Business Architecture: A Framework for Business Innovation, Transformation & Optimization

By William Ulrich

For organizations seeking to thrive or just survive in a shifting economic, regulatory, and global business climate, escalating demand for change remains the only constant. External and internal forces are driving business model realignment, digital transformation, and a myriad of innovations. Companies are pursuing a combination of transformational strategies while concurrently having to manage risk, prepare for crises, and improve the bottom line. In almost all cases, strategic challenges are complicated by operating models comprised of redundant, opaque processes; fragmented and highly intertwined IT architectures; and entrenched personnel alignments. As a result, most organizations can add operating model optimization to their list of plans.

This list of challenges does not paint a very optimistic picture. Faced with a cross-section of seemingly disparate business and technology demands, one would logically ask how a business can concurrently execute a multi-headed set of strategies against operating models that are at best opaque and at worst driving companies out of business. The answer requires breaking down a business to its basic building blocks, which in turn provides a common lens through which to view and align business objectives, initiatives, and related investments. Viewing a business through a common lens eliminates the often impenetrable murkiness encountered when viewing strategies and initiatives through a maze of business unit silos and related processes, enabling organizations to plan, scope, coordinate, and execute transformation efforts with much greater clarity.

Every business has, at its core, a set of basic building blocks that makes a business both unique and, ideally, successful; think of these building blocks as the "business DNA." Over time, these business building blocks become increasingly replicated, fragmented, and less transparent, creating a situation where the business can only see its customers, partners, products, initiatives, and investments as a collection of fragmented pieces, which, in turn, undermines strategies and investments. In other words, the business DNA is damaged. When this occurs, every objective appears disjointed from every other objective, and every initiative and investment is siloed off from every other initiative and investment.

Examples of organizations in a disjointed state are commonplace. Consider, for example, a business's inability to associate customers to related customers, customers to accounts, partners to accounts, accounts to accounts, products to agreements, policies to products, and so on. This lack of transparency results in angry or lost customers, regulatory violations, and the inability to respond to crises. Or consider scenarios where a business cannot determine how scores of projects, programs, and investments relate; projects start and stop because there is no clarity

of impact or scope, and IT investments actually increase risk while not resolving the challenges they were meant to address.

These challenges result from increasingly siloed business structures growing in complexity over time, with each business unit creating its own lexicon and framing of business concepts. When coupled with mergers, acquisitions, and regional expansion, complexity increases exponentially, leading to situations, for example, where business units cannot visualize the end-to-end customer value delivery context in which they are working, undermining customer satisfaction. When complexity escalates incrementally, the natural tendency is for executives to drive individual solutions through business units, each of which have a unique view of what needs to be done and accompanying budgets to deploy those unique but often conflicted views. While business unit viewpoints are valid, organizations end up trying to address transformational changes a dozen different ways, using a dozen different teams, deploying a dozen different solutions.

What can a business do in the face of these challenges? An important step involves disambiguating the basic building blocks that represent what that business does and how it delivers stakeholder value. The building block example on the left side of Figure 1 represents a business with a disjointed, opaque understanding of its business ecosystem, which undermines its ability to optimize stakeholder value, regulatory compliance, innovation, digital transformation, and operating model optimization.
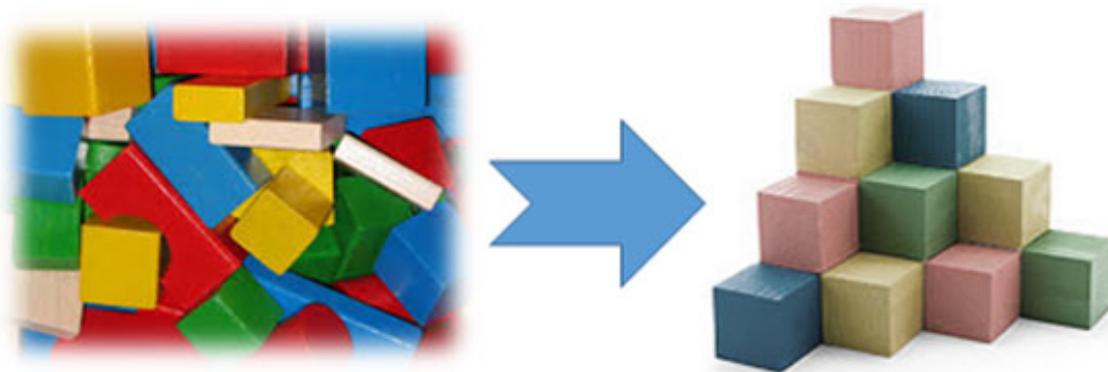

Figure 1: Disambiguating Business Building Blocks

Organizations seeking to articulate highly transparent views of their business ecosystem must disambiguate core business building blocks, as shown to the right of Figure 1. Disambiguating core business building blocks requires establishing a concise, well-defined, and highly rationalized perspective of customers, accounts, agreements, partners, products, assets, and related concepts. As clarity emerges across business units, the organization begins to function as a cohesive whole, maximizing stakeholder value delivery and related investments, enabling innovation and transformation, aligning disparate program and project investments, and making the business more agile along the way. The vehicle for achieving this degree of clarity is called "business architecture."

In business architecture terms, the business building blocks are called "capabilities." Capabilities represent a critically important aspect of business architecture and represent what the business does at its core. Capabilities are coupled with stakeholder value delivery, information, organization, strategy, policy, initiative, product, and stakeholder perspectives to frame a comprehensive view of the business. Business architecture allows business professionals to view the business in aggregate or drill down into more detail, similar to online mapping software. Note that the business architecture does not delve into *how* work is done, but rather on *what* the business does, making it surprisingly straightforward to articulate.

Most important is the fact that business architecture forms the foundation for addressing a variety of business scenarios, transformational or otherwise. Figure 2 highlights business architecture's role in end-to-end transformations. This end-to-end perspective highlights a unique aspect of business architecture; to fully maximize the true value of business architecture requires the discipline to be applied ubiquitously from strategy formulation through solution deployment. In this end-to-end perspective, business architecture remains a robust constant, serving as a foundation for crafting strategic objectives; assessing business impacts; designing innovative options and approaches; optimizing programs, projects, and investments; and deploying solutions.
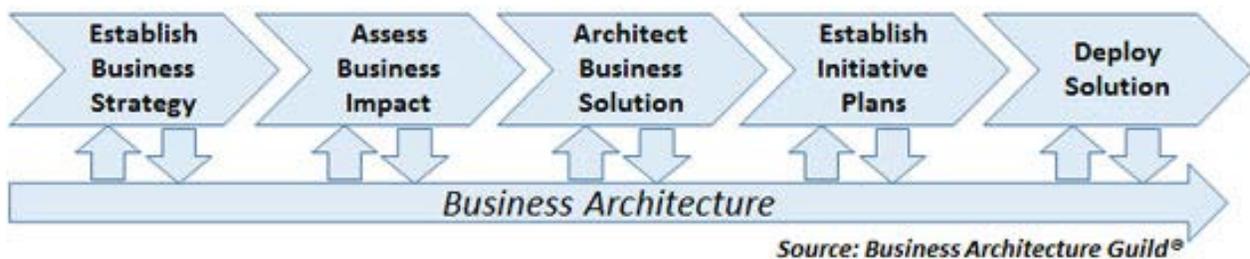

Figure 2: Business Architecture's Role in End-to-End Strategy Realization

Consider business architecture's role at each stage of Figure 2. As executives craft strategic objectives, business architecture facilitates cause-and-effect analysis and offers insights into issues a given business unit may not be able to visualize. Customer losses, for example, may be linked to a lack of transparency across business units engaged in delivering end-to-end customer value for an insurance claim, airline trip, shipment, service call, or other customer scenarios. Business architecture exposes these issues and points where they can be addressed.

Once objectives are established, business architecture provides rapid insights into business-wide impacts that can reach into business partner domains and technology deployments. At each stage, business architecture provides more and more granular insights into business impacts, product strategy, design options, innovation opportunities, IT architecture impacts, requirements, and solution framing. When organizations embrace the approach outlined in Figure 2, a

comprehensive business knowledgebase emerges and, over time, matures to enable businesses to realize strategies that have previously been out of reach.

For example, businesses want to digitize their business and operating models. But what exactly are the targets of digitalization? Is it the customer or a given customer segment? Is the business targeting a specific value delivery context for that customer segment? Can the business capitalize on existing capabilities, will it need to align capability instances across business units, or will it need to introduce new capabilities? What about existing technology deployments? How do they align or do they need to be jettisoned? Business architecture, when matured, provides deep insights into these questions and options on how to proceed.

Consider a specific industry scenario. Automotive manufacturers want to shift traditional business models toward one that delivers an end-to-end digital experience for its customers, long after the vehicle has left the showroom. Now assume that this experience is linked to the customer and not to the vehicle. This implies deploying a very different business model across an optimized operating model. In this scenario, existing capabilities linked to customers, agreements, vehicles, partners, information, location, products, maps, and other concepts are optimized, aligned, and deployed in new and unique ways to enable value streams such as Take a Trip. Where gaps exist, new capabilities and value delivery perspectives are designed and deployed by planning, innovation, product management, and customer experience teams.

The absence of business architecture in this automotive business model and operating model transformation and digitalization example results in individual, often isolated project teams creating random business views and taxonomies that are misaligned with customer experience, product management, and individual business unit perspectives. Business architecture provides rapid framing of these concepts while pointing to reuse opportunities that may be optimized across the operating model, making what once seemed impossible now plausible. The good news is that business architecture is available today for those organizations wishing to capitalize on the discipline and more and more organizations are doing just that.

About the Author:

William Ulrich is President of TSG, Inc., Cofounder and President of the Business Architecture Guild, Cofounder of Business Architecture Associates, and Cutter Consortium Fellow. As a management consultant for more than 3 decades, Mr. Ulrich continues to serve in the role of senior advisor, mentor, and workshop leader to corporations and government agencies, with a focus on helping businesses address major transformational challenges. Mr. Ulrich is an originating contributor to "A Guide to the Business Architecture Body of Knowledge®" (BIZBOK® Guide) and coauthor of "Business Architecture: The Art and Practice of Business Transformation" and "Information Systems Transformation".