

5 insights for executives

Translate strategy into execution

Use business architecture to drive agile business transformation

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Our ever-changing and increasingly complex business environment rewards companies that can effectively address new challenges and opportunities. However, aligning the organization behind a single, agreed-upon plan for change remains an elusive goal. Indeed, one of the top 10 opportunities identified by CEOs in EY's 2013 *Business Pulse* report concerned "improving execution of strategy across business functions," in addition to "Innovation in products, services and operations." Both featured prominently in the report and are expected to remain on the list for some time to come.

Jacob Sims, Head of Technology & Architecture at Cathay Pacific, says: "Our industry suffers from dramatic swings of fortune that are dictated by macroeconomic events outside of the control of any one company. As a result all players in the industry are under constant pressure to control costs while delivering safe, consistent and reliable services. At the same time, our

customers' expectations grow as new consumer technologies emerge and the digital capabilities of competitors and partners alike progress. We must therefore engage in a continuous effort to offer new and innovative digital capabilities to our end customers. Given these demands, we started investing in enterprise architecture, and particularly business architecture, four years ago. "

Business architecture provides a set of techniques to actively manage the business so that it can take full advantage of opportunities afforded by new technologies, partnerships, regulatory change or other market factors. By providing transparency across traditionally siloed and opaque business assets, COOs, CFOs and CIOs can drive performance improvement across business functions, optimize the use of business resources and focus attention where it is most needed. Additionally, the strategic perspective offered by business architecture allows organizations to more effectively exploit technology and overcome historical IT constraints on business agility.

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What's the issue?

The business world is getting more complex, integrated and volatile. Businesses that embrace change can obtain significant competitive advantage by being first to market while maintaining cost-efficient and sustainable operations. Yet, to thrive in this environment, businesses must be able to identify the right strategic direction, prepare a sustainable response, and execute in an integrated fashion across the organization.

Such an approach is necessary given the way that different strategic drivers result in conflicting demands on the organization, in both the public and private sector. Executives need to keep up with the accelerating rate of change, yet many challenges in their organization need immediate attention and cannot be deferred.

Pressure mounts. Behaviors change. A divergence of purpose emerges across the organization that ultimately leads to siloed, contradictory, redundant and stagnant operations. At the same time, a clear sense of purpose and vision diminishes across organizational and geographic boundaries.



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Why now?

The advent of digital technology is fundamentally shifting the way that organizations approach strategic transformation. As the majority of change initiatives become technology-enabled or technology-driven, change activity today is more technically involved and more integrated, and it is taking place at a faster pace than ever before:

- ▶ Digital customer-facing capabilities are providing direct, external access to what used to be back-office systems and processes.
- ▶ Cloud technologies have created an environment where new solutions can be delivered in weeks rather than months or years.
- ▶ Integrated information has become central to making operational decisions and providing good customer service more effectively.
- ▶ Core enterprise resource planning (ERP) is evolving to support more efficient, integrated and automated execution of finance and supply chain processes.

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How does it affect you?

Without the tools and techniques to align disparate change activities to an integrated strategic end-state, organizations lose their ability to effectively execute new strategies. They end up making investments in misaligned solutions that do not realize the expected business benefits, generating additional business complexity and risk.

To fully understand and execute strategies within this context, organizations need to evaluate opportunities for change from a number of perspectives.

They must quickly explore benefits and impacts to determine which parts of the organization need to collaborate to realize a particular outcome. Change can come only when organizations align the people responsible for the various aspects of the organization so that they can make the right corporate choices together. Business architecture provides the approach to achieving this balance.

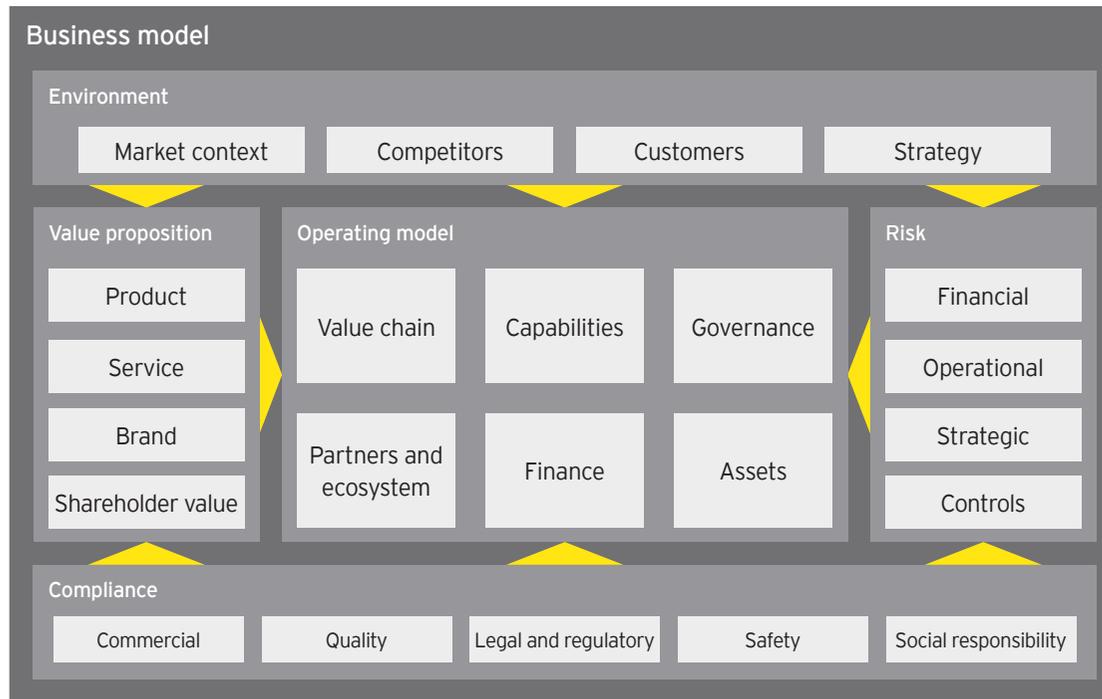


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What's the fix?

"If you don't know where you are, it's very difficult to plot a way forward. When you have agreed on a model that represents your business, only then can you design a target and move forward. This is why our transformation programs are driven by business architecture," says Nancy Atwell, Vice President for Multifamily Initiatives at Fannie Mae.

To understand the business model and construct current and desired operating models, organizations should consider using a reference model to identify areas of opportunity and focus. Organizations can use a reference model, similar to the one below, to generate highly agile digital business models to drive transformation.



Source: "World-Class EA: Business Reference Model," The Open Group, <https://www2.opengroup.org/ogsys/catalog/W146>, May 2014.

Business architecture offers organizations a set of tools and techniques to describe the way that external factors and strategic objectives impact their business. It provides a clear picture of "what is" and "what could be" that organizations can then use to evaluate strategic options and to agree on the direction for change.

Organizations need to develop new approaches to culture, governance and strategy execution:

1. Culture

Companies need to develop a culture and mind-set to address strategic issues across the organization, rather than within individual units and silos. Every day organizations should meet challenges with the specific intent that any activity, no matter the size, can be traced clearly back to business imperatives and an agreed-upon target state. It requires managers and staff alike to reconsider their roles in the organization, and to rethink how they contribute to the overall objectives of that organization.

2. Governance

Organizations need to place greater emphasis on governing how to achieve strategic objectives in addition to what to achieve. In an integrated organization it is no longer sufficient to cascade a set of performance targets with local accountability for delivery. Strategic objectives have many cross-organizational dependencies that require much closer collaboration on execution and a deeper understanding of the shared outcome to be achieved. Corporate governance needs to acknowledge this shift and incorporate new techniques accordingly.

3. Strategy execution

In a world where strategic priorities are constantly changing, the business must construct and maintain visibility of the current and desired states of the operating model. These views allow the impact of changes to be quickly assessed, allowing decision makers to evaluate options and prioritize investment opportunities.

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What's the bottom line?

Organizations that succeed in the digital world will be relentlessly focused on exploiting new market opportunities while maintaining efficient and sustainable core operations.

Within this environment of constant, technology-enabled change, business architecture provides the tools to optimize and align change investments for the good of the entire organization, rather than specific units or silos.

Specifically, business architecture can help companies to:

- ▶ Translate strategy into execution by describing how strategy will impact the business in a way that can be understood by a broad audience
- ▶ Enable transparency options, impacts and change initiatives to provide senior stakeholders with the information needed for decision-making
- ▶ Formalize collaboration across the organization to better understand and manage opportunities, dependencies and risk
- ▶ Quickly respond to new opportunities and challenges, and maximize leverage of available assets and resources



Want to learn more?

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