Business Architecture: The Foundation for Business Process Management and Business Analysis

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Session Themes

- Organizations and Transformation
- The Logic of Business Architecture
- Stakeholder Analysis and Outcomes
- From Stakeholders to Business Processes
- Performance Scorecards
- Program Prioritization
- Capabilities
Organization Transformation as seen by The BPTrends Associates Methodology:

Some Traditional Roles

Executive Level
- Executives, Business Strategists, Business Performance Analysts...

Business Process Level
- Industrial Engineers, Process Improvement, Six Sigma, Lean Professionals...
- Business Analysts, Requirements Gatherers...
- Business Systems Designers
- Training Specialists, Procedure Writers, Project Managers...

Implementation Level
- Everyone is trying to broaden their range.
- So what is a Business Architect?
Lets Get Back to Fundamentals: Why do Businesses Exist?

• To deliver outcomes of value for the core stakeholders of the business
  – Owners
  – Product or Service Recipients
  – Society

• Of great interest of other stakeholders
  – Staff
  – Suppliers
  – Regulatory Bodies
  – Community

• Asking the Question
  – Are we doing the right things?
  – Are we doing them right?
Our External Stakeholders will Always Want 'End' Results

Customers do not want to know about what’s inside the box. They are unforgiving when they do.
How can we Build the Internal ‘Means’ Inside the Box to Achieve the new ‘Ends’?

We have to build the inside to make the outside seamless while meeting needs and expectations

Our ‘means’ to the ‘ends’ inside the box

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The Value of Business Innovation: Greenness

- Better Return
- More Flexible
- Sooner Value
- Cheaper Cost
More **Green** means Everything must Work together and be Aligned

**Business Processes are Natural Organizers and Connect Capability to Strategy**
Business Architecture: What’s the Logic?

- Business Pressures
- Stakeholder Relationships
- Business Strategy
- Business Processes
- Business Performance
- Business Capabilities
- Business Transformation
Outside Pressures for Us and our Customers Provides Pressures for a more Adaptable Business

• Social
  – Changing social mix
  – Distribution of age in workforce, ...

• Technological
  – ERP, Social Media, Smart Phones, Web, ...

• Economic
  – Currency variations
  – Global financial hangover, ...

• Environmental
  – Food and worker safety
  – Carbon footprint, ...

• Political
  – Government changes
  – Global pressures from outside, ...

• Legal
  – Tax changes
  – Regulatory reporting changes, ...
We can do Better with our Stakeholders if we Understand Them First

Some types of Stakeholders
- Customers
- Consumers
- Suppliers
- Shareholders
- Regulatory Agencies
- Influencers
- Competitors
- Employees
- Unions
- …
Understand or Determine what does the Ideal Future look like for the Relationships we have

Characteristics of our Stakeholder Relationships

- The *Exchanges* of products, services or information.

- The future Stakeholder *Needs and Expectations* = Ideal Stakeholder Outcomes

- The Measurement Indicators of success (*KPIs*) for each Stakeholder Outcome

- The Required *Objectives* (Target Levels) for Performance Improvement

- Those *Critical Success Factors* that must be addressed to attain the Stakeholder needs and expectations and KPI targets

Together these are *Evaluation Criteria* for Selecting Investment in Innovation of Business, Process, Technology and Human Change
‘Ends’ are not ‘Means’: Value comes from both – BUT start with the Ends (What before How)

Focusing on best practice *means* is no guarantee of achieving The desired *ends*

The outputs of your efforts are not your business outcomes

Meeting expectations of efficiency and quality does not mean that you have satisfied needs

Ensuring you are doing things *right* is a management responsibility

Optimizing Performance

Ensuring you are doing right things is an executive responsibility

Delivering Results
Three Types of Outcomes Based on Stakeholder Needs and Expectations

**Stakeholder**
The set of results that we must deliver to satisfy the needs and expectations of our stakeholders to sustain healthy *relationships*

**Strategic**
The 3-7 directional end points on the *enterprise* North Star (or Southern Cross) that articulate our vision

**Process**
The outcomes of value from the work we do in our processes for the stakeholders affected by them
The Strategic Outcomes North Star: BPT Bank Illustration

Our Vision: BPT Bank will gradually grow in size, while earning a steady profit by offering superior financial services to individuals, families and businesses in the geographical area it serves.

The Consumer Financial Services value chain will help grow the bank by increasing the number of consumers with accounts and loans and by increasing the number of accounts per consumer.

*Note: the percentages in parentheses represent the relative weight we give to each outcome*
Enterprise Value Proposition

Treacy & Wiersema; *The Discipline of Market Leaders*: Excel in one discipline and be sufficient in the others

- **Product Leadership.** Focus on continuous innovation leadership. They strive to turn insights and new technologies into breakthrough products and services. Key capabilities are insight management, product lifecycle management resulting in better time to market.

- **Customer Intimacy.** Focus on specialized, personal service. They strive to become partners with their customers. Key capabilities are customer relationship management resulting in enhancement of loyalty.

- **Operational Excellence.** Focus on efficient operations and low priced products or services to their customers. Key capabilities operations resulting in reliability and consistency.
A business process describes the work of an organization.

The work performed in a business process transforms physical or informational inputs into outputs.

The work performed must create value by satisfying stakeholder needs and expectations.
BPT Bank: Stakeholders and Sets of Stakeholder Business Processes

Value Chain: Provide Consumer Financial Services

- Bank Partners
- Local Communities
- Employees
- Suppliers
- All Processes Dealing with Bank Partners
- All Processes Dealing with Local Communities
- All Processes Dealing with Employees
- All Processes Dealing with Suppliers
- All Processes Dealing with Bank Management
- All Processes Dealing with Bank Regulators
- All Processes Dealing with Consumers

Lifecycle Processes that Support External Stakeholders
BPT Bank: Stakeholder and Product / Service Process Sets
Consolidated BPT Bank Provide Consumer Financial Services Process Architecture

Management Processes
- Analyze Markets
- Develop Strategic Plans
- Enhance Brand
- Mitigate Regulatory Risk
- Establish Policies and Rules
- Optimize Change Portfolio
- Budget and Allocate Financial Resources
- Support Community Programs

Core Processes
- Develop P or S Concept
  - Gather P or S Insights
  - Identify P or S Need
  - Research P or S Ideas
  - Approve P or S Proposal
- Create P or S
  - Develop P or S Brand Promise
  - Develop P or S Prototype
  - Develop P or S
- Launch P or S
- Optimize P or S Performance
  - Forecast P or S Demand
  - Plan P or S Supply Capability
  - Evaluate P or S
  - Enhance P or S
  - Decommission P or S

Support Processes
- Win New Customers
  - Make Consumer Aware
  - Inform Consumer
  - Qualify Consumer
- Establish Consumer Commitment
  - Gain Agreement to Consumer Services
  - Ready Consumer to Transact
- Transact Consumer Business
  - Deliver Consumer Services
  - Calculate Consumer Charges
  - Close Consumer Account
  - Report Consumer Account Status
- Mitigate Consumer Risks
  - Prevent Consumer Losses
  - Settle Consumer Complaints and Claims

Level 1 Process
Level 2 Process

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Define Process Ideal Outcomes

- The ideal **outcomes** for each process are the articulation of the **needs and expectations** of:
  - The **external stakeholders** involved with that process
  - The **downstream business processes** that receive the outputs of that process
  - Taken from the point of view of the perfect result imaginable
  - Abstracted based on the purpose of the process regardless of:
    - how that process is done
    - where it is done
    - which resources are used to do it
    - when it is done
Measuring Performance: Process Centric Scorecard Perspectives

Adaptability
- Time to market
- Time / cost to change
- Service variability
- Work force capability
- Time / cost to handle non-standard requirements

Quality
- Consistency
- Responsiveness
- Quality Standard Compliance
- Defects
- Cost of Non Conformance

Effectiveness
- Appropriateness of product or service
- Customer Satisfaction
- Net Promoter Score
- Share of Spend
- Market Share

Efficiency
- Cost / resources per unit of output
- Cycle time
- % of value added time
- Wastage
- Ratios of resources and time

Process performance must be directly traceable to strategic performance objectives

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Process Measures are Traceable to Stakeholder Results

Do the two perspectives align?
What do we now know about the Value Chain?

- The external opportunities and threats
- The Stakeholders we are dealing with
  - Their needs and expectations
  - What to measure about the needed outcomes
  - The performance gaps
  - The processes that directly affect them
- The Strategic Intent of the Organization
  - The North Star outcomes
  - What to measure about the needed outcomes
  - The performance gaps
- The Business Processes of the Organization
  - The relationships among processes
  - The ideal process outcomes
  - What to measure about the needed outcomes
  - The performance gaps

Every gap is an Innovation Opportunity so what insights have we gained so far?
Pain-Gain Prioritization

• A pain-gain analysis provides a systematic approach to identifying process improvement, redesign and innovation priorities

• The effort should be done in sync with annual portfolio management and budget schedules

• Pain-Gain Analysis depends on a knowledge of and feedback from stakeholders
  – Determine how much each process, assuming all are in their ideal state, would contribute most significantly to the enterprise strategic outcomes (North Star)
  – Determine how big a performance gap there is for each process versus its agreed direct outcomes
The Assessment of Pain and Gain: Initial Triage\textsuperscript{2} Approach

Which ideal processes require more detailed analysis for change consideration and feasibility analysis?

Remove from Detailed Consideration

Highest Pain

Highest Gain

Least Direct Contribution to North Star (Sufficiency)

Some Direct Contribution to North Star (Parity)

Most Direct Contribution to North Star (World Class)

Large Performance Gap

Moderate Performance Gap

Little Performance Gap
Prioritized Processes are Examined to Find Opportunities

![Diagram showing the examination of prioritized processes to find opportunities.]

- **Measures of As-Is Process’s Performance**
- **Desired Measures Ideal Process Performance**
- **Performance Gap**
- **Existing or As-Is Process**
- **Ideal Process**
- **Capabilities Gap**
- **How we do things Now**
- **How we will Need to do things in the Future**
Business Processes as Aligner of Multi-Domain Capabilities: More than Just IT Needs *

Intent & Strategy
- Enterprise
- Stakeholders
- Process

Policy & Rules
- Regulations
- Policies
- Business Rules

Organization Infrastructure
- Formal
- Roles & Responsibilities
- Incentives

Supporting Infrastructure
- Facilities
- Equipment
- Locations

Enabling Technology
- Software Services
- Applications
- Data Stores

Enterprise Performance

Human Capital
- Competency
- Capacity
- Motivation

(Burton Hexagon)
Produce Process Chart for the Scoped Process Improvement

Note: This chart representation is the analyst’s view. Keep it simpler for management and non-technical types.
BPTA Methodology Addresses Process Analysis and Design based on the Business Architecture

This activity doesn’t add any value

**Decision Management** – This activity involves a decision. We should specify the logic involved

**Measures** – Is there a clear measure of the successful performance of each activity?

**Six Sigma** – Is quality of output acceptable and consistent?

**Activity or Flow**

**Flow & Sequence** – Are the activities done in the best possible order?

**Human Performance Change** – Could the person doing this activity be performing better?

**IT**–Could this activity be automated, in whole or part?

**Dynamics** – How frequently does the activity change? Does the flow need to be redesigned for specific cases?

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What should an Adaptable Business Architecture Define?
Micheline Maynard in Forbes

“Toyota knows something ... You can show people anything you want. But if they don’t have your culture, organization, and ability, they can’t replicate what you do.”
Moving forward with New Methods Requires you to Raise the Organization’s Maturity

- Level 1: Initial
- Level 2: Repeatable
- Level 3: Defined
- Level 4: Managed
- Level 5: Optimizing

Culture Maturity
- Innovative
- Mastery
- Competent
- Basic

Structure Maturity
- Innovative
- Mastery
- Competent
- Basic
You Need a Robust Methodology to Identify and Exploit Opportunities for Innovation

BPTrends Business Process Architecture Methodology

Enterprise Level

Process Level

Implementation Level

Corporate Strategy

Understand Enterprise Context → Model Enterprise Processes → Define Performance Measures → Establish Process Governance → Align Enterprise Capabilities

Manage Enterprise Processes

Prioritized Projects → Process Performance Oversight

On-Going Execution

BPTrends Business Process Redesign Methodology


Execute Process

Day-to-Day Process Management

Various IT & HR Methodologies

Gather Requirements → Design → Develop → Test

Maintain Resources

Continuous Improvement

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