- Business Model Design
- The Capability Driven Roadmap

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Principal Consultant, Enterprise Architects
- About Enterprise Architects

- Designing the Business Model: 
  *Responding to the challenge of Disruption*

- Creating a Capability-Driven Roadmap

- EA Case Study & Tool Demo
Introduction

David O’Hara

› Enterprise / Business Architect

› 20 years in Business-facing roles in the IT industry, mostly private sector
  » Telco, Retail, FS...

› Principal Business Architect (EMEA) at Enterprise Architects
  » Architecture practitioner & trainer

› Specialising in Business Architecture over 9+ years
  » Business Engagement
  » Business Motivation
  » Capability Driven Planning
  » Enterprise Roadmaps
  » Building EA Practices

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Enterprise Architects

The design of business.

www.enterprisearchitects.com
About Enterprise Architects

› Enterprise Architects (EA) is an international professional services firm providing strategy & architecture services.

› Our vision is to be the most respected specialist architecture organisation globally, setting new standards for effectiveness in strategy execution.

› Our core value proposition is to help clients unlock the value of their investments using the principles of architecture.

› We believe that architecture is important and, when done well, will profoundly improve corporate performance.
Our Services

Enterprise Architects is a dedicated team of architecture specialists

Consulting Services
- IT Strategy Delivery
- Blueprint & Roadmap Development
- Consulting, Advisory & Mentoring Services
- Enterprise, Business, Technical & Solution Architecture
- Practice Capability Development
- Maturity Assessments
- Governance Risk & Compliance
- Framework & Tool Selection and Support
- Repository Management

Training & Development
- TOGAF® Certification
- ArchiMate®
- Advanced & Applied EA
- Business Architecture
- Information Management & Governance
- EA Kickstart (Combined Consulting, Training & Mentoring)
- Customised Private Training – Solving Topical Issues

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- Interim Leadership
- Executive & Retained Search & Selection
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Designing the Business Model
Responding to the challenge of Disruption
Overview

The challenge facing Enterprise Architecture: to re-design Business Models

› Change is the only constant........so what else is new?

› In the Digital economy, both the PACE of change and IMPACT of change are increasing: market disruption, driven by digital innovation, is occurring more frequently and with greater effect
   » New players, differentiated offerings, new Business Models....

› For CIOs and Chief Architects, working at the Operating Model layer is not sufficient to respond to these external challenges

› Architecture needs to evolve: from Operating Model design to Business Model design
Change is moving faster…and the Business Model shelf-life is shrinking

Who is best placed to respond to this challenge?

...so Business Models become ‘stale’ and must be renewed

As what was once innovative becomes commoditised, value discipline orientation changes…
Enterprises must learn how to design and execute Business Models

Who is best placed to understand and respond to this challenge?

› Architects deeply understand both Business Capability AND Technology...
› ....and how they can be remodelled around changes in business strategy

Enterprise Architecture
Architecture requires a balance of thinking styles

The challenge is identifying the right skills in the organisation that are able to traverse the domains of innovative, intuitive thinking and reliable, analytical thinking.

GOAL: Reliably produce consistent, predictable outcomes

GOAL: Produce outcomes that meet desired objectives

*From Roger Martin (2009) *The Design of Business*
Vision

Mission

Design

Thinking

Business

Outcomes

Value

Systems

Innovation

Coherence

Systems

Thinking

Business

Model

Prototyping

Capabilities

Visualisation
What is a Business Model?

Some Definitions

“A Business Model is a set of activities which a company performs, how it performs them, and when it performs them, so as to offer its customers value whilst making a profit”

Business Models – A Strategic Management Approach

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

Alex Osterwalder – Business Model Generation

“A Business Model is a framework for creating value in a coherent manner”

Craig Martin, Chief Architect @ EA
The goal of a good Business Model is to create coherence

Building coherence requires an understanding of the components of a Business Model, and how to assemble them in a manner that is innovative and differentiating whilst maintaining stability.

› A Coherent Business Model is one that is synchronised around:
  » its market position,
  » its product and service portfolio; and
  » its most distinctive strategic capabilities

› All of the above working together as a system
Capability Driven

One of the ways we create coherence is through capability based planning

- Capability driven architectures are designed to support the strategic objectives of an organisation
- Capabilities consist of people, process and technology
- To fully understand a capability all these components must exist regardless of their maturity level

Capability based planning is one of the tools that looks at the best “mix” of resources required to develop this coherence
Typical architecture practice maturity

The majority of organisations today sit approximately here on this curve.*

- **EA = IT Architecture**
  Improve project performance

- **EA = Enterprise-Wide IT Architecture (EWITA)**
  Improve IT performance

- **EA = Business Architecture (BA) + EWITA**
  Improve Business Performance

- **EA = Product Architecture + Business Architecture (BA) + EWITA**
  Improve Product/Service Performance

- **EA = Strategic Enabler + BA + EWITA**
  Improve Market Performance (Shareholder Value)

*Adapted from Ruth Malan, Dana Bredemeyer

Business Architecture is seen as a positive progression away from IT.
What is Business Architecture?

› We like to refer to it as “the Design of Business”

› It is about giving strategic business objectives greater clarity and structure by describing how they translate into operations.

› The goal of Business Architecture is to operationalise business strategy, thereby helping business leaders avoid a risky leap directly from strategy to specific project investments.
Positioning Business Architecture

Business Architecture must connect strategy to business and IT change
Business Architecture is an integral part of the Enterprise Architecture

- Business Architecture provides the crucial business context for the ‘technical’ layers, aligning architecture ‘services’ to provide coherent business outcomes.
The contribution of Business Architecture relates to the mandate....

Mandate = IT OPTIMISATION

**EA = IT Architecture**
- Improve project performance

**EA = Enterprise-Wide IT Architecture (EWITA)**
- Improve IT performance
...and views and viewpoints will be different....

Mandate = BUSINESS OPTIMISATION

Value

The Capability Anchor Model

Loss of coherence Across the Transformation Programs

Strategic & Project Investment Priorities and Focus Areas

Capability Maturity Overlay

Cost/ Value/ Asset Apportionment across the business

Org. Structure Required to Fulfil

Opex vs. Effort to Increase Efficiency

EA = Business Architecture (BA) + EWITA

Improve Business Performance

Realisation Tactics
...relative to the concerns of different stakeholders

Mandate = STRATEGIC OPTIMISATION

Value

Mandate

EA = Strategic Enabler + BA + EWITA
Improve Market Performance (Shareholder Value)

EA = Product Architecture + Business Architecture (BA) + EWITA
Improve Product/Service Performance

Identifying the Value Leverage Points and how to realise these

Identifying Instruction Sets for Differentiation

Identifying Best Mix for Various Strategic Scenarios

Determining the best mix of service models and capabilities required to deliver

Determining the best mix of capabilities for Value Improvement

Understanding the competitor landscape and the best capability Mix required to take advantage of gaps

Determine Capability Efficiencies Across Geographies

Loss of Enterprise Cohesion

The Capability Anchor Model

Business Model Assessment
Our Findings: ownership gap
For Business Architecture, lines of responsibility are often unclear

Business Ownership
Strategic Architecture Mandate –

Unresolved
Business Architecture Mandate

IT Ownership
IT Architecture Mandate –

The Business Model

- Markets
- Industries
- Customers
- Market Segment
- Channels
- Customer Relationships
- Value Proposition
- Offering: Products / Services
- Capabilities
- Processes / Value Chains
- Business Services
- Functions
- Data
- Applications
- Technology

The Environment
Views and Models Supporting the Mandate

The Environment

- The Business Model
  - Market Model
    - Markets
    - Industries
    - Customers
    - Market Segment
    - Channels
  - Products and Service Model
    - Customer Relationships
    - Value Proposition
    - Offering: Products / Services
  - Operating Model
    - Capabilities
    - Processes / Value Chains
    - Business Services
    - Functions
    - Data
    - Applications
    - Technology

- Business Model Innovation
- Customer Experience
  - Journey Maps
  - Learning Maps
  - Motivation Models
- Value Maps
  - Product and Offering Maps
  - Design Models
- Value Chain Analysis
  - Cross Functional Models
  - Capability/Business Anchor Models
  - Process Models
  - Application Models
  - Data and Information Models
  - Technology Models

Mandate
So how do we respond?

Responding to the disruption challenge and ownership gap

› If the goal of EA is to create coherence not just at the Operating Model level but at the Business Model level, EA must:

› Learn and apply new skills...start thinking like Business Designers!
› Elevate the discussion with the business from the Operating Model level to the Business Model level
   » First and foremost, communicating in the language of the business
   » Embracing business strategy concepts
› Engaging the Business and ‘prototyping’ new business models
   » Using the right tools for the job: the Business Motivation Model and the Business Model Canvass, not just the Capability Model
Responding to Disruption means changing the mandate for Architecture

- The Business model lifecycle is shrinking!
- To unlock the full potential of Architecture, the mandate needs to increase away from the Operating Model level
- Enterprise Architecture must equip the CIO to engage other ‘C’ level stakeholders around the concept of Enterprise Design (i.e. not architecture)
Putting it into perspective
Our universe is expanding...

- As the pace of change and impact of disruption increase, and the ‘shelf life’ for Business Models decreases, we will see emerging demand for **Enterprise Design** skills.
- To support this demand, the mandate of EA must increase to be about creating coherent Business Models.
- However, we won’t be asked: EA has the opportunity to ‘step up’ and lead *The Design of Business*, but we must consciously move away from the Operating Model level and develop the competencies to redesign and prototype new business models.
Thanks

End of part one....!
The Capability-Driven Roadmap
Approach and Case Study
Failure points between strategy and implementation

In navigating between strategy and execution there are multiple possible failure points.

- **STRATEGY**
  - The drivers of strategy are often misaligned
  - Strategy not sufficiently tied to operations
  - Needed capabilities not properly understood or measured

- **PROGRAMMES**
  - Planners not accountable for delivery
  - Benefits aren't quantified or traced back to original goals

Is my investment portfolio balanced across all of the economic value add dimensions?

Are we investing in the right areas across the enterprise?

Where can we take advantage of synergies across the major strategic programmes?

Are the strategic programs aligned, or for that matter, are they the right strategic programmes?

There is a lot of activity going on out there, how do I know we are doing the right things?

This often leads to some typical stakeholder issues regarding transformation exercises.
Addressing the failure points between strategy and implementation

To address these failure points we should focus on the following three areas:

1. Creating a clear view of the goals, value drivers and corresponding levers that drive the strategy.
2. Clearly linking the strategy to operations through capabilities.
3. Establishing the resources that are needed by the capabilities and ensuring business architects provide oversight at portfolio level.

The drivers of strategy are often misaligned.
Strategy not sufficiently tied to operations.
Needed capabilities not properly understood or measured.
Planners not accountable for delivery.
Benefits aren’t quantified or traced back to original goals.
Developing the Capability Driven Roadmap

The Challenge: creating traceability from strategy to implementation

Motivations → Business Model → Capability Model → Target Architecture

Maturity & Gaps → Work Packages → Current State Arch.

‘Anchor Models’

Transitioning

Capability uplift delivered in increments through business & technology change

Technology decisions must be traced back to a business objective via the capabilities they enable
What is the Business Motivation Model?

The BMM is a Blueprint to help develop the Business Architecture, and provides a consistent language to articulate business strategy.

The BMM is a construct for developing business plans, but is not in itself a methodology. The BMM structure supports the progression from Vision to a set of concrete Goals and Objectives.
What is a Capability?

Some Definitions

› An ability that an organization, person, or system possesses. Capabilities are typically expressed in general and high-level terms and typically require a combination of organization, people, processes, and technology to achieve. For example, marketing, customer contact, or outbound telemarketing. – The Open Group

› The power or ability to do something – Oxford English Dictionary

› Measure of the ability of an entity (department, organization, person, system) to achieve its objectives, specially in relation to its overall mission. – Business Dictionary

› The ability to perform or achieve certain actions or outcomes through a set of controllable and measurable faculties, features, functions, processes, or services. – Wikipedia
Identifying Capabilities

Some Guidelines

› All enterprises have ‘capabilities’ – they are the fundamental business outcomes of the enterprise

› Capabilities are the things the enterprise must be able to DO in order to fulfil its mission

› Capabilities will tend to persist over time

› what changes is the way in which the capability is fulfilled (the ‘How’), who is fulfilling the capability, where it takes place and their importance to the business strategy

› Capabilities are expressed as outcomes and should be agnostic of technology, product, organisational unit, etc.

› Meaning the same capability could be performed by different organisation units or in different contexts, potentially in different ways
Linking Business and IT Architectures

Business Architecture will define the capabilities required to realise and sustain the business strategy. IT Architectures will help to enable these capabilities.
Business Capability Model

Case Study Capability Model transposed into ADOit
Mapping Capabilities to Applications & Technology

The **Logical Architecture** groupings create traceability back to the Capability Model.

An assessment of the overall **Application Lifecycle status** denotes whether an application is emerging, core, end-of-life, etc.

An assessment of **Business Fit** indicates the degree of alignment with the application’s business users.

The **technical health** of the application provides a simple indication of whether the application is stable and performing to SLA.
Mapping of Capabilities to Applications

Current State and Target State Application Architecture views in ADOit
Transition Plan

Capability Increments & Dimensions

Objectives

Capabilities

Capability Increments

People Dimension
- Individual Training
- Collective Training
- Professional Development

Process Dimension
- Concepts
- Business Processes
- Information Management

Material Dimension
- Infrastructure
- Information Technology
- Equipment
Delivering Strategic Architecture

Creating traceability from strategy to implementation
# The Roadmap Viewpoint

<table>
<thead>
<tr>
<th>Viewpoint Element</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td><strong>Stakeholders:</strong></td>
<td>Business Executives, Business Managers, Business SME’s, IT Executives, Portfolio and Programme Managers, Project Managers, Organisational Change Management</td>
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</tbody>
</table>
| **Concerns:** | • How are my strategic objectives being realised through my architecture and program of work?  
• What are the changes between the current state and the future state of the architecture?  
• What is my current investment roadmap to achieve the required changes?  
• Where are the dependencies across the program of work? |
| **View Description:** | Provides a view of the amalgamated means to end chain describing the strategic capability direction for the organisation, and the associated transition plan required to realise the vision. The primary intent of the roadmap is to inform the detailed program of work. It is not the intent of the roadmap to be an executable program but a key input into the defining the detailed program of work. |
| **Metamodel Concepts** | Mission, Vision, Goals, Strategies, Objectives, Drivers, Assumptions Capabilities, Roles, Process, Logical application, Logical technology, Risk |
| **Model** | The EA Roadmap Model |
An Overview of Roadmap

- The **strategic context** for the organisation. This looks to describe the program vision, goals, objectives.

- The **outcomes** of the program streams are mapped to the business objectives providing **traceability** from program initiatives to strategic objectives.

- **Architecture principles** provide rationale and context for the target state.

- The **strategic initiatives** designed to realise the target state. Any cross-program dependencies are identified.

The intended **target state** provides visibility of where the program will land. This section will demonstrate an increase in business capability and a simplification of the technology landscape.

A view of the **current state** technology landscape, highlights issues and gaps across the technology landscape.

The outcomes of the program streams are mapped to the **corporate risk** register providing visibility of risks addressed by the program.
Case Study

Goal: Create a global Operating Model balancing global capability with local agility

- Global Professional Services firm with offices in many countries
- Recent merger has created two ‘centres of gravity’ in London (North) and Sydney (South)
- Replication across the IT estate, with examples of good and bad in both North and South territories
- Need to find an approach that identifies common, shared capability (which can be backed up with investment in Global/ERP type systems) and local market ‘uniqueness’ required to address the needs of local clients (potentially enabled through local instances or market specific apps)
- Business Motivation Model and Capability-driven planning were used to set goals and objectives at group level, evaluate options and gaps at global and local level and build a capability-driven roadmap
  - A core of common capabilities were identified providing the Global ‘footprint’
  - Local market variations were evaluated at capability level
  - A roadmap was created to enable new and changed capabilities and to deliver the Global IT backbone

Clients:
Build long term relationships

Platform:
Increase workflow by having E2E execution capability in key practices & markets

Lead the Market:
Become the leading professional services firm in APAC

Service Excellence:
To focus our business on what matters most to our clients

Service Transformation:
Deliver business services that support the needs of a Global business
Thank You

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References and Acknowledgments

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› The Dimensions of Digital Disruption
  » Mark P McDonald, Gartner
› The Innovator’s Dilemma
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› The Business Model Innovation Factory – how to stay relevant when the world is changing
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  » Object Management Group