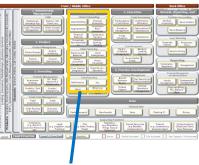
Transformational Change Benefits

- **Business Transparency –** A common model that is business owned and business aligned drives transparency to the lowest level of implementation detail
- **Requirements / Design Facilitation–** By leveraging a common view and structure, coordination is facilitated much more efficiently.
- **Technology Design** – Process decomposition along with a standard architecture definition will provide implementation details on things such as SOA interface design, BPM workflow design, business rules implementation, etc.

Use

- **Technology Design –** Business Architecture and process decomposition are a leading practice for the detailed design of technology components.
- **General Change Management –** Through the definition of impacted end to end processes, a complete review can be conducted that is traceable and testable.
- **Core Implementation –** By mapping an organisation, greater clarity can be driven as to the detailed implications/remediation of the organisations implementation.
- **Mergers/Divestitures –** By leveraging a common model, like functions can be compared and a decision effectively facilitated as to how that function will be implemented going forward.
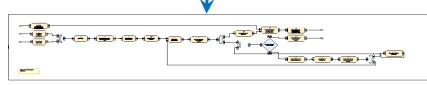
1 Business Capability Model

2 Detailed Capability Definition

3 Detailed Process Models

Business Architecture 2013?
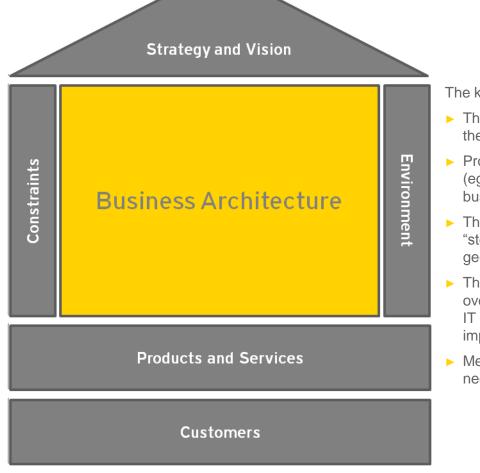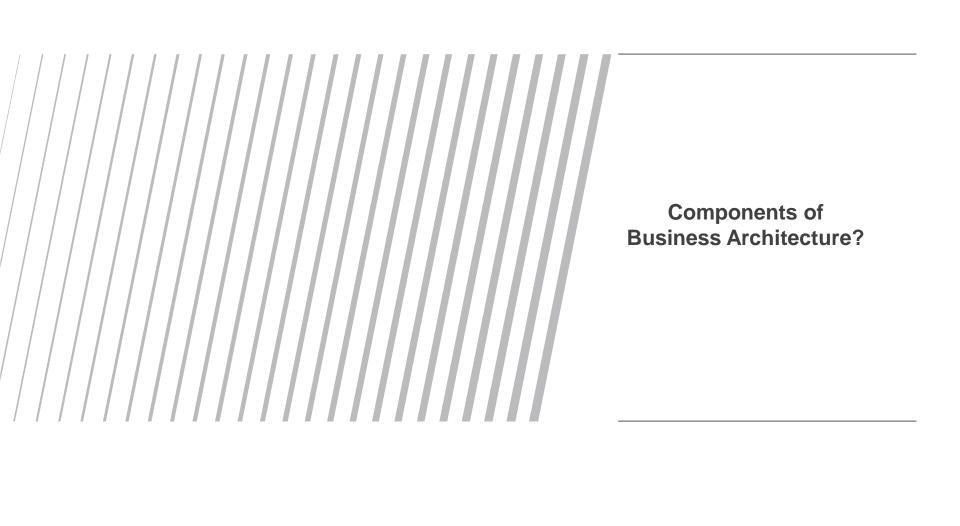
Traditional business architecture view?

Business architecture is described around how the people in the business are (1) Organized and (2) how they behave (Process) in order to enable the business to achieve it's strategy and vision.

The kinds of problems that occur in a business architecture:

► The business architecture is no longer structured to enable the company to succeed (needs new operating model)

► Products/Services (eg. divestiture), customers, constraints (eg. regulations), or environment have changed and the business architecture needs to be adjusted

► The business is not efficient because of redundancy across "stovepipes" – often occurring across business units, geographies or products

► The processes in the business are not efficient – they may be overly manual (needing to take advantage of existing or new IT capabilities) or not well designed (needing process improvement)

► Merger & Acquisition activities mean that multiple businesses need to be combined

Components of
Business Architecture?

Business Model

A Business Model describes the rationale of how an organization creates, delivers, and captures value.

Key ideas

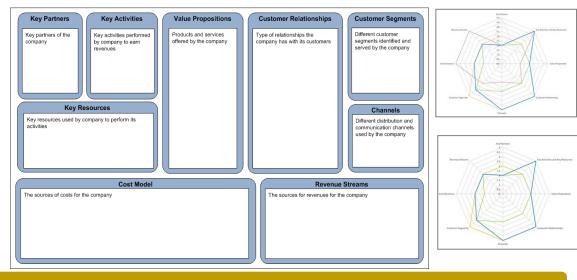- Business model provides the macro view of business strategy
- Business model canvas is a popular method for documenting business model
- Components of business models are
    - Key Partners
    - Key Activities
    - Key Resources
    - Value Proposition
    - Customer Relationships
    - Customer Segments
    - Channels
    - Cost Model
    - Revenue Streams

Examples

Business Model Canvas

Key Partners	Key Activities	Value Propositions	Customer Relationships	Customer Segments
Key partners of the company	Key activities performed by company to earn revenues	Products and services offered by the company	Type of relationships the company has with its customers	Different customer segments identified and served by the company

Key Resources
Key resources used by company to perform its activities

Channels
Different distribution and communication channels used by the company

Cost Model
The sources of costs for the company

Revenue Streams
The sources for revenues for the company

Benchmarking

Key benefits

- With major transformation projects, business model can be used to identify the macro level changes to business strategy. These changes use then used to identify key focus areas for strategic roadmap.
- An organization business model can be benchmarked against industry peers to identify key focus areas.

Business Capability

An ability or capacity that a business may possess to achieve a specific purpose or outcome

Key ideas

- Capability represents a basic building block of business functionality defined in business terms
- Capability defines 'what' an organization does NOT 'how' it does it
- Multiple business capabilities are put together to achieve business objectives
- Capabilities can be arranged in a hierarchy with each level decomposing the level of detail of business functionality
- Capabilities can be associated with maturity level i.e. how good the organization is at that capability

Examples

Customer Communication

Organization ability to communicate with customers. For example a retail bank posses communication ability through web portals, mail, e-mail, customer call center etc.

Vendor Management

Organization ability to manage vendors of the products/services it consumes. For example an automotive company procures parts from different vendors. It has the ability to solicit bids, manage vendor relations, receive material etc.

Product Management

Organization ability to manage life cycle of a product including of inception, development, rollout and support. For example a wealth management institution develops investment products for its clients.

Key benefits

- Capabilities provide business centric view of organization
- Capability provides a way to define a piece of business functionality without ambiguity or redundancy so as to analyze the capability for implementation options, deployment options and transformation activities
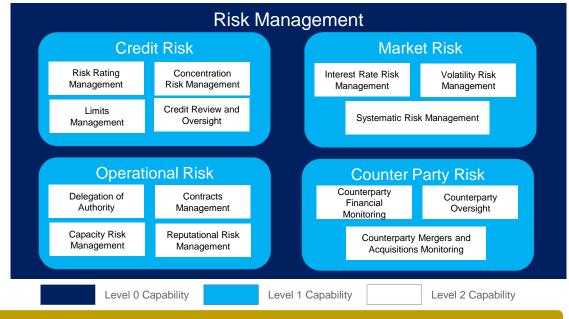
Business Capability Model

Logical grouping of business capabilities to provide a business centric view of organization

Key ideas

- Capability model provides a comprehensive view of all business capabilities of an organization
- Capability models represents logical grouping of capabilities that is independent of organization structure, business process, IT assets , product offerings or automation
- Capabilities are defined for ones for enterprise and they do not change

Examples
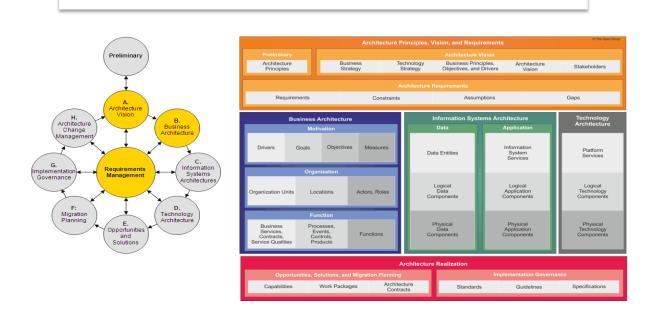
Risk Management **Capability** part of an organization capability model

Risk Management

Credit Risk

Risk Rating Management	Concentration Risk Management
Limits Management	Credit Review and Oversight

Market Risk

Interest Rate Risk Management	Volatility Risk Management
Systematic Risk Management	

Operational Risk

Delegation of Authority	Contracts Management
Capacity Risk Management	Reputational Risk Management

Counter Party Risk

Counterparty Financial Monitoring	Counterparty Oversight
Counterparty Mergers and Acquisitions Monitoring	

Level 0 Capability   Level 1 Capability   Level 2 Capability

Key benefits

- Capability model helps identify common business functions across business areas
- Capability model can be used to identify missing or aspiring business capabilities
- Capability model can be used as a tool to create strategic roadmaps, investment decision and technology enablement
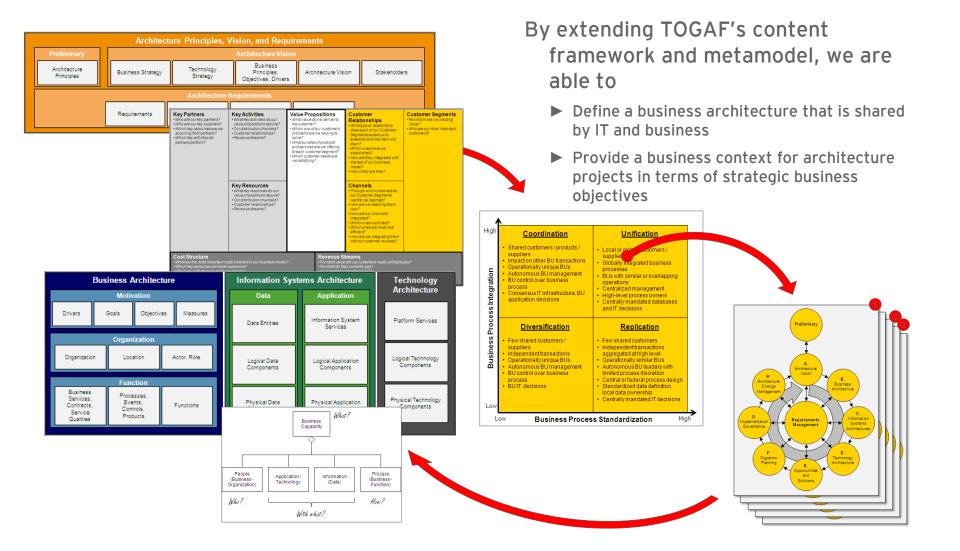
Extending TOGAF to define a business value context

The TOGAF 9 ADM and Content Framework

- ▶ The TOGAF 9 ADM places business architecture activities in Phase B and ensures that subsequent phases are traceable back to the business architecture
- ▶ The TOGAF 9 Content Framework defines 3 aspects of business architecture – Motivation, Organization, Function
- ▶ TOGAF 9 also includes business strategy, business drivers and objectives as part of the Architecture Vision but does not explain the relationship of these entities
- ▶ Our approach to business architecture includes all these aspects combined with existing techniques outside TOGAF to understand the context of business transformation in terms of value to the business

Methods, Metamodels, Frameworks…
A shared business context helps communicate value

By extending TOGAF's content framework and metamodel, we are able to

► Define a business architecture that is shared by IT and business

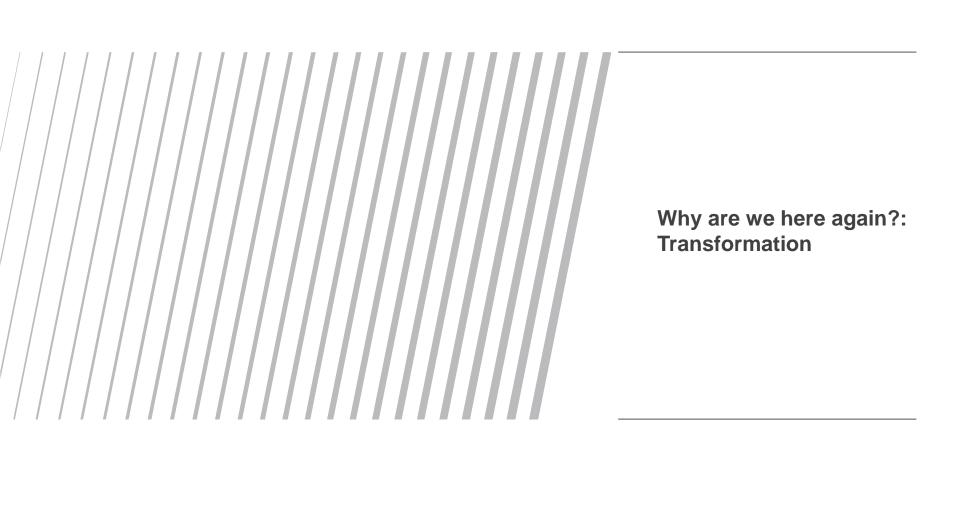► Provide a business context for architecture projects in terms of strategic business objectives

Outcome of the approach
What we've seen with our clients and our people

Lots of "a-ha" moments

► Simple frameworks to provide context

► Business capabilities as a realization of architecture

► The answer is in TOGAF, but not explicitly stated

Improvements in business and IT relations

► Business sponsors appreciate the complexity

- ► A client had thought they were not changing their business model, just improving technologies. However, technology change led to business improvements that opened new market opportunities.

► Architects understand the business purpose of their work

- ► Clients where we have used this approach are now applying it to all of their business transformation programs. This is how they now view business architecture as a whole.

Why are we here again?: Transformation

Transformation Conversations
Rarely is it spelled out

I need a simple, standard way to communicate strategy and get business units marching to the same beat

I've got a number of IT projects running over budget and mixed messages as to why

I've got a great IT strategy, but can't get business units bought in

My channel strategy is all over the place and it feels like we're investing a lot, but I'm not seeing the returns

I want to be a more proactive CFO and get this business onto more predictive analytics

I want to be a more proactive CIO and help the business innovate, but don't know where to start

How can I demonstrate to the board that I am using technology to improve operations?
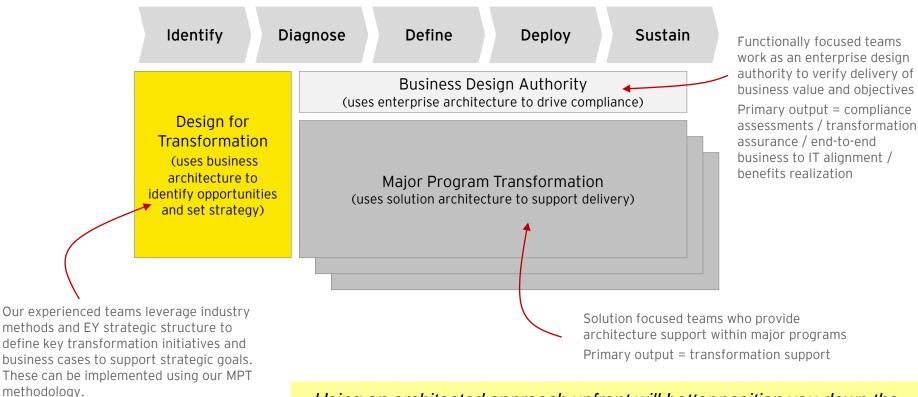
Consolidation of financial data takes too long and requires too much manual intervention

I need to standardize applications to reduce cost, but have no visibility of how the business operates
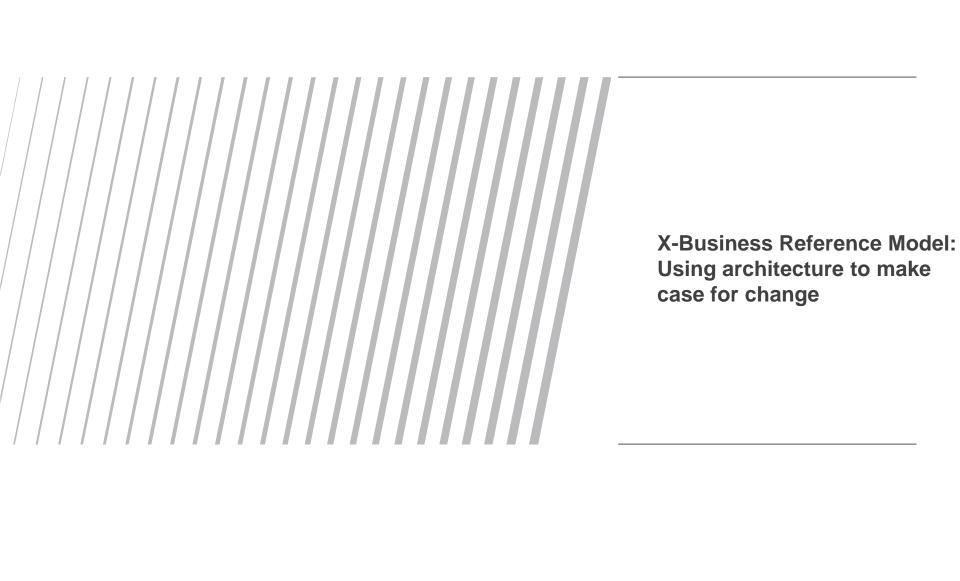
Ernst & Young Business Integration Services
Business Integration = business architecture + major program transformation

Business Integration provides a business-driven alternative to traditional Systems Integration – we view it as having two primary components: Enterprise Architecture and Major Program Transformation
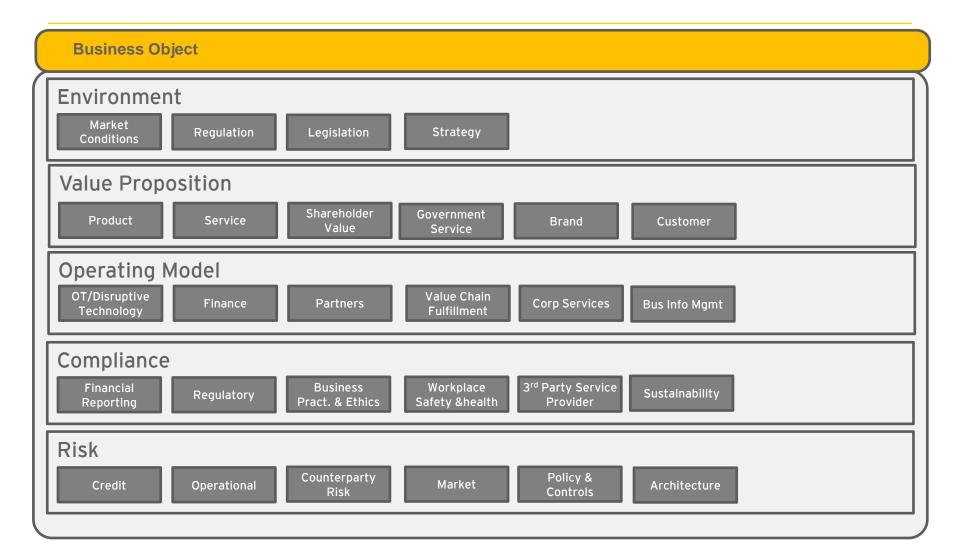
Identify	Diagnose	Define	Deploy	Sustain

Design for Transformation
(uses business architecture to identify opportunities and set strategy)

Business Design Authority
(uses enterprise architecture to drive compliance)

Major Program Transformation
(uses solution architecture to support delivery)

Functionally focused teams work as an enterprise design authority to verify delivery of business value and objectives

Primary output = compliance assessments / transformation assurance / end-to-end business to IT alignment / benefits realization

Our experienced teams leverage industry methods and EY strategic structure to define key transformation initiatives and business cases to support strategic goals. These can be implemented using our MPT methodology.

Primary outputs include opportunities / target models / strategic recommendations / implementation roadmaps and plans

Solution focused teams who provide architecture support within major programs
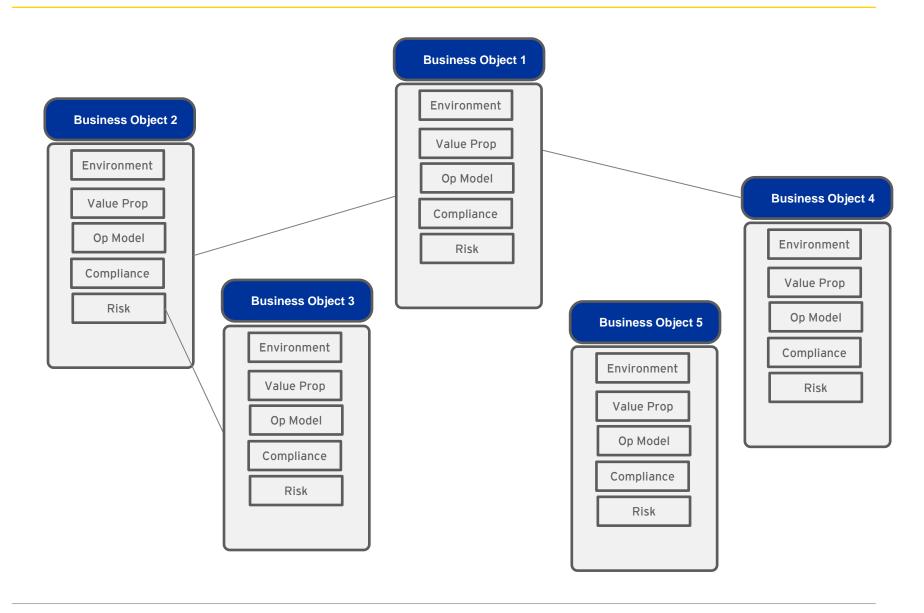
Primary output = transformation support

Using an architected approach upfront will better position you down the track as it provides a traceable, consistent case for transformation that the organization can rally behind

X-Business Reference Model: Using architecture to make case for change

EY X-Business Reference Model

Business Object

Environment

| Market Conditions | Regulation | Legislation | Strategy |

Value Proposition

| Product | Service | Shareholder Value | Government Service | Brand | Customer |

Operating Model

| OT/Disruptive Technology | Finance | Partners | Value Chain Fulfillment | Corp Services | Bus Info Mgmt |

Compliance

| Financial Reporting | Regulatory | Business Pract. & Ethics | Workplace Safety &health | 3rd Party Service Provider | Sustainability |

Risk

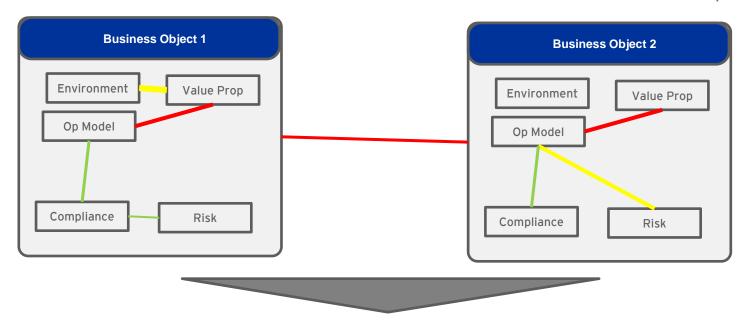| Credit | Operational | Counterparty Risk | Market | Policy & Controls | Architecture |

Hierarchy of business objects

Transformation View: associations and the case for change

- Business Architecture provides traceability/linkages that can be used to identify correlations and prioritize areas for improvement
- Rationale for correlations can be used to a build business case for areas identified for improvement

Correlation	Strength	Supporting evidence	Rationale for business case
BO 1 – BO 2	Red	....	....

For more details on business architecture service offerings please reach out to **madams@uk.ey.com**

Q&A