The Business Architecture Approach to Formulate and Implement a Strategy that Leverages the Business Ecosystem

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The Difficulties Organizations Face while Formulating and Implementing their Strategy

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Key Group of Activities in the Formulation, Implementation and Execution of a Strategy

Analyze external and internal environments of the organization, formulate and analyze strategy alternatives and choose the most appropriate

Motivate the members of the organization to embrace change and be on the lookout for events and new insights to make the necessary adjustments to improve the formulation, implementation and execution of the strategy

Engage and Govern

Formulate

Strategy

Execute

Implement

Operate the organization in perfect alignment with the strategy

Identify and execute the transformations required so the organization can execute its strategy
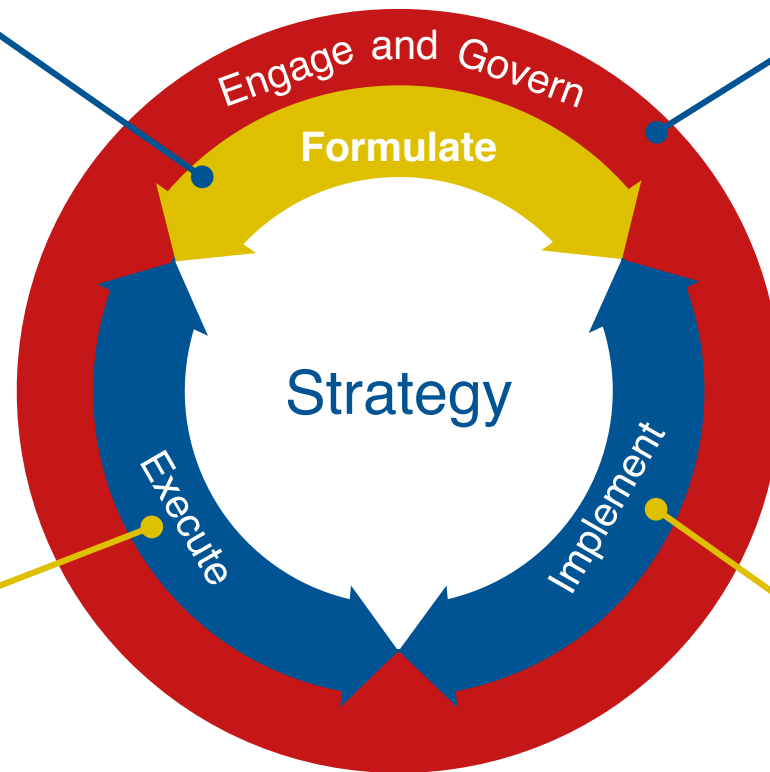
A Transformation = A lasting change (i.e., acquisition/creation, modification or sales/retirement) made to a "building block" of the organization

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Most Organizations Are Still Facing Important Difficulties in Their Strategic Endeavours

45% of organizations are satisfied with their strategy formulation process
(McKinsey Quarterly, 2007)

61% of organizations have difficulties implementing their strategy
(The Economist Intelligence Unit, 2013)

Up to 70% of organizations are unable to execute their strategy
(Fortune, 1999)

50-90% of strategic initiatives are failures
(Candido et Santos, 2015)

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The Main Causes of These Difficulties (1/2)

The organization does not have a real strategy

Result: The organization has great difficulty in making the right choices to differentiate itself positively from its competitors

The feasibility analysis of the strategy alternatives are not rigorous enough

Result: The organization discovers too late that it does not have the means to implement its selected strategy or that competitors, with greater means and a similar strategy, are implementing it at a faster pace

The strategy is communicated without explaining how it will be implemented

Result: Members of the organization do nothing or do things that are at odds with each other and with the strategy

The long-term financial plan and yearly budgets are not aligned with the strategy

Result: Strategy implementation costs are underestimated and the financial performance improvements are largely overestimated

The transformation projects are poorly selected

Result: Selected projects are designed primarily to solve local issues rather than actually implementing the strategy

People focus too much on the short term

Result: The implementation of the strategy is constantly delayed and opportunities are missed

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The Main Causes of These Difficulties (2/2)

Priorities are not clearly defined

Result: The organization tries unsuccessfully to do everything at the same time

The transformation projects are executed in a sub-optimal order

Result: Transformations cost more and take more time than they should while potential synergies are lost

The needed mid- to long-term business transformations are not identified

Result: The IT team is continually in a reactive mode and more often than not only "patches" IT systems which makes more difficult to evolve in the future

The budgeting process impairs strategy implementation

Result: Transformation capacity is wasted and, in doing so, the implementation of the strategy takes too much time

The leadership is inadequate

Results: Members of the organization resist change

The organization does not take sufficient account of internal and external events

Results: Some issues are never resolved and opportunities are missed

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Current Best Practices Are Not Enough

Several best practices have been proposed to help organizations address the causes of these difficulties

Unfortunately, they are insufficient to completely resolve all of the difficulties

There is a missing link

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The Missing Link:
The Business Architecture
Approach

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What Is the Business Architecture Approach?

A rigorous organizational-transformation strategic planning approach

Based on proven methods used in major construction projects

Overall Plan

Target Business Architecture

Master Schedule

Transformation Plan

Engineering Team

Business architecture team

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What Is an Architecture ?

The fundamental organization of a system embodied in its components and the relationships that each of these components have with each other and with the environment

Adapted from the ANSI/IEEE 1471-2000 standard
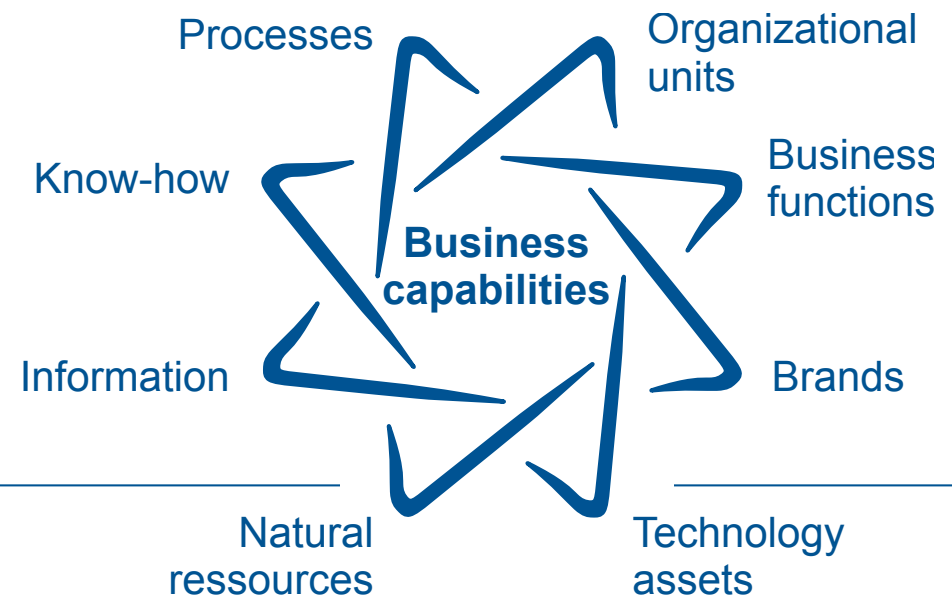
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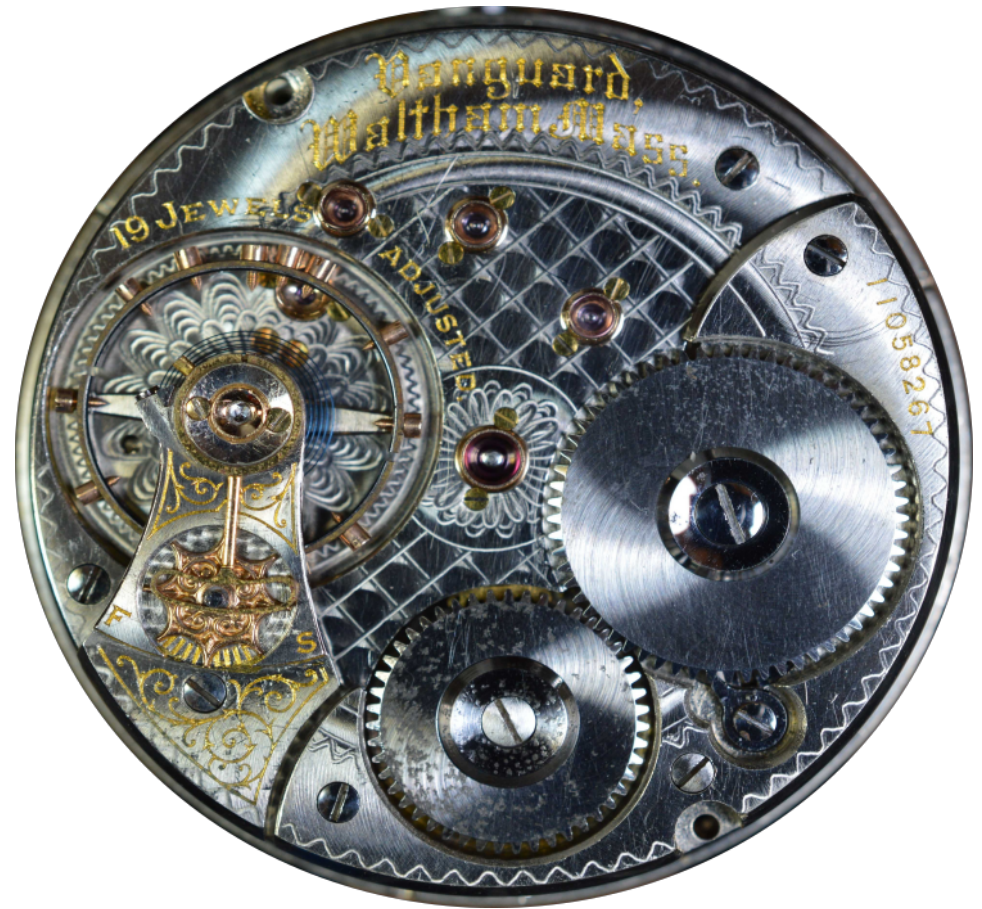
What Is a Target Business Architecture?

Describes how the organization will have to function
in the future to be able to execute its strategy in full

It identifies the business architecture building blocks required together with their key characteristics and how they must work together

… and how they will need to work with these building blocks

Processes
Organizational units
Know-how
Business capabilities
Business functions
Information
Brands
Natural ressources
Technology assets

✿ The target business architecture must be designed in increments, each of which focuses on one or a few slices of the organization at a time (e.g., a process or organizational unit)
✿ The order in which the slices are designed must be based on their importance to the implementation of the strategy
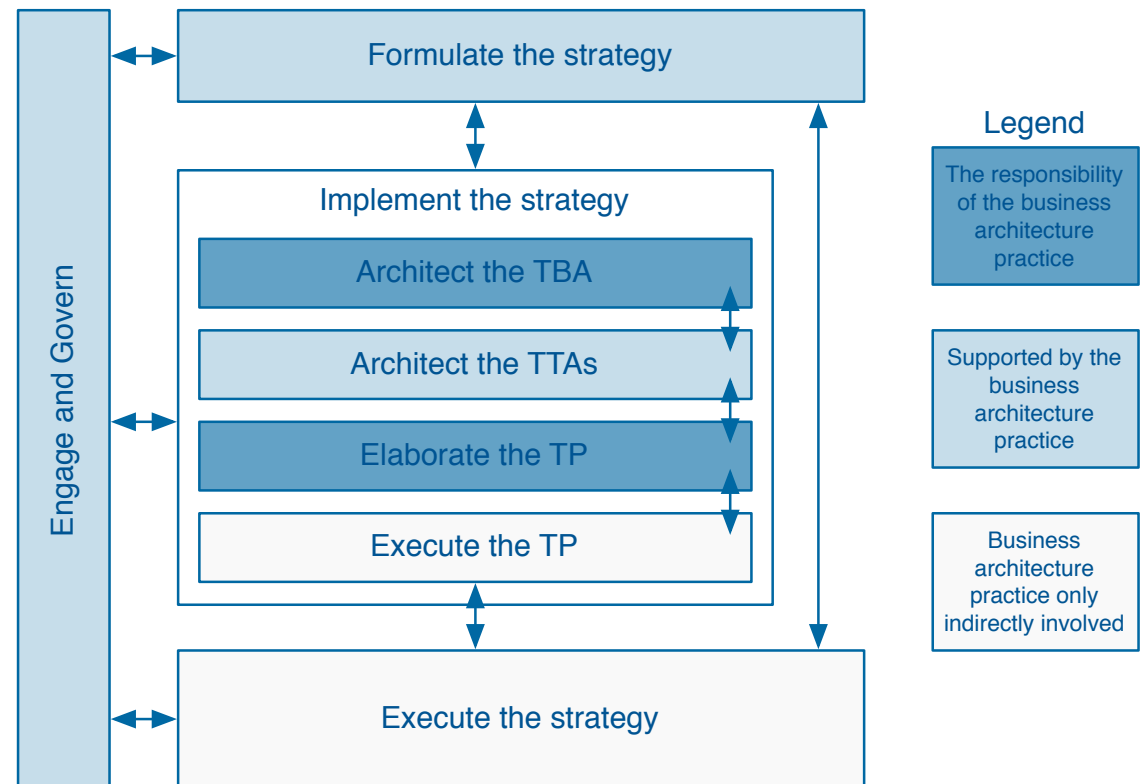
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What Is a Transformation Plan?

The transformation plan (TP) identifies and sequences the transformation projects that must be executed during the next three to five years in order to improve the organization's ability to execute its strategy

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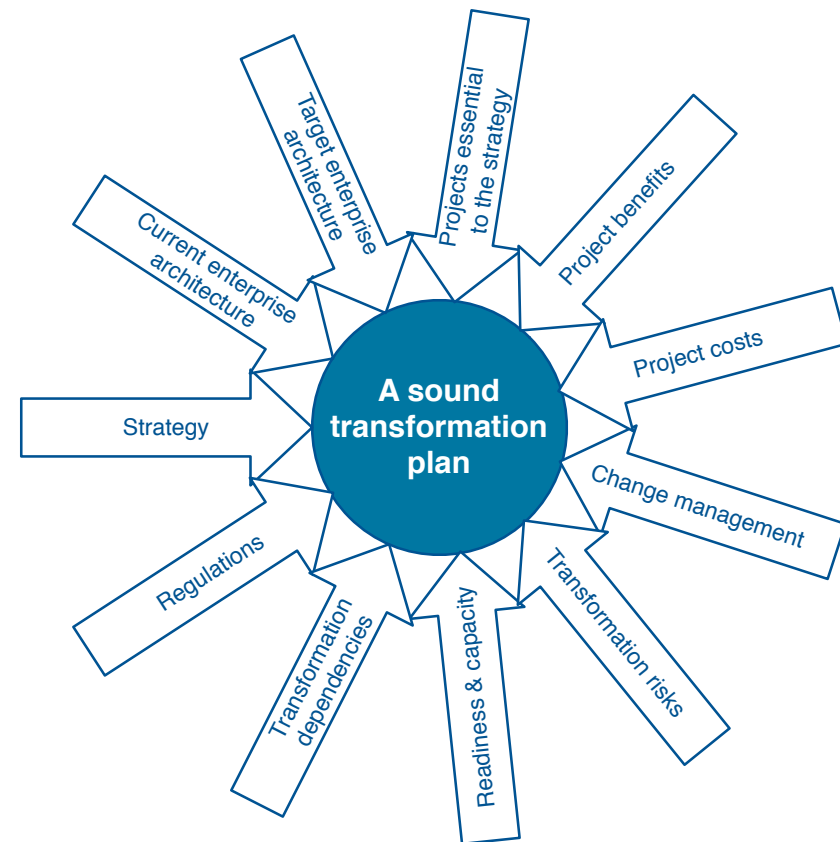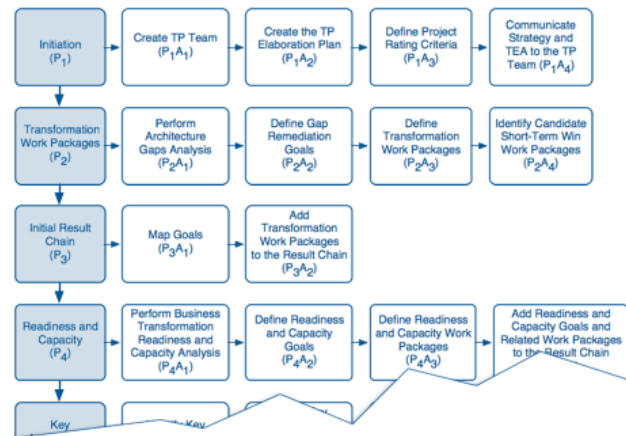
What Is the Business Architecture Practice?

Responsible for architecting the TBA and elaborating the TP, and contributes to other strategy formulation, implementation and execution activities

Formulate the strategy

Engage and Govern

Implement the strategy

Architect the TBA

Architect the TTAs

Elaborate the TP

Execute the TP

Execute the strategy

Legend

The responsibility of the business architecture practice

Supported by the business architecture practice

Business architecture practice only indirectly involved

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The Role of the Business Architecture Practice in the Strategy Formulation Process

Start → Initiate the strategy formulation process → Define values, mission and vision → Assess external environment / Assess internal environment → Define and analyze strategy alternatives → Select final strategy → End
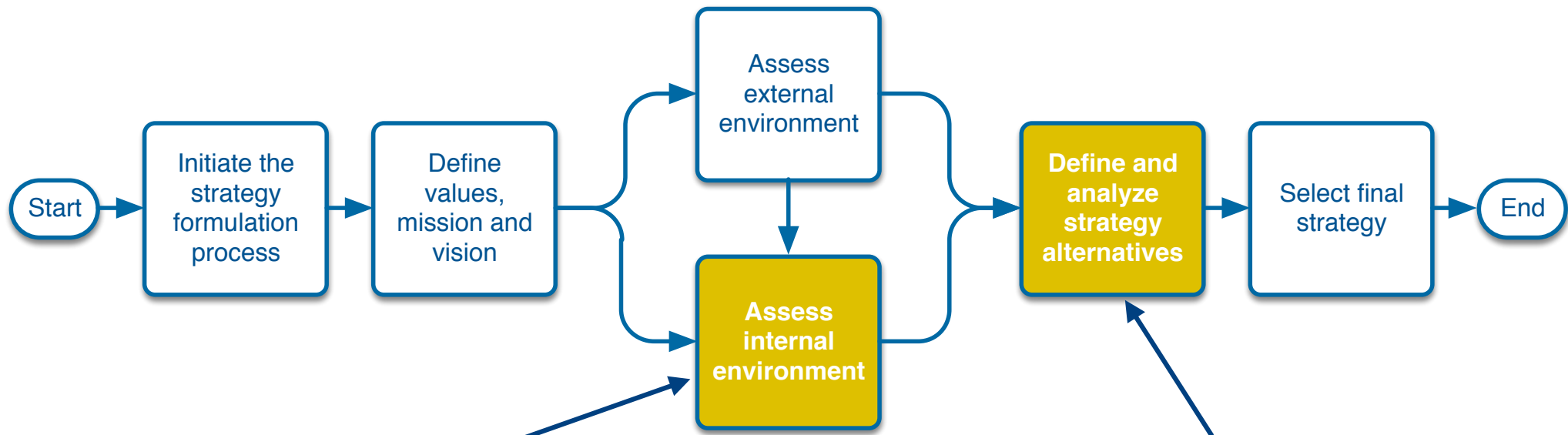
Identifies the strengths and weaknesses of the organization's capabilities
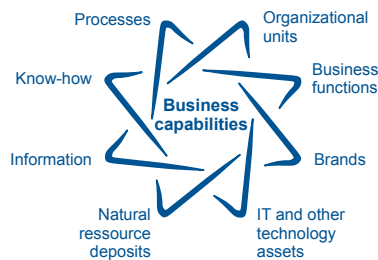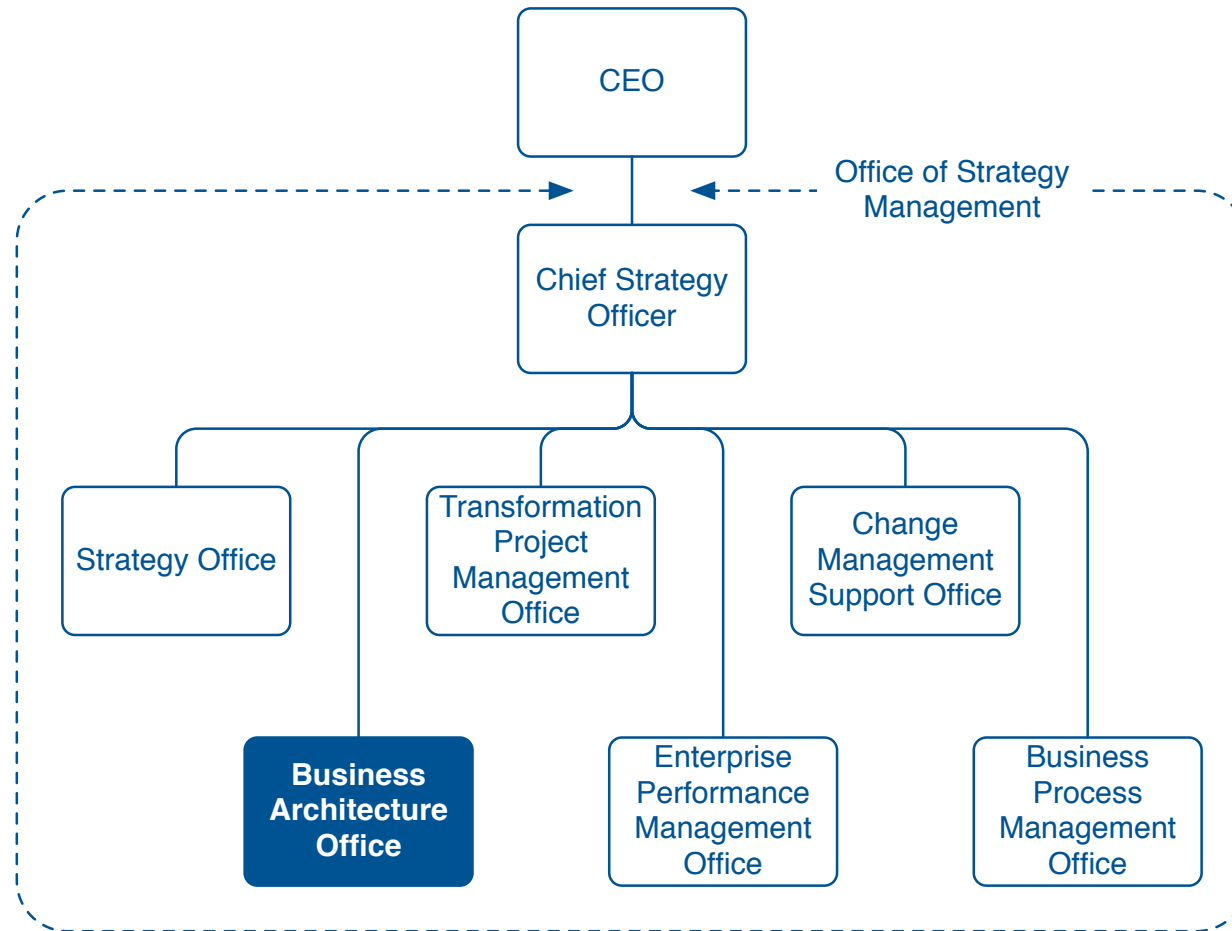
Helps assess the feasibility of each strategy alternative by creating an outline of the TBA and TP for each of them

Business capabilities: Processes, Organizational units, Know-how, Business functions, Information, Brands, Natural ressource deposits, IT and other technology assets

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Business Architecture Team Should Work for the Chief Strategy Officer

CEO

Office of Strategy Management

Chief Strategy Officer

Strategy Office

Transformation Project Management Office

Change Management Support Office

Business Architecture Office

Enterprise Performance Management Office

Business Process Management Office

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Using the Business Architecture Approach to Leverage the Business Ecosystem

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Partner Ecosystem - an Example
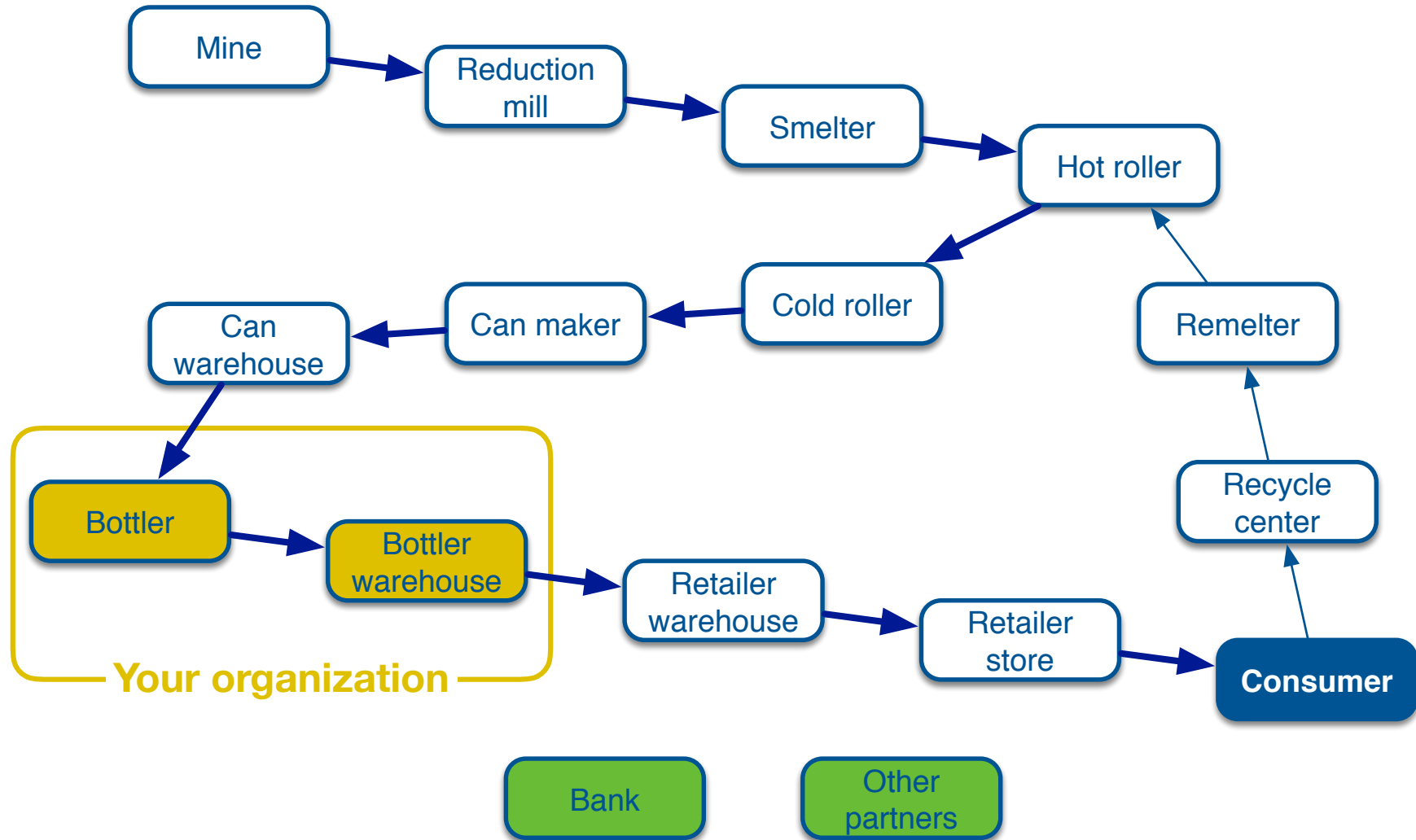
Three Scenarios

Acquiring new or upgrading existing capabilities through outsourcing

Helping your supply chain partners optimize their internal architecture
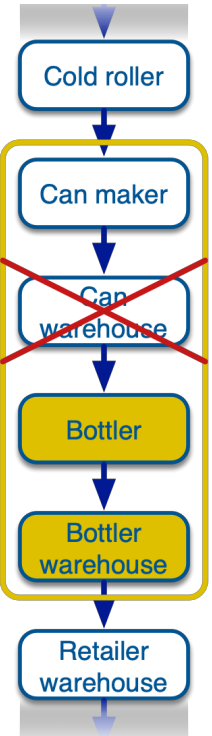
Optimizing parts of your supply chain

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Scenario 1: Acquiring New or Upgrading Existing Capabilities Through Outsourcing

Steps	Activities	Done during strategy …	Role of the business architect	Example
1	Identify the capabilities your organization needs to acquire or improve	Formulation	Support	Process electronic payments
2	For each of the identified capabilities, decide whether they need to be built internally or outsourced to a partner	Formulation or implementation	Support	Outource
3	For each of the capabilities that must be outsourced, select the right partner	Formulation or implementation	Support	to PayPal
4	Link the partner's capabilities to those of your organization	Implementation	Support and control	Sell on the website ↔ PayPal

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Scenario 2: Helping Your Supply Chain Partners Optimize Their Internal Architecture

Steps	Activities	Done during strategy …	Role of the business architect	Example
1	Identify supply chain partners whose better performance could help improve yours	Formulation	Support	Similarly to Toyota's TPS deployment approach
2	Train and coach the selected partners on using the business architecture approach to improve their performance (and yours)	Implementation	Support	

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Scenario 3: Optimizing Parts of Your Supply Chain

Steps	Activities	Done during strategy …	Role of the business architect	Example
1	Identify opportunities to optimize your supply chain	Formulation	Support	
2	Select the right partner(s)	Formulation or implementation	Support	❈ Combine in one plant operated by both you and your can making partner
3	Design the target business architecture related to the opportunity	Implementation	Lead	
4	Elaborate the transformation plan	Implementation	Lead	❈ Eliminate Can Warehouse
5	Execute the transformation plan	Implementation	Support	

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The Benefits of the Business Architecture Approach

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Benefits of the Business Architecture Approach

Effectiveness　　　　**Efficiency**　　　　**Agility**

When well integrated into the strategy management system, the business architecture approach enables organizations to strike the balance between urgency and diligence that is essential to the successful formulation, implementation and execution of a winning strategy
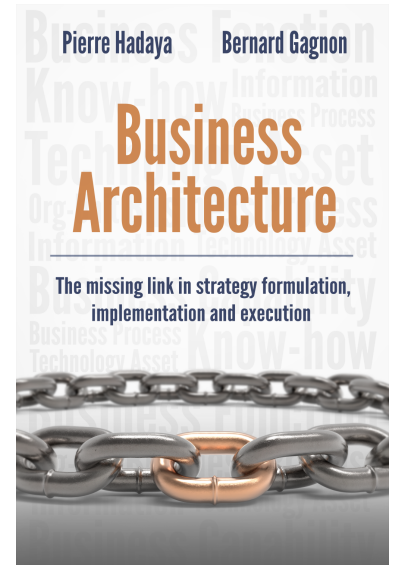
These benefits are even more important when the business architecture approach is used to optimize the organization and its business ecosystem

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For More Information

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Business Architecture

The missing link in strategy formulation, implementation and execution

Available on Amazon

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