

Update

Business Architecture: Part VI — Enabling Innovation and Business Model Transformation

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In Part II of this *Executive Update* series, we introduced the business-driven transformation roadmap.¹ This roadmap differs from a typical project roadmap because it focuses on transforming how organizations deliver stakeholder value and improving underlying business capabilities from a business, versus IT, perspective. Here in Part VI, the final installment of the series, we discuss practice-based approaches to delivering innovative, actionable, and highly effective business solutions.

Value streams and capabilities collectively provide the baseline that enables a business to visualize, articulate, and prioritize a wide range of requirements across various business scenarios. The particular scenario we

will use here to define actionable solutions involves moving from a product line-centric business model to a customer-centric model. Customer centricity has become a priority for executives seeking to streamline customer value delivery across redundant, poorly synchronized business units. This *Update* focuses on bringing customer and transactional transparency to key stakeholders when and where required. This scenario additionally promotes delivering customer-focused innovations while reducing design- and implementation-related complexities required to achieve such a strategy.

LEVERAGING BUSINESS ARCHITECTURE IN ESTABLISHING INNOVATIVE BUSINESS DESIGNS

Consider the three value streams shown in Figure 1 illustrating three critical value delivery views: Acquire Loan, Manage Loan Change Request, and Process Loan Default. At any point in time, a customer may have multiple loans for various product lines across different business units. This is not uncommon, even in small-to-midsized enterprises, and the issue of managing multiple views is not isolated to loan management, or even financial institutions. A provider of communications services, for example, often sends multiple service

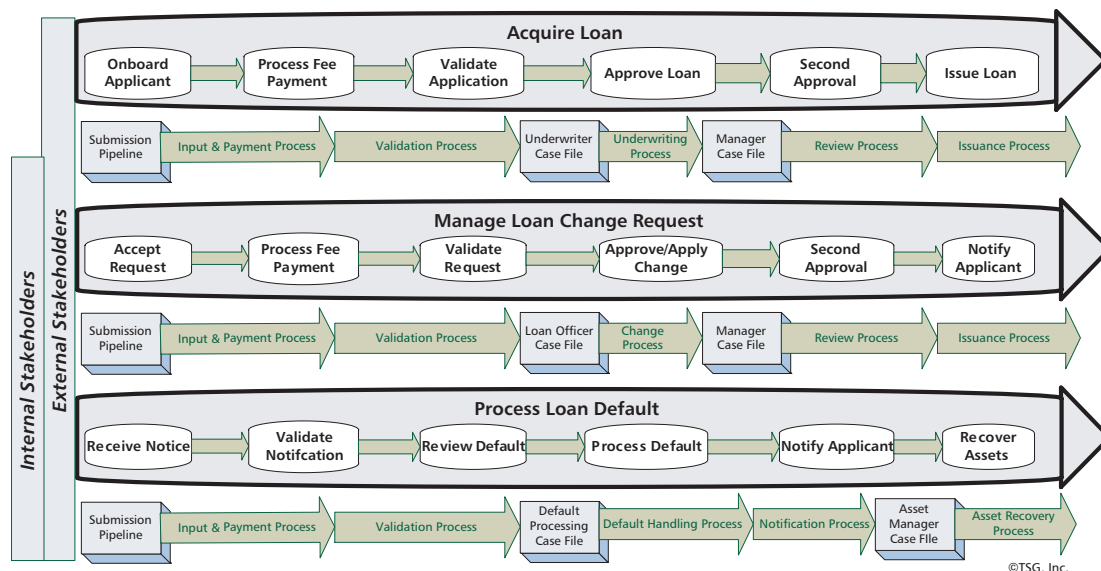


Figure 1 — Three loan value streams.

trucks to a customer site for cable work, Internet adjustments, and telephone problems when one service team could accomplish these same tasks. While the communications and loan examples highlight a lack of transparency in dealing with customers, similar examples run across a wide variety of industries.

In another communications company example, a customer cancelled all landline, mobile, cable, and Internet services due to poor treatment received in relation to the use of a phone card. In this case, there was a lack of visibility showing that this customer held multiple accounts for various products. Losing a single customer may be of minimal impact, but treating hundreds of thousands of customers in this fashion will have a detrimental impact on the bottom line. The fact is that businesses are running blind, losing customers and market share, and struggling to shift toward customer-centric business models.

Organizations seeking customer centricity often go straight to a technical solution, thinking that cloud architectures, SOA, the latest software package, or another US \$100-million project will solve their business problems. But business challenges require business solutions. In this case, the solution involves stakeholder and transactional transparency along with the ability to address competing, conflicting, or otherwise simultaneous transactions, activities, and customer interactions. While technology will certainly be part of the solution, technology in the absence of a well-articulated business strategy will not deliver a viable result. Business architecture provides the framework for envisioning and articulating business strategy.

HARSH REALITIES OF RUNNING BLIND

The three value streams in Figure 1 enable a business to envision simultaneous, conflicting scenarios within a financial institution that issues and manages loans. In this example, a customer holding a loan may have encountered a situation where it defaulted. That customer, upon receiving notice of default, seeks to modify the loan and resolve the situation before losing his home. The customer requests a restructuring of the loan, triggering the Manage Loan Change Request value stream. While the customer request moves

through a series of underwriter reviews and approvals, the Process Loan Default value stream continues to proceed through the default, notification, and asset recovery stages of this value stream. A lack of transparency across business units results in the customer losing his home, even though the defaulted loan was being restructured.

Losing your home when you thought the mortgage company was working in good faith is a harsh reality for the customer — as well as the company holding the mortgage. Asset management for assets recovered in loan defaults is not a capability that many financial institutions are good at, or truly embrace. While the process treated the customer harshly, the mortgage company is now stuck with a house it must figure out how to unload — all because one set of stakeholders ran blindly through one value stream while another set pursued a conflicting course, resulting in default.

Traditional approaches to achieving customer centricity typically involve modeling a given process from end to end, attempting to address situational complexities, parallel movement of a case, and exception handling that can occur across multiple value streams. In a small organization, this may be appropriate. But in a large, multidivisional, and multiproduct line enterprise, predictive end-to-end process modeling loses its ability to predictably envision and accommodate every scenario and exception that can arise across product lines. As a result, executives throw up their hands and claim that solution deployment teams are trying to “boil the ocean.”

Frustration then results in curtailing project scope, which leads to silo-oriented solutions. While the implementation may be more manageable, silo-based deployments constrain transactional transparency and restrict the ability to move toward customer centricity. In reality, these challenges only appear complex because management has no framework from which to view the situation and envision an actionable strategy. Viewing solutions through the complex lens of predictable process modeling prevents executives from strategizing in the best manner. Various solution options become apparent, however, when one views it through the lens of business architecture.

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BUSINESS SOLUTIONS: ADDRESSING COMPLEXITY THROUGH THE LENS OF SIMPLICITY

The value streams in Figure 1 allow management, planning teams, and analysts to envision the dynamics associated with the creation, evolution, and end-of-life of a loan. The goal is to achieve complete visibility of a given loan transaction at any point in time, regardless of the actions being applied to that loan by one or more stakeholders. As a result, a product line manager or underwriter in a different business unit can readily see that a customer has had multiple loan defaults and terminated contracts for other financial services involving that customer.

One way in which analysts can apply value streams to envision options for achieving customer centricity through transparency is to augment these views with business design views. For example, Figure 1 shows value streams augmented with stakeholder in-boxes or “dockets.” Each docket is associated with various stakeholders involved in delivering value at that stage of the value stream. For instance, the state of a particular account or case immediately makes that account appear within an underwriter’s docket. For clarity, we further augmented the views in Figure 1 with processes that each value stream stage may dynamically trigger, depending on the overall situation at the time. We commonly find these concepts in the business concept entity called “case management.” Case management is “a method or practice of coordinating work by organizing all of the relevant pieces into one place — called a case.”²

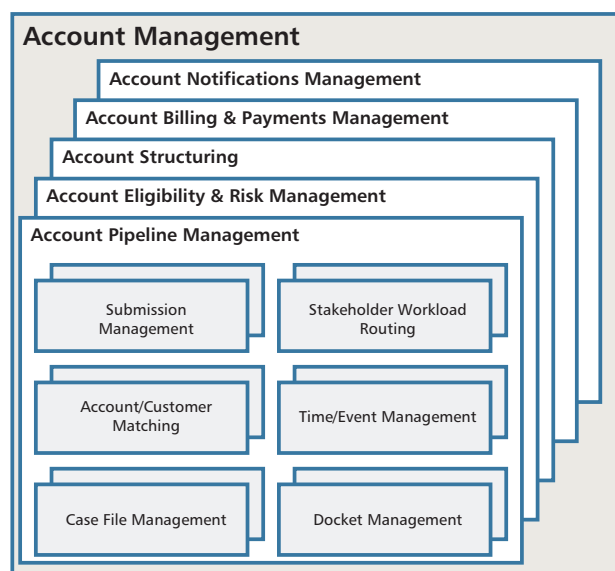
The value stream views in Figure 1 enable managers and analysts to (1) articulate how they want to deliver stakeholder value across multiple stakeholder and business unit views; (2) communicate this vision; (3) manage concurrent, simultaneous loan or customer transactions; and (4) design innovative solutions. One such solution involves the business concept of case management, which we can apply to our customer-centricity scenario. For example, case management concepts deliver visibility across the value streams in Figure 1 by ensuring completely visible views of a loan or a “case,” regardless of its previous state or which stakeholder is currently viewing or changing it. The result in our loan default example is that default processing freezes during the restructuring of a loan, ultimately saving the customer and avoiding losses on all sides.

The concept of case management solutions requires deploying certain basic capabilities. Figure 2 depicts a Level 1 capability called “Account Management.” This

capability incorporates numerous lower-level business capabilities required to establish, evolve, change, analyze, and terminate a case, or, in this example, a loan. The Account Management example shown in Figure 2 contains five Level 2 capabilities, including Account Pipeline Management through Account Notifications Management.

How do these capabilities come into play in the context of our value stream—envisioned design to address customer centricity and transactional transparency, in all situations for all business units? As we discussed in Part IV of this series, capabilities enable value stream stages. For example, as illustrated in Figure 2, Account Pipeline Management, the first Level 2 capability, decomposes into various lower-level capabilities required to address pipeline management (e.g., Submission Management). In this scenario, we define Pipeline Management as the ability to offer, accommodate, validate, and route any incoming communications from any external stakeholder, regardless of product line or request type. These capabilities are essential to ensure that a case, account, or, in this case, a loan is visible across all value streams and in the right docket for the right stakeholder at any given point in time.

Level 3 capabilities under Pipeline Management, as highlighted in Figure 2, are essential to receiving and processing all inbound communications. For example, Stakeholder Workload Routing, Case File Management, Docket Management, and Time/Event Management ensure an account is available when required, to any



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Figure 2 — Account Management capability, with Account Pipeline Management decomposition.

given stakeholder, at any given time. Using this conceptual view, analysts and architects can craft dramatically simplified, yet highly effective solutions to complex business requirements. For example:

- An account may only be accessible for change within one value stream stage and within one stakeholder docket at any given time.
- An account may be viewed by any stakeholder at any given point in time.
- An account entering the Process Loan Change Request value stream automatically freezes access to that account within the Process Loan Default value stream.

Other rules may be applied to these views, but in this way the business gains visibility and insight into the concurrent activities as applied to an account, loan, contract, policy, trip, or other type of case file, as it applies to a customer.

FROM BUSINESS DESIGN TO ACTIONABLE DEPLOYMENTS

With these views and rules in hand, solution architects can craft highly innovative solutions to the customer-centricity challenge. The implementation of the case management approach involves several key factors, including:

- A robust, business-driven data architecture based on the information views introduced in Part I of this series
- Case management deployment technologies that typically include a rules engine, ability to manage dockets or in-boxes, and ability to generate automated workflow where required
- Consistent, user-centered design for user front ends that ensure accessibility and ease of use for frontline business users
- State management design models that enable visibility, movement, and protection of a given case based on any combination of scenarios, under all possible business rules
- Depending on the degree of complexity and redundancy associated with current-state application and data architectures, the ability to establish a parallel “shadow” architecture to enable this new case management environment to evolve using agile, incremental deployment techniques

There are clearly numerous challenges to building out the deployable solution within the context of this scenario. Without the clarity delivered by the business architecture and business-driven design strategy, solution deployment teams would have little hope of tackling this challenge. As solutions emerge, technical architects can begin to envision if deployments should leverage cloud computing or other options as an ultimate implementation platform.

While this example involves loan management, value streams are generalized depictions of stakeholder value delivery across all product lines, business units, or even partner boundaries. The ability to generalize value streams across various business offerings and organization boundaries offers solution analysts and architects a powerful vehicle for determining how to begin to shift a business model toward customer centricity.

SUMMARY

In this six-part *Update* series on business architecture, we explained why business executives should embrace the concept of business architecture and take ownership while sharing accountability for future-state strategies and opportunities. We discussed how value streams and capabilities, along with information and organization mappings, provide the baseline for crafting common semantics in a defined set of frameworks for articulating current-state challenges and a business vision. Finally, we showed how business architecture does not presuppose process-centric or other business design solutions as the way to solve every problem. Rather, business architecture provides ways to view your business that inspire planning teams, analysts, and architects to craft innovative solutions to major business challenges.

ENDNOTES

¹Ulrich, William. “Business Architecture: Part II — Business-Driven Transformation Strategies, Roadmaps, and Funding Models.” *Cutter Consortium Business & Enterprise Architecture Executive Update*, Vol. 14, No. 8, 2011. For the remainder of this series, see: Ulrich, William. “Business Architecture: Part I — Why Business Architecture Matters to Business Executives.” *Cutter Consortium Business & Enterprise Architecture Executive Update*, Vol. 14, No. 7, 2011; Ulrich, William. “Business Architecture: Part III — Leveraging Value Streams in Business Transformation.” *Cutter Consortium Business & Enterprise Architecture Executive Update*, Vol. 14, No. 9, 2011; Ulrich, William. “Business Architecture: Part IV — Building a Robust Foundation for the Future.” *Cutter*

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²Swenson, Keith D. *Adaptive Case Management*. MK Press, 2011

ABOUT THE AUTHOR

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Mr. Ulrich is the cofounder and VP of the Business Architecture Guild, Cochair of the OMG Business Architecture Special Interest Group, Editorial Director of the Business Architecture Institute, Director-at-Large of the Business Architecture Society, and is a member of the EA Advisory Board for Penn State. Previously, he has held positions at Triaxsys Research, which he cofounded, and has served as KPMG's Director of Reengineering Strategies prior to leaving and forming his own company in 1990. Mr. Ulrich has also served on the faculty of Northeastern Illinois University and facilitated numerous workshops, including sessions for SEI. He has lectured internationally to thousands of business and IT professionals and has testified as an expert witness on the use of IP within the computer field. Mr. Ulrich continues to serve as a software forensic and litigation support expert in technology-related cases. In 2005, he was awarded the Keeping America Strong Award by Rear Admiral Kevin F. Delaney (Ret.). Mr. Ulrich has authored hundreds of articles appearing in major publications, including *InformationWeek* and *Computerworld*. He is coauthor of *Business Architecture: The Art and Practice of Business Transformation*, *Information Systems Transformation: Architecture-Driven Modernization Case Studies*, and *Legacy Systems: Transformation Strategies*. He can be reached at wulrich@cutter.com.

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