

# Business Architecture as Value Proposition Enabler

Yuri Blyke

In observing a new business architecture initiative within an organization, we have noticed that the motivation behind this initiative is typically driven by some issue or a “pain point” identified by the senior management. These “pain points” become apparent after a realization that some capability is no longer adequate to get the organization to its target goals. In such situations a business case will be built showing a positive ROI after the problem is remedied. This justifies the financial managers within the organization to allocate funds for the business architecture project. For example, during a recent consulting engagement a major New York bank identified serious deficiencies with its new commercial client on-boarding capability. These included disjointed business processes, contradictory or non-existent procedures, gaps in regulatory compliance, and a cumbersome reporting structure. A business architecture development initiative was sponsored by senior executives to address what was considered an existing threat to the bank. After completing the business architecture analysis focusing on the new client on-boarding and defining all critical components related to this capability, a project road-map was developed with specific business transformation goals in mind.

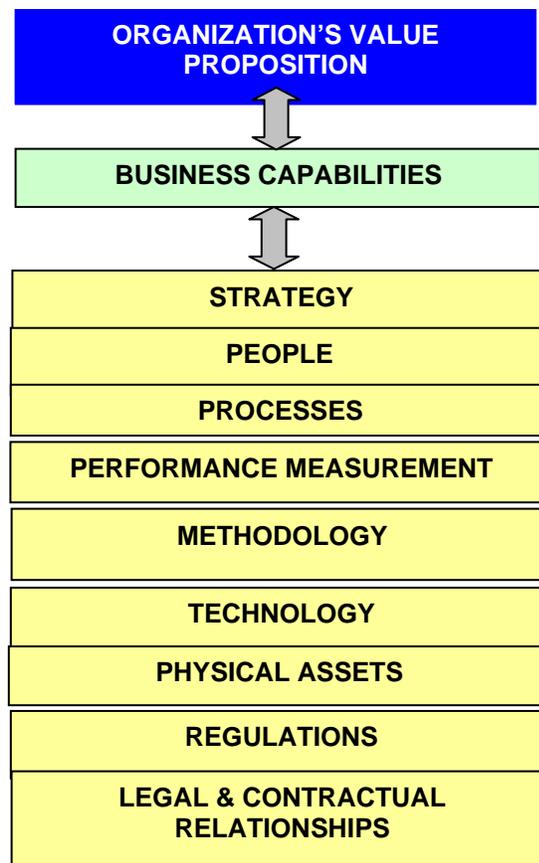
So far we've discussed a very reactive approach to business architecture development where an inadequate performance or a problem forces leadership to act. Reaction to a problem is the most common trigger for starting business architecture activities analogous, in our personal lives, to visiting a doctor and getting treatment after becoming ill. In the rest of this Article I would like to propose a pro-active approach to business architecture development that narrowly focuses on the organization's core value proposition.

When senior leadership is asked to describe the value proposition of their organization they may say something like ...“we will provide our customers with high quality widgets supported by a 24/7 help desk and a life time warranty” or “our widget will beat the highest efficiency standards and will be offered at an affordable price”. In order to deliver on its value proposition an organization must have capabilities that can do that. These capabilities provide the enabling infrastructure as well as the prerequisite for continuous success and must be the focus of the management team and leaders at all levels within the organization.

At this point I feel obligated to provide my definition of the “capability” since there is a lot of confusion and controversy around this concept among business architecture practitioners. I view “capabilities” as a collection of methods, processes, technological and human resources that work cohesively to deliver on organization's value proposition and provide a distinct advantage in the market place. A prime example of this in action is Walmart's logistics capability. It consists of highly efficient product distribution and warehouse inventory management system coordinated with a large fleet of company owned trucks. Although emulated by its competitors, Walmart still outdoes its competition through a unique way of combining various components of its logistics capability.

When defining capabilities that support a value proposition, we should focus on unique, core capabilities that really differentiate an organization from its competition and provide it with an advantage. These would **not** include processes, systems, and other resources that, although necessary, are merely needed to keep the “doors open” and the “lights on”. Such activities and resources should be viewed as business functions required for any organization just to stay in business and do not offer any competitive advantage. Although it may seem that the identification of core capabilities shouldn't be difficult since it should be obvious to the leadership team what makes their organization successful, clearly defining and framing a set of unique capabilities is often very challenging in practice. An iterative discussion that includes different perspectives may be advisable in order to get to the essence of what makes an organization competitive in the marketplace and makes its value proposition viable.

After we've defined our value proposition and identified core capabilities that support it, we are ready to focus on the key components of developing the business architecture. As we already discussed above, an organization's capability is really an interaction between various resources under its control. These resources are basically of three types: human, physical, and intellectual. They may include skilled employees, technology and machinery, strategies and methods, legal and contractual relationships, government regulations and compliance rules. Although this list is not exhaustive, it is sufficient to build a model for our purposes here. How well an organization combines and manages these resources, or what we would call components of its capabilities, determines its ability to deliver on the value proposition. In other words, business processes must be designed to be efficient and effective, must be executed by well-trained staff, and must be supported by appropriate technology. Additionally, business processes must be aligned with the organization's strategies that are derived from its value proposition, and processes must be continuously monitored to measure their performance. To actually do all this in the most optimal way and to do it continuously is no trivial task. But here is where the full power of business architecture plays a critical role.



In our proactive approach to defining business architecture, we would decompose our distinctive core capabilities into their constituent components (see figure above) and identify various relationships among these components. To capture information about these components and their interrelations as well as the ability to continuously monitor these relations and dependencies is the main rationale behind the business architecture development effort within the organization. This is true for the following reasons. If we understand what makes us successful down to the constituent parts and are aware of how changes in the business environment will affect our organization, then we are able to deliver on our value proposition, meet the expectations of the marketplace, and have an advantage over our competition.

In conclusion I would like to reiterate that by defining and maintaining business architecture for core business capabilities that support the organization's value proposition we are providing the company's leadership with a very powerful tool. The leadership team will have greater insight into what is really important within their company when it comes to allocating investment dollars; it will be able to model changes to strategy and see potential business outcomes; it will be able to quickly determine the needed operational adjustments from changes in the marketplace; it will be able to identify the impact on the organization's capabilities and their constituent components when there is a major shift in company's direction that changes its value proposition. In addition, a business architecture that is focused on the organization's main reason for existence - its value proposition - and developed around the core business capabilities, will serve as a great foundation for further development of architectural components for other important but less critical areas of the company.

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#### Author

**Yuri** has over 15 years of experience in business process analysis working with leading organizations in the financial services, government, and higher education institutions. He has developed an expertise in improving organizational capabilities and aligning business process execution with strategy. Yuri applies sound business architecture analysis and design principles to enable organizations transition to a higher level of performance, as well as sustain and continuously improve long term performance. On client engagements Yuri works with the project team to define the business architecture, design process architecture and model process flows, identify business capabilities, process metrics and performance indicators, lead analysis and design for workflow automation

Yuri Blyke [yblyke@bpmstrategy.com](mailto:yblyke@bpmstrategy.com)

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