Essentials of Business Architecture

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Some References

www.processrenewal.com
  • Short videos on Business Architecture
  • Articles on ‘What is a Business Architecture’

www.bptrends.com
  • Articles on BPM and related topics
This session will:

• Answer the question ‘Why Business Architecture?’
• Introduce some core concepts describing Business Architecture
• Break some preconceptions
• Illustrate why this is an opportunity for BAs
• Answer some questions
Presentation agenda

1. Why
2. What
3. How
4. Illustration
5. Principles
You cannot continue with your old business operating model

Work Cells

Self Managed

Extended – One virtual brand – Low capital
Why Business Architecture? Enable rapid and effective change!

Product and service cycles are short, workers are educated, flattening of organizations, real time information, democratization of knowledge.
Advantages of Business Architecture

- Digitization
- Fast time to market
- Agility in market
- Customer centricity
- End to end orientation

- Capability aligned to strategy
- Process managed business
- Governed business sustainment
This is not a Business Architecture!
Why you need a synchronized business architecture

Organization Goals
Goal A  Goal B

Support for Organization Goals

The Flow and Addition of Value
Process A

Process B

Process C

Alignment & Validation of Support Resources

Job Descriptions  Training Programs
HR Resources

Software Application  Databases
IT Resources

(Other Stakeholder: Government Regulator)

Customer
Customer Value Proposition

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John Zachman’s View

- Architectural
  - *primitives* in cells
- Engineering
  - *composites* among cells in a row to get the work done
- Processes
  - found in Column 2
- Capabilities
  - found in composites across columns
TOGAF’s Business Architecture is more focused on driving IT change and not as much on other aspects of full capability.
An architecture has a scope: e.g. one division only
An architecture has a scope: e.g. one value chain only
Outside pressures for us and our customers provides motivation for a more adaptable business

Social
- Distribution of age in workforce, ...

Technological
- ERP, Social Media, Smart Phones, Web, ...

Economic
- Currency variations, ...

Environmental
- Carbon footprint, ...

Political
- Government changes, ...

Legal
- Regulatory reporting changes, ...

Our Business

- Social
- Technical
- Economic
- Environmental
- Legal
Our external stakeholders expectations define our ‘End’ results – Work backwards to Processes and Capabilities

- I need you to comply
- I need services as promised
- I need to pay my mortgage
- I need to sustain my business
- I need to realize my dream
- I need to pay my mortgage

Increase revenue profitability with positive cash flow (30%)
Sustain our license agreements (30%)
Sustain the quality of our products (15%)
Increase our service reliability (25%)
Decrease our environmental impact (5%)
Changing a Value Proposition strategy from its historical model: BC Civil Resolution Tribunal

### Goals

<table>
<thead>
<tr>
<th>Widened Scope</th>
<th>Original</th>
<th>Widened</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avoid Dispute</td>
<td>Avoid Facilitation</td>
<td>Avoid Adjudication</td>
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#### Approaches

- **Provide Access to Information and Knowledge**
- **Provide Party to Party Resolution Service**
- **Provide Party to Party Facilitation Service**
- **Provide Adjudication Service**
- **Provide Post Resolution Services**

- **Self Help**
- **Self Help**
- **Tribunal Facilitation**
- **Tribunal Adjudication**
- **Self Help**
Our high level business processes connect the outside to our inside

- Regulator
  - Regulations
  - Certification
  - Reports
  - Penalties
- Supplier
  - Supplies
  - Invoice
  - P.O.
  - Payment
- Owner
  - Ideas
  - Investment
  - $ Reports
  - Time
- Customer
  - Product
  - Invoice
  - Order request
  - Payment
  - Job
  - Pay
- Staff
  - Job Appl.
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A Business Process: About work that transforms and is of value

- A business process describes the work of an organization
- The work performed in a business process transforms physical or informational inputs into outputs
- The work performed must create value by satisfying stakeholder expectations (needs and experiences)
Connecting more dimensions to a process

- **Inputs**: What the process transforms
- **Guides**: What policies and rules constrain what the process can do
- **Enablers**: What resources the process uses, over and over (e.g. people, software applications, facilities)
- **Outputs**: What the process generates

A Process

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Each piece of work is part of at least one Business Process

From the organization on down, processes are made up of other processes. At each level, processes transform inputs into outputs that are valued by customers and other stakeholders.
Business Capabilities require Processes to align and enable Business Performance: change can happen in any or all segments

A Business Capability brings together the Business Process and all its associated resources to deliver its intended business performance results

- Organization Structure:
  - Formal
  - Roles and Responsibilities
  - Incentives

- Support Infrastructure:
  - Facilities
  - Equipment
  - Locations

- Enabling Technology:
  - Software Services
  - Applications
  - Data stores

- Human Capital:
  - Competency
  - Capacity
  - Motivation

- Policy & Rules:
  - Regulations
  - Policies
  - Business Rules

- Intent & Strategy:
  - Enterprise
  - Stakeholder
  - Process

- Business Process (Transformation)
Process and Capability alignment: Integrity among Business Processes, Capabilities and full Business Architecture

Common processes require shared capabilities delivered as shared services
Process-centric measurement categories

**Agility**
- Ease of change of products and services
- Ability to vary services
- Ability to handle exceptions
- Time to market
- Time / cost to change
- Resource capability
- Time / cost to handle non-standard requirements

**Quality**
- Consistency of outputs
- Responsiveness to requests
- Degree of Quality Standard compliance
- Counts of defects and complaints
- Cost of Non Conformance for compliance failure

**Effectiveness**
- How well we deliver results for our core customers
- As measured by the recipients of the services.
- Cost of non compliance to customer needs / expectations
- Incorporates what we want for the relationship and transactions

**Efficiency**
- Time
- Cost
- Resources utilized
- Input / Output counts
- Ratios of resources, cost and time with outputs
- Waste

*Process performance must be directly traceable to strategic performance objectives*
Tracing performance: Day to day process centric scorecard and continuing analytics
Concept Model: The Basis for Information, Decisions and Business Rules*
Integration of Processes, Decisions and Rules

- A service representative must be assigned to a received application not yet completed.
- The applicant’s credit score must be higher than the minimum published in the current credit risk table.
- The monthly repayment amount must be less than 25% of the applicant’s income.
- A application for a loan greater than $1 million must be approved by a Vice President.

- Is the applicant eligible for the loan?
  - Is the application complete?
  - Is the credit score above the minimum?
  - Are the loan risk parameters in range?

- Submit application for loan
- Determine credit score
- Decide credit worthiness
- Approve loan
Portfolio management Pain-Gain triage

- Pain
- Gain

- Current – Future gap
- Large Performance Gap
- Moderate Performance Gap
- No / Little Performance Gap

- Competent Commodity
- Best Practice Competitive
- World Class Differentiation

1/3 1/3 1/3
Architecture evolution: Structural and Cultural maturity proceed together

Focus on bringing the organization’s Cultural Level up

Ideal balance when both are at the same level

Focus on bringing the organization’s Business Process Capability Level up

Cultural Maturity

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Levels 4 - 5: Behavior is internally driven by individuals because they believe it is right.

Level 5: Innovative
- People proactively collaborate to innovate improvement, creating industry leadership / “expert” status.

Levels 1 – 3: Behavior is externally driven by somebody else, making individuals do what they do.

Level 4: Mastery
- Changes are internalized by individuals; changes “make sense,” are “owned” and have been mastered.

Level 3: Competent
- Externally driven changes are up and running; clear expectations are established; new status quo is developing; success is consistent.

Level 2: Basic
- Externally driven change is in process; practice and fine tuning are needed to improve inconsistent success.

Level 1: Initial
- Initial decision to change has been made; first steps being taken, compliance is externally driven.
Internal Stakeholder’s motivations must align with with outside needs

Owner

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Where does Business Architecture fit? The BPTrends Associates View

BPTrends Business Process Architecture Methodology
- Understand Enterprise Context
- Model Enterprise Processes
- Define Performance Measures
- Align Enterprise Capabilities
- Establish Process Governance

Process - Based Management
- Govern Enterprise Processes
- Prioritized Projects
- Process Performance Oversight

BPTrends Business Process Redesign Methodology
- Understand Project
- Analyze Business Process
- Redesign Business Process
- Coordinate Process Implementation
- Roll-Out Redesigned Business Process

Process Improvement
- Manage & Execute Business Processes
- Day-to-Day Process Management

On-Going Execution
- Govern Enterprise Processes
- Prioritized Projects
- Process Performance Oversight

Various IT & HR Methodologies
- Gather Requirements
- Design
- Develop
- Test

Resource Development
- Maintain Resources
- Continuous Improvement

Corporate Strategy
- Enterprise Level
- Process Level
- Implementation Level

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Summary: a set of starting business architecture principles

• **Clear Business Scope**: The business scope must be well defined and commonly understood.

• **Contextually driven**: The Business Architecture must be purpose driven, serve outside stakeholders, be strategically traceable and business performance motivated.

• **Comprehensive Domains**: All critical architectural domains of the scoped business must be covered and aligned not just ones of particular interest to a specific professional group. A Business Architecture is not for one purpose.

• **Associate do not Integrate**: Relationships among architectural domains are not hierarchies they are associations. The Capabilities and the Business Processes are linked through many to many associations not as sub components of any one to the other.

• **Organization Structure is Just a Domain**: Domains are not built around a specific organizational unit or structure.
Summary: a set of starting business architecture principles

• **An Abstraction:** Business Architecture is by nature a simplification of reality and compromises will have to be made.

• **Elegant Models:** Business Architecture Models should be simple yet powerful and not overly complex.

• **Notation Agnostic:** Business Architecture is not about driving a notation. Implementation notations are rarely suitable for architectural concepts. Traceability among levels is still essential.

• **Semantically Consistent:** Every domain component should be described using a consistent semantic structure. The associations must have similar semantic rigor.

• **Journey not a Destination:** There is no architectural destination. It’s a never ending journey. Get going with just enough architecture and learn how to evolve over time.
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Thank you