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Update

Business Architecture: Part II — Business-Driven Transformation Strategies, Roadmaps, and Funding Models

by William Ulrich, Senior Consultant,
Cutter Consortium

In Part I of this six-part *Executive Update* series on business architecture, we took a look at why business executives must sponsor and enable business architecture for the business.¹ We discussed how business architecture supports a wide range of business initiatives, such as improving customer service and reducing customer attrition; enabling merger, acquisition, and divestiture activities; and deploying new business strategies across product lines and business units. The challenge facing many organizations today is that enterprise strategies and executive mandates rarely align to funded initiatives and project deployments. Fragmented, redundant, or even conflicting projects often take organizations in directions that fall far short of strategic goals and executive mandates, in spite of the millions of dollars spent on these efforts. Here in Part II, we'll discuss how organizations can craft business-driven transformation strategies that address these challenges.

TRANSFORMATION PLANNING APPROACHES AND CHALLENGES

When discussing why executives should leverage business architecture to facilitate strategic planning and transformation, it is useful to examine the challenges facing organizations making large-scale, multi-year IT investments. Planning teams often find it difficult to operationalize high-level policy statements, strategic plans, and new business models across highly segregated businesses. Each division has its own goals

and related funding models and generally lacks visibility into what's happening in other business units. As a result, executives often make large spending decisions with little knowledge of how those decisions may help or harm the enterprise as a whole. This in turn stymies best-laid plans and business transformation strategies.

Today's organizations often find the need to add or retool a major product line, expand into a new line of business, consolidate business units, deploy customer self-service capabilities, and streamline service offerings across regions. Strategic goals such as these require business-driven solutions from a stakeholder, end-to-end perspective regardless of product line, business unit, or even organizational boundaries. In this last case, a business may need to incorporate business partners and outsourcing providers into a given strategy. The ability to clearly articulate transformation plans to achieve these goals is often clouded by organizational, product line, and line of authority divisions. Consequently, executives and management teams have difficulty determining the cross-functional impact of new business models and related strategies, falling back on traditional silo-based project planning and funding models.

Consider, for example, a major claims environment replacement effort that cost several million dollars over a three-year period. The solution focused on a single insurance product line without incorporating the requirements of increasing customer visibility into all claims across all product lines. The stakeholder experience was barely considered as input to the business planning model for this project. As a result, this project — while viewed as a success within one business unit — actually moved the enterprise in the opposite direction of achieving customer visibility for any claim, at any time, across any product line.

This type of situation is commonplace across many industries. Unfortunately, most organizations have limited money, time, and resources to waste on major investments that run counter to enterprise strategies, and can even make a given situation worse. Yet this occurs on a regular basis across industry and government agencies with no end in sight.

USING BUSINESS ARCHITECTURE TO FACILITATE STRATEGIC PLANNING AND DEPLOYMENTS

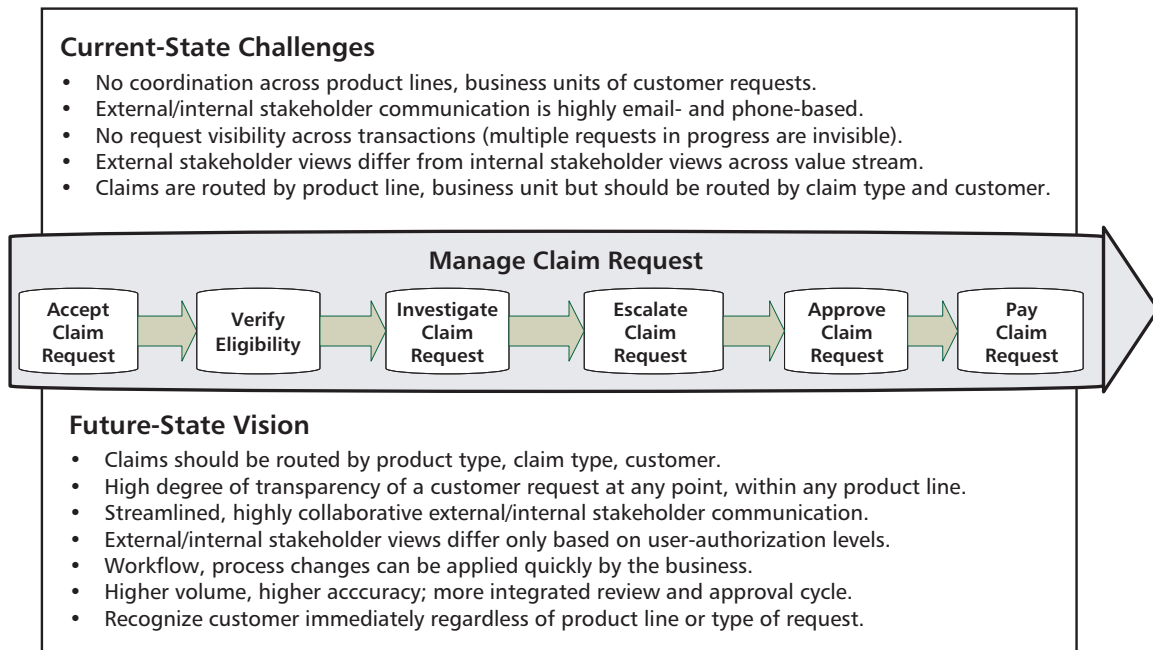
Due to its ability to view an enterprise through a common lens, business architecture offers unique insights into the impact and viability of various business strategies and requirements. For example, a commercial insurance company had just completed several mergers and wanted to align claims handling across product lines and business units. A customer of this company can have several types of insurance products that originated with pre- and postmerger business units. Management wanted to provide a common point of customer contact for premium customers along with streamlining escalation and processing procedures across product lines and business units. Figure 1 views this challenge from an end-to-end customer perspective using a Manage Claim Request value stream.

Claims within this organization, regardless of type, should move through common stages for intake handling, validation, processing, and issuance. Yet in practice, the company processes claims through numerous redundant, disconnected, and often conflicting processes. While customers view the company as a single insurance

firm, this firm has many different, often conflicting, and nontransparent views of the customer. This is because redundant business units employ cumbersome, poorly aligned approaches that rely on independent application software, databases, and desktop software.

The future-state vision, shown along the bottom of Figure 1, involves common customer recognition, eligibility analysis, routing, processing, escalation, approval, and payment for a claim. This shared vision of the “customer experience” that crosses all business units and product lines provides a common framework from which all planning, business process, case management, and workflow deployment discussions flow. This vision establishes a foundation for various planning options, as follows:

- Facilitates prioritization of an overall strategy, approach, and implementation roadmap that provides a common experience for all internal and external stakeholders.
- Reduces dependencies on redundant, inconsistently deployed business processes to a more stable approach that manages a claim as a case file that



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Figure 1 — Value stream view of business challenges and future-state business vision.

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can move seamlessly across and between a series of value stages.

- Provides a pinpoint investment focus for all business capabilities, which in turn is used to derive a common data architecture as well as application/service automation deployments.

We can clarify each of the above points by way of example. To begin, the stakeholder experience of this company varies based on the product line, business unit, system, process, or task involved. In addition, internal stakeholders have one view, while the customer has another. There is little visibility or continuity among stakeholders or across product lines. Business process streamlining and “lean” efforts were used to make each individual path more efficient, but did little to address cross-product line, cross-stakeholder challenges. Efforts to align cross-functional business capabilities and stakeholder experience across a business have largely fallen flat. The value stream concept allows an organization to identify new and unique ways to align stakeholder experience and business capabilities across complex ecosystems by providing a common focal point for all business and IT-related alignment activities.

The second point involves the need to improve how stakeholders can move seamlessly across the value stream. Rather than relying on a series of complex, fragmented processes that require extensive manual intervention or “hidden” desktop tools, the business planning teams envision a future state where a claim case file moves seamlessly and transparently through a series of stakeholder in-boxes based on the changing state of a given claim. This “case management” concept removes the manual intervention and hard-coded decision logic that stymies efforts to align customer experience across product lines and business units.

Finally, business capabilities that enable each stage of the value stream play an essential role in ensuring that the underlying data and application architectures fully support the overall business vision. The capability map, introduced in Part I, is a required prerequisite for ensuring that underlying data and application architectures are transformed in line with the value stream vision. We will discuss the concepts of value stream and capability-based business transformation in more detail in later parts of this *Update* series.

BUSINESS-DRIVEN ROADMAPS AND FUNDING MODELS

Business architecture not only provides a vision for aligning stakeholder value and customer experience across business units, and product lines, but it also allows executives and portfolio managers to change the nature of planning, roadmap development, and related investment strategies. Through our consulting practice, my colleagues and I have reviewed a good number of business transformation plans and have found that many of these plans have several things in common:

- Business benefits and related value proposition are vague, unquantifiable, or altogether absent.
- Projects are narrowly focused or boxed in by political lines, business unit authority, product line, or some other artificial constraint.
- Roadmaps describe project plans in terms of current-state and target-state IT technologies as opposed to the business capabilities and stakeholder value proposition.

From a business value–proposition perspective, the above factors often create an unintended side effect. When a plan or related cost-justification document articulates *little or no business value*, then these projects will derive or deliver *little or no business value*. Narrowly focused initiatives have a minor impact on enterprise strategies and merely reinforce existing business silos and inconsistent, disjointed customer and related stakeholder experiences. Finally, when the business funds a major initiative described in technical terms, it defines the success of that project in terms of success of the system deployment — which can have a detrimental impact on that business.

Crafting business plans in technical terms not only constrains the business vision, but forces IT architects into a corner, limiting their ability to deliver solutions that show quantifiable stakeholder value and improved business capabilities. For example, if a business funds a project called “Billing System Modernization,” there is an implication that this system will retain its architectural footprint well into the future, even if this approach reinforces redundant, inconsistent billing solutions, an inconsistent stakeholder experience, and poorly aligned business capabilities. The resulting IT architecture “lock-in effect,” which is often unintended by business planning teams and portfolio managers, dooms well-intended transformation initiatives.

At this point, you may be thinking, “Why is he talking about ‘boiling the ocean’ or a ‘big bang approach’ to enabling business strategy?” I am not. In fact, just the

opposite is the case. Value stream and capability-driven transformation allows management to deliver business value in laser-like increments that align to a strategic roadmap, tied together through the business architecture. Figure 2 shows a sample high-level, business-driven transformation roadmap. While this roadmap is a subset example of what an actual roadmap might include, it highlights several important points:

- Establishing the business architecture-based vision early creates a baseline for delivering a cohesive data and application architecture that aligns to the business vision.
- Avoiding application names on the roadmap, and using only business capabilities and value streams, eliminates the technological constraints associated with most transformation roadmaps.
- Focusing on early-stage data architecture provides a baseline for establishing later-stage solutions that align to a common business vocabulary, as defined by the business architecture.

- Centering on value stream facilitates the consolidation and reconciliation of new front ends, case management solutions, process automation, and related stakeholder experiences.
- Focusing on capabilities (as illustrated in the bottom half of the roadmap) offers IT solution architects great latitude in terms of creating new services and incrementally decoupling and/or modernizing legacy applications.

On an interim basis, projects in progress can be mapped to such a roadmap. Over the longer term, however, the business-driven transformation roadmap offers business executives an opportunity to realign strategic funding models for transformational initiatives. Existing planning and funding models rarely view a business as a whole, but rather see the business as a collection of many parts — each of which has a distinct set of needs and projects to meet those needs. As a result, business-unit executives with a narrow set of requirements and the budget needed to fund those requirements drive the funding of large-scale IT initiatives.

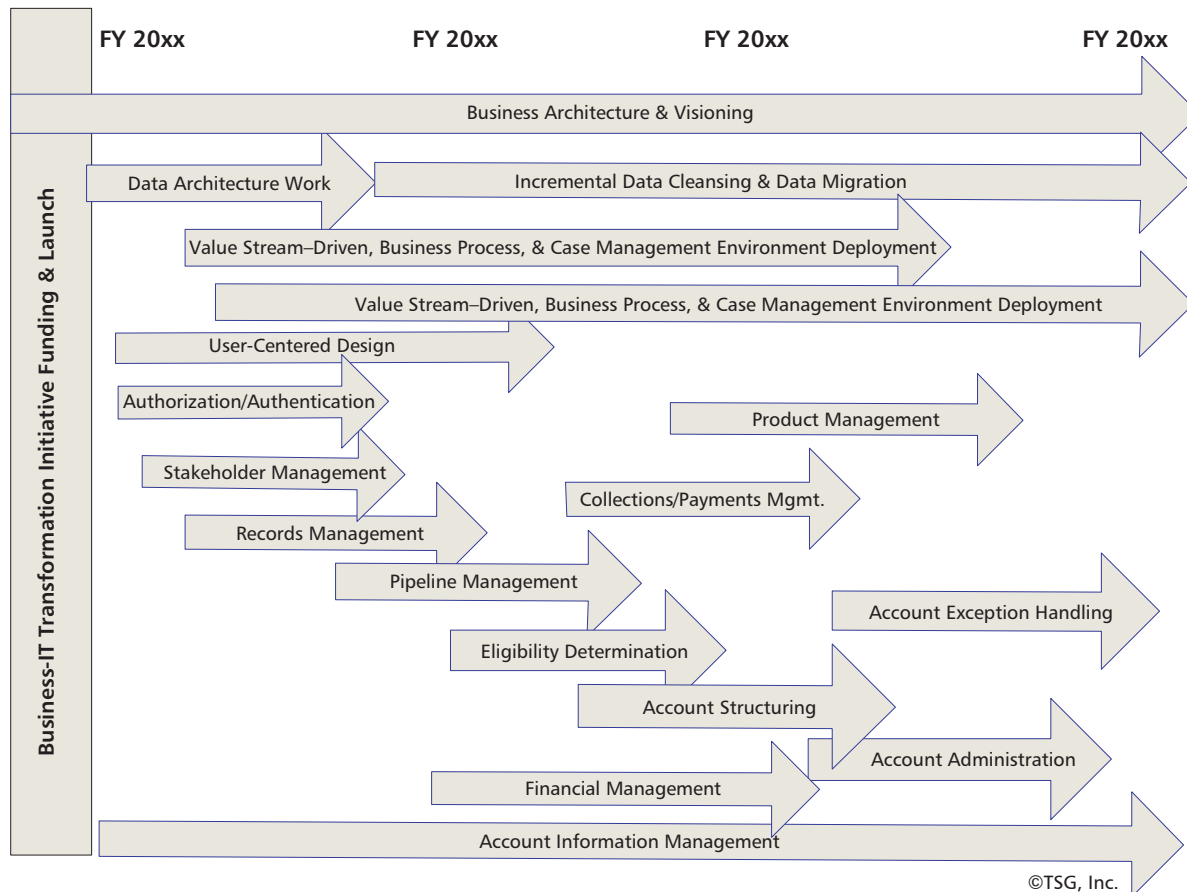


Figure 2 — Value stream, capability-driven transformation roadmap.

Silo-oriented funding models often have unintended results for the enterprise as a whole, resulting in poorly aligned, redundant projects that spend a lot and deliver little in terms of strategic results. By using the roadmap planning approach outlined in Figure 2, executives can realign funding models by information requirements, value streams, and business capabilities. This ensures that funding of major initiatives is backing projects that align around a cohesive, coherent strategy with cross-functional visibility.

The business-driven approach to business transformation requires that senior executives collaborate on a common approach to achieving strategic goals, many of which can only be achieved through a coordinated view of how to achieve stakeholder value and business capabilities. In this way, business architecture can have a significant and profound effect on how organizations achieve strategic goals over the long term.

Part III will discuss the use of value streams in addressing business transformation, delivering stakeholder value, streamlining business models, and aligning business processes across complex business infrastructures.

ENDNOTE

¹Ulrich, William. "Business Architecture: Part I — Why Business Architecture Matters to Business Executives." Cutter Consortium Enterprise Architecture *Executive Update*, Vol. 14, No. 7, 2011.

ABOUT THE AUTHOR

William M. Ulrich is a Senior Consultant with Cutter Consortium's Business-IT Strategies, Enterprise Architecture, and Government & Public Sector practices and President of TSG, Inc., a management consulting firm that specializes in business and IT planning and transformation strategies. Mr. Ulrich has more than 30 years' experience in the business-IT management consulting field. He serves as strategic advisor and mentor on business-IT alignment initiatives and continues to work as a workshop leader and author. He has the unique ability to cross business and IT boundaries to facilitate and streamline business-IT transformation strategies. Mr. Ulrich's workshops on business-IT architecture alignment have been widely attended by organizations worldwide. His ability to communicate fluently with business executives and professionals and IT executives and professionals has enabled him to help organizations craft transformation strategies that deliver incremental and ongoing business value while managing risk and costs at each stage of deployment.

Mr. Ulrich currently serves as VP of the Business Architecture Guild, Cochair of the OMG Business Architecture Special Interest Group, Editorial Director of the Business Architecture Institute, Director-at-Large of the Business Architecture Society, and is a member of the EA Advisory Board for Penn State. His latest books include *Business Architecture: The Art and Practice of Business Transformation* and *Information Systems Transformation: Architecture-Driven Modernization Case Studies*. The approaches outlined in these two publications provide a balance to the challenges inherent in delivering business-driven, business-IT transformation. He can be reached at wulrich@cutter.com.

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