# Business Architecture: a Key to Leading the Development of Business Capabilities

## Brent Sabean

## Abstract:

*Relatively few enterprises consider themselves to be "agile", i.e., able to adapt what they do and how they do It to changing needs in a timely manner. To become more agile, an enterprise in any sector needs to establish or improve a critical business management activity: "business capability management". This in turn requires that an enterprise have three key things: a way to describe the capabilities it requires, a way to describe how it enables those capabilities, and a management process that ensures effective dialogue among "leaders" and "managers" in making the various decisions that affect business capability so that they are properly aligned or "meshed".  In my view "business architecture" is the "language" that enables the required descriptions and dialogue.*

## What is Business Capability Management?

I subscribe to the notion that an enterprise must simultaneously and interdependently manage three key things: business strategy, business performance, and business capabilities.  Strategy management involves defining what the enterprise is in business to achieve and how it intends to do that. Performance management involves developing and implementing plans, and exercising control to achieve targeted business results. Most enterprises understand and are reasonably good at strategy and performance management. Business capability management, on the other hand, is not a strength of most enterprises.

My working definition of a business capability is "the ability of an enterprise to perform an activity required to achieve a specific business purpose that contributes to the overall success of the enterprise, i.e., an enterprise has a business capability if can do something that it needs to do, as well as it needs to, in order to achieve an outcome that contributes to the overall results of the enterprise." To have a business capability an enterprise must have the resources, especially people, capable of performing the tasks comprising the activity, and those tasks must be performed in the context of a defined business process that guides and integrates them to achieve a common purpose. For example, enterprises must be able to: manufacture products, acquire human resources, plan and control production operations.  Of course, higher level capabilities need to be decomposed into a hierarchy of contributing capabilities.

Similarly, my working definition of business capability management is, "the set of business activities aimed at ensuring that an enterprise has the business capabilities it requires, that they are enabled in the best way and that they are changed or replaced to adapt to changing needs and opportunities". Business capability management involves in particular the planning, implementation and adaptation of business processes, and the acquisition, provision and maintenance of process-enabling resources, especially people and their tools (increasingly IT based business applications).

It is important to note that the capability to manage business capability is itself a key business capability that supports and enables leaders to rapidly change the capabilities of the enterprise to achieve their strategic intent.

## Communication between Leaders and Managers often Constrains Effective Business Capability Management

In a recent client engagement, I was asked to help a new company in the technology industry assess its plans to further develop its business capabilities. The company was well past the start-up phase and had established itself in its target market.  At the time it was at the point of scaling up rapidly to capitalize on its opportunities.  As in most start-ups, it had put in place its basic capabilities quickly and with minimum investment, and they had evolved to meet "pressure points" as they emerged. The senior executives recognized that they needed to take a more strategic approach to ensure that they were building a solid foundation for the future. In particular, they wanted some advice and assistance to ensure that they were putting in place the right business processes and supporting IT based business applications. I was asked to assess the company's current and planned initiatives for developing those key elements of business capability.

I spent a week or so talking to key executives and managers and reviewing the main planning documents. (As an aside, a consulting colleague of mine calls this step in a consulting engagement "Chat and Photocopy".)   What I discovered was that the plans for developing the key components of business capabilities were, in and of themselves, "good" plans. What was missing was an overview of its key business activities and their relationships, (a.k.a., a "business capability map") that could be used to show how all the development initiatives were contributing to establishing or improving the company's ability to perform those activities.  I helped them put together a "first-cut" version of that capability map and we used it to show that by and large the various initiatives were addressing the pressing needs to improve business capability.  What was more difficult to establish was that the initiatives were aligned with the company's strategic direction and priorities.

This was brought home when the VP responsible for providing IT support to the business described the feedback he had received from the CEO, and the rest of the executive team, on his plans for IT development.  As the IT manager explained, he had presented an overall enterprise IT architecture to put in context a set of projects to acquire or develop business applications and for making IT infrastructure enhancements.  In his retelling of the meeting, the reaction of the executives was summed up by the observation made by the CEO, that while the "wiring diagram" (his reference to the IT architecture) appeared to be comprehensive, he had difficulty relating it to the company's future needs and priorities.

On reviewing the various plans, especially the IT plans, I had also observed that while the company's strategic intent was well defined, the plans to develop the various components of business capability (i.e., business processes and enabling resources) were not explicitly tied to strategic requirements.  To address that issue, I introduced a framework developed some twenty years ago by Dr. Peter Keen that he called the Management Fusion Map[1].

## The Management Fusion Map: A Framework to Improve the Dialogue between Leaders and Managers around Business Capability and Business Architecture

 In the introduction to his article, Keen observes, "When every leading firm in an industry has access to the same information technology resource, the management difference determines competitive advantage or disadvantage. The management challenge is to make sure that business processes, people and technology are meshed, instead of being dealt with as separate elements in planning and implementation."

---

[1] Keen, Dr. Peter, "Information Technology and the Management Difference: A Fusion Map", IBM Systems Journal, Vol. 32, No. 1, 1993.

We used this framework to assess how the various development plans aligned with the overall strategic requirements of the company, and with each other..  Some significant changes in the plans resulted, particularly in the IT plans.

The following diagram illustrates the basic ideas of a business capability management (BCM) framework based on Peter Keen's concepts.
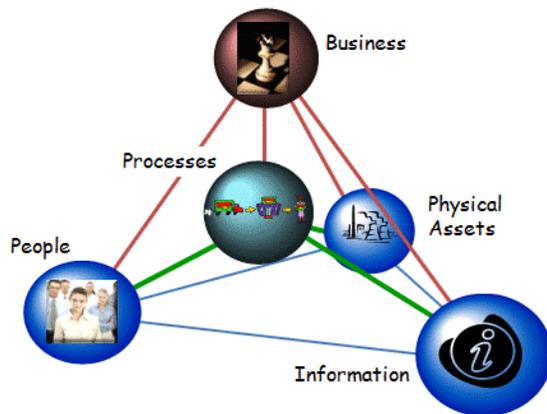


Copyright Performance Innovations 2012

Decisions regarding the key elements of an enterprise need to be harmonized in building and managing business capabilities. The key elements are: the business overall (especially its positioning in the marketplace), business processes, and enabling resources (people; information and related resources, especially IT; and physical assets such as facilities and equipment).

For each element, starting with the business overall, there are a two interrelated sets of issues and decisions: leadership issues typically addressed by those providing overall direction to the enterprise (boards, legislatures, executives); and management issues, addressed by those assigned responsibility for some specific aspect of the business. Ideally, they are addressed interdependently so that decisions can be properly aligned.

That of course requires effective communication. Leaders must ensure that managers understand their direction, and managers must communicate how their decisions align with that direction. But that is more easily said than done. It goes beyond merely exchanging information on decisions and plans. Ensuring mutual understanding and real alignment requires collaboration and synergy which in turn requires a dialogue.

By virtue of their roles, leaders and managers have different focuses and different perspectives. The nature of decision-making, particularly with respect to planning, also tends to differ. Leaders engage more in what can be termed "innovative planning" which tends to be unstructured. Managers engage more in "analytic planning" often applying structured decision making frameworks from their respective disciplines or professions (e.g., finance, marketing, IT, HR).

An analogy between leaders and managers might be architects and engineers. Typically architects are expected to come up with innovative solutions or designs to meet a set of requirements. Obviously their designs must be constrained by engineering feasibility. But it is the engineers that must translate the architect's design into a set of detailed blueprints based on specialized analysis and planning. Although maybe not a complete analogy, it perhaps explains the problem that can occur when an IT manager puts forward an IT "architecture" which is in fact a set of engineer's blueprints and appears to an executive to be a "wiring diagram".

The chart below lists some of the key leadership issues that need to be addressed for an enterprise to continuously adapt to change. (Note: The chart is not intended to be complete or prescriptive. It is intended to be illustrative. However, the premise is that it is a highly valuable exercise to construct such a context-specific chart for any enterprise.)

## Leadership Issues

|  | Knowledge Anchors (Relevance) | Strategic Intent | Imperatives/ Strategic Gaps | Big Decisions |
|---|---|---|---|---|
| **Business** | Market trends Stakeholder expectations SWOT | Mission, Vision Business scope Value proposition Goals, KPI's | Business capabilities | Business Model |
| **Processes** | State of industry practices | Strategic positioning Performance targets | Business processes | Operating Model |
| **People** | State of industry skills, practices/ trends | Strategic positioning | Jobs, skills, culture, behaviour | Organization Model |
| **Information** | Technology trends, new products, adoption, application State of Industry practices/ trends | Strategic positioning | Information, IM capabilities | IM Model I/T Platform |
| **Physical Assets** | Technology trends, new product s, adoption, application State of Industry practices/ trends | Strategic positioning | Assets/ asset management capabilities | Asset Management Model |

Business Capability Management Issues      Business Architecture Issues

I have used Keen's framework on several occasions and clients have always found it to provide valuable insights. Of late I have revisited it in the context of reviewing ideas being put forward under the headings of "building business capability", "business architecture", and "business process management". The ideas go a long way toward ensuring that "business processes, people and technology are meshed" to use Keen's terms. However, it seems to me that there is an opportunity to achieve better meshing by more explicitly identifying the key leadership and management decisions that need to be made, and understanding the linkages or "fusion" required

to achieve that better meshing. In particular, I think it lends itself to explaining what is meant by "business architecture".

## The "Big Decisions" Define an Enterprise's Business Architecture

You can find several definitions of business architecture. My working definition is quite simple: a business architecture is the overall design of an enterprise.

In his framework, Keen calls for explicitly recognizing the "big decisions" made by the enterprise's leaders that guide how the organization will be positioned in the marketplace, how it will operate, what resources it will use and how they will be managed.  In my view, those big decisions define the business architecture.   The resulting enterprise design styles are often referred to as "models". Thus, in the context of Keen's framework, I consider the following models which reflect the big decisions to constitute the business architecture:

- The Business Model, i.e., how the enterprise is going to go to market (lines of business/ value chains, channels, partnerships, value networks)
- The Operating Model, i.e., how it's going to carry out its key business activities, particularly the degree to which its processes are going to being standardized, integrated and shared across its lines of business and value chains; and the
- The Capability "Enabling" Models, i.e., how it's going to organize and manage the people, information and other assets that enable the Operating Model

Only ten to fifteen years ago, there were only a few basic business models depending on where enterprises wanted to position themselves in various industry-specific  value chains, and the degree of vertical integration they wanted to achieve (e.g., wholesaler, retailer, franchisor).  Value "networks" involving producers, operators, suppliers, sales channels and distributors tended to be "real", in that they were based on well-defined alliances among enterprises.

In recent years, it has become increasingly possible to separate the physical operations of an enterprise from the related information and money flows. This has enabled new business models to emerge which involve more participants operating together in more loosely defined "virtual value networks". It has also changed the relationships of the enterprise with its customers or clients. Increasingly, customers are coming from multiple channels, rather than directly to the enterprise.

Similarly, in the past, operating models tended to be easier to define based on the degree of integration and standardization desired across the enterprise. Enterprises were typically structured as one or more companies, the latter being managed as conglomerates.  Individual companies operated along a spectrum from highly standardized/ centrally controlled business units, to autonomous/ decentralized business units. Now, based on their business models, enterprises need to decide how to position their business processes in the context of one or more (increasingly virtual) value networks.

In the same vein, enterprises need to decide what enabling resources (people, IT, physical facilities) they need internally, and what external resources they can or need to use. In the context of IT, this is where the notion of "the cloud" is addressed. But the same notion applies to complete business processes.

## Our Ability to Describe Business Architecture is Improving

As I mentioned at the beginning of this article, I have revisited Keen's framework in the context of reviewing some new ideas being put forward under headings such as business architecture, business process management, and enterprise IT architecture.  The related disciplines are all aimed at making enterprises more "agile". If they are viewed in the context of Keen's framework

they can be seen to be complementary subsets of the broader management activity, "business capability management"

There are two initiatives in particular that I have been monitoring that in my view are headed in the right direction: the efforts of the recently established Business Architecture Guild, in collaboration with the OMG, to create a body of knowledge around the development and use of an enterprise business architecture; and the efforts of the organizers of the Building Business Capability conference.

Notwithstanding some issues regarding terminology, both these initiatives explicitly recognize the need for enterprise business capability management (in addition to enterprise performance management). And both are taking a more holistic view of capability management. In particular, they are identifying the need to better integrate the management of business strategy and the development and management of business capabilities. In my view though, they need to go farther in distinguishing between leadership and management issues based on concepts such as Peter Keen's.

## The Continuing Challenge is to improve the Dialogue around Business Architecture

Despite the progress being made in the development of conceptual frameworks to aid in business capability management, I think the key challenge still remains to achieve a more effective dialogue among leaders and managers regarding the decisions they make.

The first step in my view is for enterprises to adopt business capability governance models that distinguish between leadership and management issues and that encourage the right involvement of the right people at the right times to foster the appropriate dialogue. In parallel, the business architect community, including practitioners, academics and standards bodies, should seek to develop standard governance models. To do that, they should engage enterprise leaders as well a business architecture practitioners.

In my experience, an indicator of the need for more dialogue is the fact that few conferences, or education and training programs, target or are successful in attracting both leaders and managers. In fact, to some degree they seem to exacerbate the situation by introducing what leaders often perceive as more "jargon".

Unfortunately, the situation does not appear to be improving as rapidly as one would hope with respect to ensuring that, "business processes, people and technology are meshed." But I think with initiatives such as those noted above, significant progress is being made in better understanding what decisions need to be aligned and how they are related. The challenge now is to ensure that leaders and managers share that understanding and engage in the dialogue required to achieve real alignment.

-------

## Author

Brent Sabean, MBA, CMC, is a BPTrends Associates Senior Consultant with over thirty years of experience helping organizations improve their performance and adaptability particularly by better managing their business capabilities. Earlier in his career Brent worked with some of the major consulting firms, including Coopers and Lybrand and American Management Systems, where he lead practices oriented to helping clients plan and implement strategic changes. He has assisted several large enterprises in both the public and private sectors, to develop comprehensive

business architectures that integrate and align the enterprise's strategic intent, key business processes, and enabling resources.

**BPTrends Linkedin Discussion Group**

We created a BPTrends Discussion Group on Linkedin to allow our members, readers and friends to freely exchange ideas on a wide variety of BPM related topics. We encourage you to initiate a new discussion on this publication, or on other BPM related topics of interest to you, or to contribute to existing discussions. Go to Linkedin and join the **BPTrends Discussion Group.**