Business Architecture

A Balance of Approaches to Implementation

Business Architecture Innovation Summit – June 2013
Presenter: Andrew Sommers
Implementing Business Architecture at Capital Group

- Positioning
- Communicating
- Measuring
- Integrating
Measuring – What is the value of Business Architecture?

Business Architecture – The Hierarchy of Value

- Operational Strategy
  - Definition of the Target Operating Model: At a high level, align our business operations with our business objectives.
  - Designing Value Streams: Determine how services are delivered across our operating model in an effective and efficient manner.
  - Design the detail: Provide support to the detailed business and technology designs to implement the target operating model and value streams.

Business Architecture works across the organization to coordinate strategic business implementation.

Solutions

- Implementation of high-level business objectives
- Cross-organizational approach to coordinate change
- Communication of needs between business, risk management, and IT teams

Benefits

- High Level Business Objectives and Impact by Business Capability
- Business Capability Model: A Common Language of What We Do at Capital
- Implementation of Workflows, Process, and Metrics
- Communication with IT to Drive Technology Implementations

Useful information, but starting a discussion of Business Architecture from here was challenging.
If we have a successful Business Architecture practice, what are we able to do in 5 years that we cannot do now?

Some ideas:

- Provide a consistent method to directly link business objectives and drivers to the features that are required in our operating model, business processes, and technology solutions.
- Provide a consistent enterprise view of the organization to quickly understand the entire impact of a business proposal.
- Provide a consistent enterprise view of the organization to teams for analysis, planning, risk management, and support.
- Improve our ability to leverage people, process, technology and information solutions for the same capability across the organization.
- ...

But, what is it worth?
Placement is traditionally discussed in terms of our organizational chart

- Business Lead Management Services
  - Investment Operations
    - Equity Order Processing
    - Fixed Income Order Processing
  - Technology Services
    - Application Services
    - Infrastructure
  - Enterprise Architecture, Strategy, and Planning
    - Solution Architecture
    - Business Architecture
And we focus on developing organizational partnerships.
Integrating Business Architecture in the Strategic Planning Workflow

**Business Management Office**
- Strategic Business Objectives
  - Owns
  - Stewards
  - Consults
- Business Priorities
- Project Portfolio Management

**Business Architecture**
- Research on Business Practices
  - TOM and Workflow Design
  - Business & Technology Alignment

**Solution Architecture**
- Technology Vision

**Operational Team**
- Business Process Design

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**Develop the business operating model and workflow vision**

**Determine business and technology projects and priorities**

**Drive business needs and industry practices into technology requirements**

**Engineer the business operating model and processes to achieve the workflow vision**
Integrating – Our Initial Thoughts on a Continuous Improvement Program

Business Management Office
- Industry Metrics
- Business Metrics
- Continuous Improvement

Research on Business Practices
- Research on Business Practices

Business Architecture
- TOM and Workflow Design
- Business Design Methodology

Solution Architecture
- Technology Vision

Determine business and technology projects and priorities
Identify opportunities for improvement and the targets for the effort
Determine technology changes to coordinate with business changes
Identify business operating model and process changes to achieve targets

Operational Team
- Business Process Design

Stewards
Consults
Owns

Consults Owns Stewards
Integrating – Tools that Support the Relationships

Level 1
- Sales & Marketing
- Investment Management
- Customer Servicing
- Corporate Services

Level 2
- Investment Research
- Portfolio Management & Analysis
- Order Generation & Management
- Order Execution
- Trade Processing & Settlement
- Investment Accounting & Results

Level 3
- Pre-Trade Activities
- Trade Activities
- Post-Trade Analysis

Note: Represents a portion of the capability model

Our Business Architecture practice is capability based
# Integrating – Aligning Resources to Capabilities

## Workflow: Equity Order Execution

<table>
<thead>
<tr>
<th>Pre-Trade Activities</th>
<th>Market Research</th>
<th>Compliance &amp; Regulatory</th>
<th>Trade Activities</th>
</tr>
</thead>
<tbody>
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<td></td>
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<td>Determine any further adjustments due to market conditions and portfolio manager instructions</td>
<td>Validate all brokers can participate in the order</td>
<td>Release orders, monitor execution, and adjust orders per liquidity channel</td>
</tr>
<tr>
<td><strong>Portfolio Manager</strong></td>
<td>Provide instructions on order execution based on market conditions</td>
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## Information Consumed

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<th>Authorized Order</th>
<th>Broker Restrictions</th>
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## Information Produced

<table>
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<tr>
<th>Investment Research</th>
<th>Executed Order</th>
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### Capabilities
- **Capability**
- **Activity**
- **Information**
### Workflow: Equity Order Execution

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<td>• Provide an open channel for discussion with alert mechanisms • Capture the discussions as research content</td>
<td>• Leverage a common rules engine across all product types for a client • Provide visibility into activity per liquidity channel • Allow immediate adjustments to orders per liquidity channel</td>
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**Allows us to start thinking about operating model, business process design, and technology approaches.**
Integrating – Building the Technology Vision

Order Execution Platform

Trade Activities
- Release orders, monitor execution, and adjust orders per liquidity channel

Allocation Service

Pre-Trade Activities
- Determine the allocation of an order into channels of liquidity over time

Analytics Capture Service

Post-Trade Analysis
- Capture trade analytics by liquidity channel and review results

Research Communication Platform

Market Research
- Determine any further adjustments due to market conditions and portfolio manager instructions

Provide instructions on order execution based on market conditions

Enterprise Compliance Engine

Compliance & Regulatory
- Validate brokers can participate in the order

- Use liquidity channel level analytics in allocation decisions
- Quickly leverage additional liquidity channels
- Provide an open channel for discussion with alert mechanisms
- Capture the discussions as research content
- Leverage a common rules engine across all product types for a client
- Provide visibility into activity per liquidity channel
- Allow immediate adjustments to orders per liquidity channel
Determining value add for each engagement:

- **Time to Market**: By having a comprehensive view of our organization, the time to analyze entry into a new market was reduced by 30%.
- **Cost**: By reusing the standard workflows for our post trade processing upgrade, 120 hours of business analysis were saved.
- **Investment Decision Support**: By identifying the need for a communication platform for Trader / Portfolio Manager communications on trade issues, 90 hours per month of Portfolio Manager time was removed from the order execution process.
Measuring – How Effective Was the Result?

If we have a successful Business Architecture practice, what are we able to do in 5 years that we cannot do now?

- **Provide a consistent method to directly link business objectives and drivers to the features that are required in our operating model, business processes, and technology solutions.**
- Provide a consistent enterprise view of the organization to quickly understand the entire impact of a business proposal.
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- Improve our ability to leverage people, process, technology and information solutions for the same capability across the organization.
- ...
Investment Management Operations: Value Principles

- **Time to Market**: By having a comprehensive view of our organization, the operational capacity to support new products increased by at least 20%.

- **Investment Decision Support**: By improving alignment of business needs to technology features in the trading platform, 10 basis points of annual return was added by reducing trading drag.

- **Investment Decision Support**: By identifying the need for a communication platform for Trader / Portfolio Manager communications on trade issues, an additional 5% of unique content has been added to our research library.