Delivering Actionable Strategy through Business Architecture

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Overview

• Defining strategy and strategy mapping
• Strategy in the business ecosystem
• Mapping frameworks
• Leveraging business architecture to make strategies actionable
• Mapping strategy to initiatives
• Driving business strategy through IT solutions
What is Strategy & Why Map It?

• Strategy may be defined as:

  – “the pattern or plan that integrates an organization’s major goals, policies and action sequences into a cohesive whole” *

• The strategy map represents various aspects of strategy in readily digestible ways

• Strategy mapping is a business architecture discipline

Breaking Down Strategy into Parts

• Aspects of strategy include some basic core concepts
  – Goal: The end toward which effort or ambition is directed
  – Objective: Specific, time-targeted, measurable, attainable target that an enterprise seeks to meet in order to achieve its goals
  – Action Item (or Tactic): Decomposed aspects of a strategic plan that highlight what is to be done to deliver on a given objective
Business Strategy Challenges

• Businesses may not have a strategy
• Businesses may not share strategy with key stakeholders
• Strategy is not articulated in useful perspective to make it actionable
• Strategy is good, but does not translate into actionable results, projects, funding or solutions
Benefits of Strategy Mapping

• Strategy Mapping Benefits*

1. Supports organizational alignment
2. Assists organizations in adapting rapidly to competition, market factors
3. Enables the rationalization of initiatives
4. Supports value and capability-centric investment
5. Provides ability to monitor an organization’s progress towards objectives

• Strategy maps provide common baseline on which to base actionable plans that result in defined, funded initiatives

*Source: A Guide to the Business Architecture Body of Knowledge (BIZBOK™), Section 2.1, Release 3.1
Various Strategy Mapping Options

• Selected, commonly used strategy derivation and mapping frameworks
  – Business Model as input to Business Strategy
  – Strengths, Weaknesses, Opportunities, Threats (SWOT) analysis
  – Five Forces Model (Porter)
  – Norton Kaplan “Strategy Map”
  – Business Motivation Model (BMM)
  – Hoshin Kanri

• Approaches range from providing input to strategy to offering a framework for representing strategy
Business Model Frameworks are Useful in Defining Input to Strategy

- **Business Model**: “A business model describes the rationale of how an organization creates, delivers, and captures value.”*

- Business models are gaining popularity with management

- Books such as Osterwalder’s Business Model Generation provide insights into modeling creativity

- Executives are creating their own business models to motivate their organizations

- Business models can coexist with business architecture and are not in competition or an alternative to business architecture

*Business Model Generation, Osterwalder, Alexander and Pigneur, Yves, Self-Published, 2010, Page 14
### Sample Business Model Canvas for Insurance

<table>
<thead>
<tr>
<th>Key Partnerships</th>
<th>Key Activities</th>
<th>Value Propositions</th>
<th>Customer Relationships</th>
<th>Customer Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Agents</td>
<td>- Building Reseller Relationships</td>
<td>- Customer Service</td>
<td>- Source for All Insurance Needs</td>
<td>- Commercial</td>
</tr>
<tr>
<td>- Advertisers</td>
<td>- Building Agent Relationships</td>
<td>- One Stop Shopping</td>
<td>- Investor Confidence</td>
<td>- Residential</td>
</tr>
<tr>
<td>- Resellers</td>
<td>- Regulatory Management</td>
<td>- 24 Hour Access</td>
<td>- Continuous</td>
<td>- Specialty Needs</td>
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<tr>
<td></td>
<td></td>
<td>- Personalized Service</td>
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<tr>
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<tr>
<td>- Reinvestment Capital</td>
<td>- Building Reseller Relationships</td>
<td>- Customer Service</td>
<td>- Source for All Insurance Needs</td>
<td>- Commercial</td>
</tr>
<tr>
<td>- Agent Network</td>
<td>- Building Agent Relationships</td>
<td>- One Stop Shopping</td>
<td>- Investor Confidence</td>
<td>- Residential</td>
</tr>
<tr>
<td>- Product Catalog</td>
<td>- Regulatory Management</td>
<td>- 24 Hour Access</td>
<td>- Continuous</td>
<td>- Specialty Needs</td>
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<tr>
<td></td>
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<td>- Personalized Service</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost Structures</th>
<th>Revenue Streams</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Personnel Costs</td>
<td>- Initial Sale Revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Outsourcing Costs</td>
<td>- Annual Policy Renewal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Reseller Fees</td>
<td>- Special Fees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Agent Royalties</td>
<td></td>
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<td></td>
<td></td>
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*Business Model Generation, Osterwalder, Alexander and Pigneur, Yves, Self-Published, 2010, Page 14*

- Canvas provides executives with a common framework of critical business focal points
- Each focal point or combination of focal points can trigger a set of objectives that would be incorporated into the overall strategy
SWOT Analysis

• SWOT analysis assesses a business’s Strengths, Weaknesses, Opportunities and Threats

<table>
<thead>
<tr>
<th></th>
<th>Helpful</th>
<th>Harmful</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal</td>
<td>Strengths</td>
<td>Weaknesses</td>
</tr>
<tr>
<td>External</td>
<td>Opportunities</td>
<td>Threats</td>
</tr>
</tbody>
</table>

• Basic approach involves listing factors in each category and using these to formulate strategy

• For example:
  – Strength: Technological skills
  – Weakness: Poor distribution channel availability
  – Opportunity: Changing customer tastes
  – Threat: Closing geographic markets
Porter’s Five Forces Model*

- Five Forces Model provides insights into pricing, costs and profitability**
- Five Forces Model provides a finer grain analysis of competitive scenarios as input to strategy

**Source: Understanding Michael Porter, Margretta, Joan, HBR Press, 2012, Chapter 2
SWOT & Five Forces Model Drive
Strategy Formulation

• SWOT and Porter’s Five Forces Model enable strategy formulation

• Other strategy mapping frameworks further strategy formulation and articulation
Norton Kaplan Strategy Map*

Norton Kaplan Strategy Maps

- Consider the difference between Porter’s Five Forces Model and the Norton Kaplan (N/K) Strategy Maps (per Robert Kaplan):
  - “Porter's work helps managers formulate their strategy. Our [N/K] work provides the discipline to ensure that the formulated strategy has specific objectives for shareholders and customers, an explicit customer value proposition, the critical internal processes for creating and delivering the value proposition, and aligned human resources, information technology, and organization culture.”

Source: Mapping Your Corporate Strategy, HBR Working Knowledge Interview with Robert Kaplan

- Strategy map offers a framework for articulating strategy in a variety of contexts

- Strategy maps, in some cases, try to frame implied solutions by introducing processes into the framework (e.g. Norton Kaplan Strategy Map)

- Introduction of implied solutions must be tempered when mapping strategy to business architecture (which is not process-centric)
Defining Objectives within the Strategy Map

• Can begin at top defining high-level strategies
  – Expand Revenue Opportunities, Enhance Customer Value, etc.
  – And then define lower level customer, internal and supporting objectives to feed these high-level strategies

• Or begin at lower levels
  – “Recognize customer at any point in lifecycle, regardless of how customer contacted company”
  – And then abstract these into higher level perspectives

• Objectives must then have corresponding action items, which become strategic directives
Business Motivation Model (BMM) – Representing Strategy

Figure 7.1 BMM Overview

Source: Business Motivation Model (BMM), www.omg.org/spec/BMM
Hoshin Kanri – Interpreting Strategy

- Hoshin Kanri provides transitional perspective moving from Mission/Strategy through Goals/Action items
- Enables simple decomposition through management layers

- Begins with mission and strategy
- Ties strategy to objectives
- Aligns objectives with measurable goals
- Goals are then mapped to action items

Source: http://www.hoshinkanripro.com
Using Business Architecture to Turn Strategy into Actionable Results

- Business uses business architecture to assess issues, visualize impacts of vision and strategy, and drive transformation strategy and solutions

<table>
<thead>
<tr>
<th>Business Strategy</th>
<th>Articulated Via</th>
<th>Business Architecture</th>
<th>Enables</th>
<th>Actionable Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mission and Vision</td>
<td>Policy, Rules and Regulations</td>
<td>Organizational Alignment</td>
<td>Well articulated business priorities</td>
<td></td>
</tr>
<tr>
<td>Goals and Objectives</td>
<td>Executive Priorities</td>
<td>Business Capabilities</td>
<td>Business-driven roadmaps &amp; funding</td>
<td></td>
</tr>
<tr>
<td>Customer Requirements</td>
<td>Strategy and Tactics</td>
<td>Information Concepts</td>
<td>Collaborative projects / initiatives</td>
<td></td>
</tr>
<tr>
<td>Strategy and Tactics</td>
<td></td>
<td>Value Streams</td>
<td>Business-driven IT architecture transformation strategy</td>
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- Most organizations bypass the second stage – Business Architecture
Business Architecture Can be Used to Influence Strategy

- Strategy enrichment and derivation can result from having a well-defined business architecture as input
- Heat mapped value stream stages serve as basis for deriving objectives and action items
- Value stream stage / capability mapping highlights problematic capabilities that require action
- Capability and value stream heat map and impact ratings provide useful insights to business objectives and action items based on need
- Tying capabilities and value streams back to business units further highlights scope of strategic impact
### Business Strategy, Objective, Business Architecture Mapping Example

<table>
<thead>
<tr>
<th>Strategy:</th>
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<tr>
<td>Achieve complete transparency of a Loan for all internal and external stakeholders</td>
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</table>

<table>
<thead>
<tr>
<th>Business Objective</th>
<th>Business Challenge</th>
<th>Business Architecture Impact</th>
</tr>
</thead>
</table>
| Loan officer is notified of any loan activity for an assigned loan | Loan defaults processed without knowledge of loan officer refinancing the loan | Value Streams:  
- Manage Loan Change Request  
- Process Loan Default  
Capabilities:  
- Case File Management  
- Pipeline Management  
- Notification |

- Strategy and objective mapped and aligned to a summary of the challenge that needs to be addressed
- Provides executives and planning teams a shared perspective on what aspects of the business are affected by this issue
- Value steam and capability focal points provide basis for next level of analysis
• Value stream / capability cross-mapping identifies all capabilities enabling that value stream
• Highlighted capabilities are linked directly to business strategic objective
### Business Strategy, Objective, Business Architecture and Initiative Drilldown Example

<table>
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<th>Strategy: Achieve complete transparency of a Loan for all internal and external stakeholders</th>
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<tr>
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- Previous version of this mapping view has been extended to incorporate initiative and KPI (key performance indicator)
- “Loan Handling Modernization” initiative business scope involves two value streams and three capabilities
- Value stream / capability mapping to IT architecture provides context and scope for business / IT transformation planning and related project definition
Initiative Task Analysis and Estimates Based on Targeted Capabilities, Value Streams

- Initiative focuses on first stage of value stream and specific capability within this stage
  - Tasks necessary to address both stage level and capability related issues define scope of project
  - Estimates for this work are based on business changes required and automation level improvements requires
Using Hoshin Kanri to Map Initiatives to Strategic Objectives & Key Performance Indicators (KPI)

- Adaptation of Hoshin Kanri provides a simple way to show how initiatives map to strategic objectives and KPIs, and how strategies map to those same objectives and KPIs.

Source: IAG Consulting

As-Is Business Architecture

Business Transformation

Synchronization of Business / IT Transformation

IT Transformation

Synchronization of To-Be Business Architecture & To-Be IT Architecture

As-Is IT Architecture

To-Be IT Architecture
Summary Discussion

• It is not enough to have a strategy or vision if it is not actionable

• Strategy becomes actionable when the impacts can be assessed against concrete aspects of the business

• Business architecture provides the means for tying strategy to business perspective, funded initiatives and IT architecture impacts

• Deployment roadmaps should tie back to strategy
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