Business Transformation

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What it really means, and why people should pay attention:

The implications of Business Transformation on Enterprise Architecture

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Business Transformation – buzzword of the moment?

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Why is Business Transformation (BT) such a popular topic? Is it just a current buzzword (or buzz phrase), or is it something that we really need to pay attention to?

Like many popular topics in business or IT, there is certainly some hype behind the phrase. From the consultant and vendor perspective, there is also a bit of "let's bundle everything that we are trying to promote into a catch phrase that will get everyone's attention" about the phrase.

So let me start with a few words about what business transformation refers to. Note that for brevity I shall also refer to Business Transformation in this paper as BT:

It's about **making changes** to your business. The word "transformation" implies massive, radical or innovative change – but in many cases business transformation is simply about the business responding to opportunities or threats of current trends and technologies. Most companies are not very innovative – they are followers rather than leaders. In other words, BT is simply how organizations, businesses, or any other type of enterprise responds to a wide variety of largely external factors.

It's usually linked to **strategy**, as most people talking about business transformation also talk about aligning changes to visions and goals. So, nothing very original here – this is following a fairly traditional view of what strategy planning is all about.

It's often described as being about **People, Process, and Technology**. Now this isn't new for many enterprise architects who have realized for a long time that these three areas need to be considered holistically. When I created the Information FrameWork (IFW) – which is an enterprise architecture framework originally produced for banking – and this is going back to the 1990s, it showed three interconnected views for Organization, Business and Technology. What is significant about BT is that although many architects have been aware of the need to think holistically about the architecture, in reality many companies don't; BT has been useful in helping to get senior decision makers to buy-in to this integrated approach.

So… will Business Transformation be any different?

Is BT going to be different from any other buzz phrase that has grabbed the limelight in popular business discussions?

Well, possibly. And here are some reasons why things might be different this time around:

It's a phrase that seems to have been **widely adopted**. It's not just an IT fad, or a business fashion, or a management con. With stakeholders from management, operations and infrastructure all talking about BT, there's a greater chance that it will make a difference. Enterprise Architects have been dreaming about getting this level and width of commitment for decades!

The second point is that BT is becoming a popular phrase at a time when **there is actually a lot of transformation happening to business**. Now I worded that sentence very carefully – the transformation is happening to businesses, rather than it being the businesses that are planning the changes. In other words, it is not so much businesses that are transforming; it is more that they are having to respond to transformations that are going on around them.

Which brings me to the third point – which is that we seem to have reached **a tipping point in enterprise architecture**. For a long time, architects have talked about architecting intangible, virtual, conceptual, or digital components – but for a long time these components have also been quite invisible.

Now by their very nature, a lot of EA components (such as software, services, capabilities, processes, data) are intangible and unseen. But the work of enterprise architects has often been regarded as being solely within IT. However, we are now at a point in history where digital and conceptual components are becoming common place throughout our lives.

So here is the exciting part about Business Transformation from an Enterprise Architecture perspective – the BT movement is, potentially, the time when management and business leaders really get to understand what enterprise architecture is all about!

Transformation

I want to take a brief interlude here to examine what transformation really means.

I've found the "phases of transformation model" [1] very useful in explaining exactly what transformation means in EA. This model defines three phases of transformation or change: optimization, enhancement, and redefinition:

The first phase looks at optimizing existing practice;

The second phase then enhances current practice by adding new capabilities or providing better ways of using existing capabilities.

And finally the third phase redefines capabilities by implementing them in radically different ways.

Architectural thinking and techniques are useful in all three phases, but they are particularly valid in the third phase when the changes are more likely to be architectural in scale.

The three types of change are summarized in Figure 1. This chart shows the typical focus for change initiatives – from an activity focus and from an organization focus. So true transformation, as opposed to small-scale changes, is likely to involve new core activities, requiring new business units and new or radically changed capabilities.

ACTIVITY FOCUS

- New core activities
- Transformed approach
- Creative and innovative

- Value-add activities
- New technologies
- Creative use of tools

PHASE 3 REDEFINITION

- New business units
- New core competence
- New opportunities

PHASE 2 ENHANCEMENT

- Excellence
- Effectiveness
- Efficiency

- Customer interface
- Communication
- Co-operation

PHASE 1 OPTIMIZATION

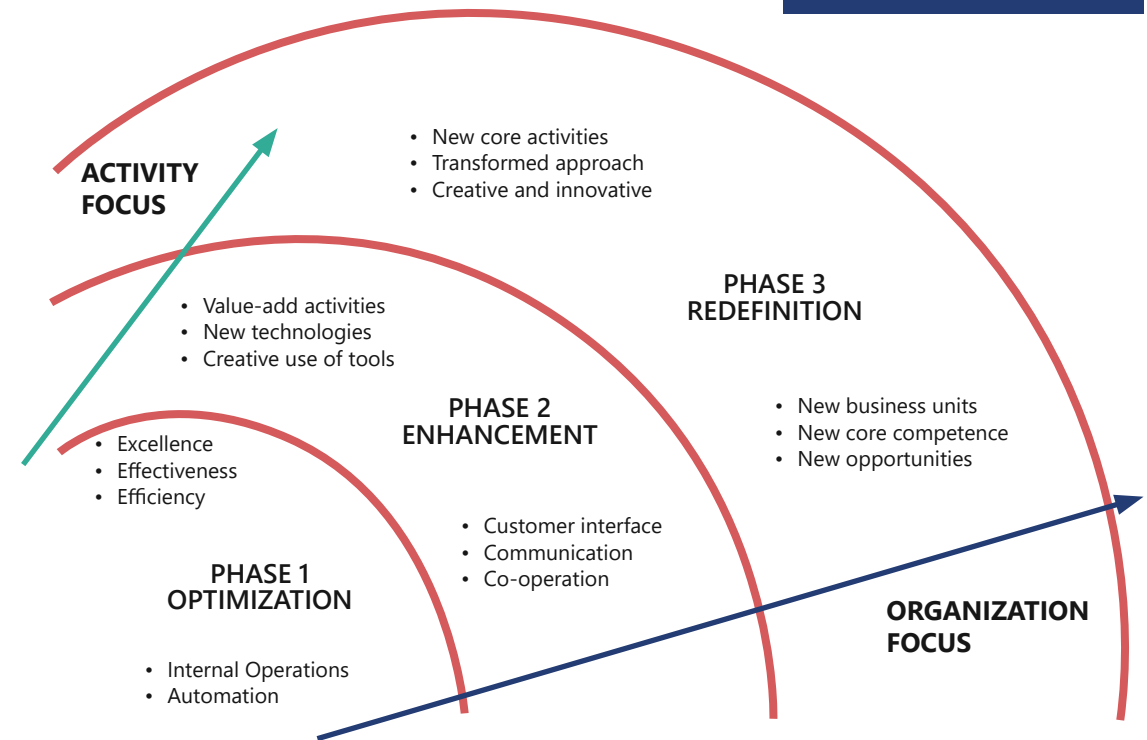**ORGANIZATION FOCUS**

- Internal Operations
- Automation

Figure 1: Three Phases of Transformation (adapted from Davidson)

BT really implies the third phase – where a business is redefining its capabilities by implementing them in radically different ways – by drastically changing the underlying enterprise architecture.

In practice, there are only a small number of enterprises that are actively and proactively seeking to redefine their capabilities. Most enterprises are reacting to transformation that is happening in the contextual environment in which they operate.

[1] W. H. Davidson, "Beyond re-engineering: The three phases of business transformation", IBM Systems Journal 32, No. 1, 65-79 (1993).

What it means for the EA team, and why you need pay attention

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I hope by now that the relevance and value of involving EA in BT initiatives is clear, but it is useful to spell out the implications and reasons to be involved:

BT is a great opportunity to work with business leaders and senior decision makers. For once, a lot of the key stakeholders are thinking about the same concerns and issues. This is a chance for the EA team to take a more prominent role in strategy planning and in developing alternative options for the future of the enterprise architecture through business scenarios and enterprise patterns.

EA has steadily evolved – from a largely IT focus, through business architecture, to business transformation. In parallel, many EA components that are vital in the modern world are no longer developed or managed within an enterprise.

Instead, organizations rely increasingly on components in the wider environmental and social context. This means that "enterprise" architects have to start thinking about the environmental and social context – in the same sort of way that building architects need to consider city planning and ecological considerations.

A lot of the drive for BT comes from the surrounding environmental and social architectures, so it is a great opening for the EA team to take on a bridge role – between the enterprise and its environment. Some teams may go beyond this, to participate in and collaborate in the building of these wider environmental architectures.

For example, this happens whenever there is a cross-enterprise initiative – such as faster payments in banking and finance – or initiatives at the industry or geography levels. And of course, many architects are actively involved in the future development of common systems, reference models, or architecture protocols.

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If the EA team doesn't get involved, then transformation will impact the business regardless. For many organizations this is how things are already happening. In such cases, the resulting enterprise architectures are not managed or governed; rather they emerge.

Emergent architectures are not necessarily a bad thing. This is something new that architects need to get used to – emergent architectures are an effective way to influence things without getting bogged down in too much detail.

The trick is to put in place a small number of highly important components that give users and other architects a highly flexible and adaptive platform on which they can make further developments.

The best example of this are the relatively small number of Internet building blocks, which have spawned radically new architectures that were not even imagined a few decades ago.

It's vital to allow for emergence in one other important way… something like BT has an urgency and energy to it, which means that business leaders and organizations executives want to press on as fast as possible. If they don't it feels like their enterprise might get left behind as other competitors take pole position.

And for some companies, this means that budgets, resources and plans for BT might be in place before the EA team even knows that this is a possibility! For example, there currently seems to be a powerful and unstoppable imperative to invest in digital business, which is being driven by the business and which often doesn't involve the EA team.

This type of emergent behaviour can't be stopped – so in such cases the EA team will simply have to allow for it, by developing artifacts that truly engage strategic dialogue, by simplifying the EA development process, by developing EA components that are highly adaptive and agile, and by being more politically astute.

In summary –

Get involved with business and management leaders; leverage beyond the enterprise boundary using the all-important social and environmental contexts; allow for emergence; and adopt an EA approach that is more adaptive and responsive to stakeholder demands.

Conclusions

Business transformation, digital business, radically improving the customer experience through joined-up channels and social media... These, and other similar ideas, are becoming a firmly established part of contemporary EA practice.

In parallel, EA needs to morph into something slightly different. Many of the requirements on EA are exactly the same as they ever were: the need to componentize, modularize, separate concerns, parameterize, level, and reuse.

But there are other, newer, EA techniques, approaches, and best practice that are steadily creeping into the daily routines of EA teams. These include:

1	2	3
More business and management friendly artifacts, such as the use of enterprise patterns, the business canvas, or strategic themes;	Ways to plan for and manage the unexpected or unanticipated, such as the use of strategic vectors, or components that allow for emergence;	More streamlined ways of working, such as faster, more iterative development cycles, adoption of meta-frameworks, or metrics and measurements that are better for demonstrating value from EA throughout the strategy-execution cycle.

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Reference

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