Down Under

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 Authors: *Business Process Management
Practical Guidelines to Successful Implementations and
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Enterprise Alignment and Business Processes

There is much discussion within BPM programs and projects about ensuring they have strategic alignment. But what exactly does this mean and how do we achieve it?

Conventional wisdom would have us believe that we must ensure that the program specifically adds value to the strategic objectives of the organization. There must be an agreement and alignment between the project/program and at least one of the organization's objectives.

But is this all we need? We will explore, in this brief Column, what is required for an organization to be 'truly' aligned in all aspects.

Traditional approach

Many organizations' IT departments work extremely hard at producing an IT strategy that a BPMS system must conform to. IT strategies are always a difficult thing for IT to determine and explain in a simple way and then gain agreement for from the business. There is also the added difficulty of the Business versus IT divide – how do they engage? How do we get the best out of IT and avoid the continual bottleneck restricting business agility?

Business driven alignment

Figure 1 shows how this alignment can be achieved from the very top of the organization with Organization Strategy being the driver. The strategy devised by senior executives will **suggest** a number of possible Business Operating Models (BOM) to management. The BOM selected must be an appropriate model for the organization (we will discuss what a BOM is in a moment).

Once the Business Operating Model has been determined, the execution of a BOM will **require** the creation of specific Business Capabilities (to enable the delivery of the BOM) and it is these required capabilities that **drive** the creation of the three components: People (organization structure, etc); Technology (IT strategy); and the Process (approach and architecture) within the business.
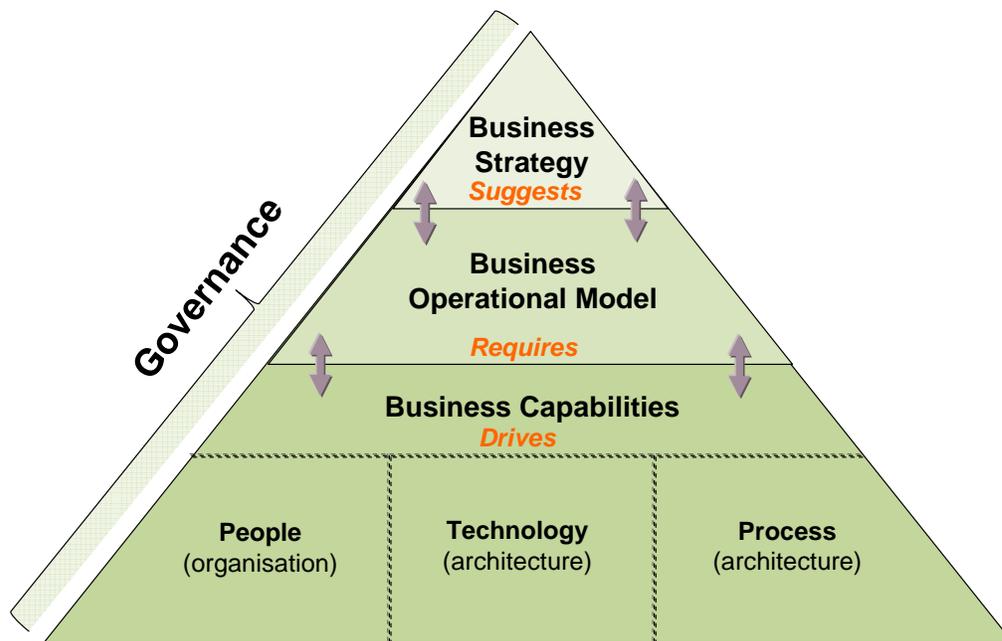
Figure 1 – Enterprise Architecture and Alignment

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In order for a business strategy to be implemented the organization must establish a set of rules of how the business will be conducted, this is referred to as the Business Operating Model. However, it should be understood that a Business Operating Model is not something trivial for an organization to change. It is intrinsic to the way an organization works hence it retains more of an emergent nature rather than an episodic one.

The model includes, but is not limited to: what is the high level business value chain; what products and services will be sold; via what distribution channels; locations; and the degree of business integration and standardization desired. Some call this the Business Architecture, and it must always remain holistic and pragmatic. For example, organizations often develop new products from scratch rather than re-using product components, resulting in higher development and maintenance costs.

Let's spend a moment examining how an organization would review and determine the degree of business integration and standardization required for it to support its strategy (refer to figure 2.
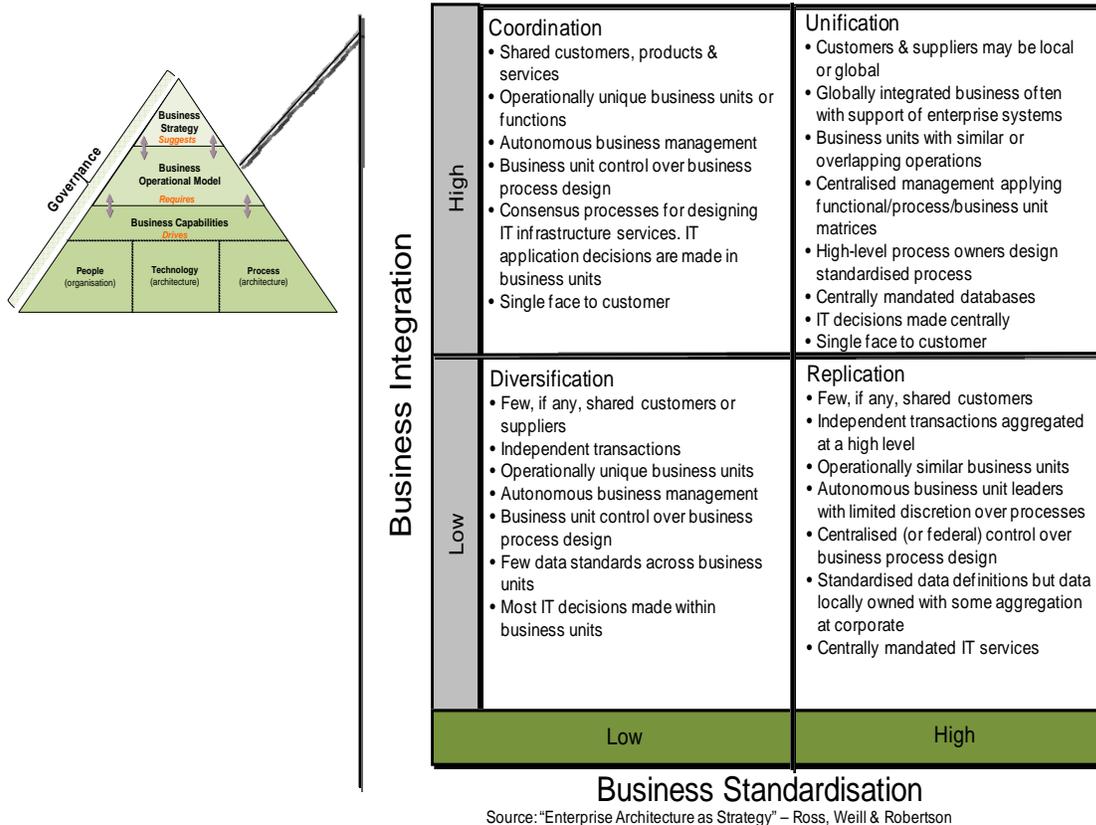
	Business Standardisation	
High (Business Integration)	**Coordination** • Shared customers, products & services • Operationally unique business units or functions • Autonomous business management • Business unit control over business process design • Consensus processes for designing IT infrastructure services. IT application decisions are made in business units • Single face to customer	**Unification** • Customers & suppliers may be local or global • Globally integrated business often with support of enterprise systems • Business units with similar or overlapping operations • Centralised management applying functional/process/business unit matrices • High-level process owners design standardised process • Centrally mandated databases • IT decisions made centrally • Single face to customer
Low	**Diversification** • Few, if any, shared customers or suppliers • Independent transactions • Operationally unique business units • Autonomous business management • Business unit control over business process design • Few data standards across business units • Most IT decisions made within business units	**Replication** • Few, if any, shared customers • Independent transactions aggregated at a high level • Operationally similar business units • Autonomous business unit leaders with limited discretion over processes • Centralised (or federal) control over business process design • Standardised data definitions but data locally owned with some aggregation at corporate • Centrally mandated IT services
	Low	High

Source: "Enterprise Architecture as Strategy" – Ross, Weill & Robertson

Figure 2 – Business Operating Model (as adapted)

In the original research that generated this matrix (Ross, Weill, Robertson[i]) labeled the axis as *Business Process Integration* and *Business Process Standardization*. We think that labeling them "Business Process" while correct, is a difficult 'sell' to management, and the simple terms *Integration* and *Standardization* will be easier to sell and be more readily understood and accepted. The two critical questions that answer which quadrant the organization wishes to live in are:

1. "To what extend is the successful completion of one business unit's transactions dependent on the availability, accuracy, and timeliness of other business unit's data?

2. To what extent does the company benefit by having business units run their operations in the same way?" [ii]

Without a clear understanding of the answers to these questions, an organization cannot effectively, and certainly optimally, understand the foundations that the Business Operating Model will create for the organization. In order for the business to organize itself to deliver the operating model, it will need to establish many capabilities. These capabilities are created as a combination of People, Process and Technology, where each dimension is intrinsically linked to each other.

People, process and technology architecture

The People component will include: organizational structure; roles and responsibilities; reward structures; and people or human policies. While technology needs to support the People component, much will need to be known of the Process component in order to design the organizational structure.

The Process component also requires several capabilities and frameworks (or architectures). These will include: process architecture framework; process groups/models; high level value

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chains; list of end-to-end business processes; and a benefits management framework (to name but a few).

The Technology component will also require the answers to the above two questions. However, the fundamental premise is that the technology component is constrained by the Business Operating Model. For example, if an organization does not need to share data across business units, then any effort to establish an organization wide data warehouse will deliver minimal benefits. From this perspective, the effort expended to build business unit specific data marts will deliver the most benefits. IT strategy should be reflective of these constraints.

These answers, together with other information, will drive the creation of the organizations IT strategy and entire organizational Enterprise Architecture. The Technology component is the supporting aspect for the organization to automate many of the processes throughout the organization.

Conclusion

The proposed approach addresses the critical flaw within most approaches to organizational alignment and architecture - the engagement of the business and the **actual** use and adherence to the principles within the various required architectures.

Architecture is often seen by the business as delivering too little value too late. It is critical to understand that architecture is not a goal in and of itself and must support the objectives of the organization[iii]. Alignment and architecture are never complete and should only get better over time, providing increasing value to the organization.

Enterprise alignment is critical and needs to be well thought through and explicit if we are to create the foundations that will lead to optimization of the organization.

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[i] Ross, J.W., Weill, P., Robertson, D.C., *Enterprise Architecture as Strategy, Creating a foundation for business execution,* Harvard Business School Press, 2006

[ii] Ross, J.W., Weill, P., Robertson, D.C., *Enterprise Architecture as Strategy, Creating a foundation for business execution,* Harvard Business School Press, 2006, p.30

[iii] Wagter, R, van den Berg, M, van Steenbergen, M, DYA Dynamic Enterprise Architecture