

Making the Promise of Strategy a Reality with the Enterprise Architecture Approach

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Article abstract

The business strategy discipline has made great strides since its inception almost a century ago. Yet, despite all that has been learned so far, surveys show that most organizations still have great difficulties in making their strategy a success. The reasons for this are many. However, most stem from the need to align the organization's operating model (i.e., how the organization functions) with its new strategy. Indeed, enabling the execution of a new business strategy requires making operating model changes. This article will present the enterprise architecture approach and explain how it can, by supporting the different strategy-related groups of activities, help eliminate the above issues, and aid organizations in creating long-term success.



MAKING THE PROMISE OF STRATEGY A REALITY

with the enterprise
architecture approach

BY PIERRE HADAYA
AND BERNARD GAGNON

The business strategy discipline has made great strides since its inception almost a century ago. Yet, despite all that has been learned so far, surveys show that most organizations still have great difficulties in making their strategy a success. The reasons for this are many. However, most stem from the need to align the organization's operating model (i.e., how the organization functions) with its new strategy. Indeed, enabling the execution of a new business strategy requires making operating model changes. Unfortunately, organizations do not invest enough effort to create a shared vision of what these changes need to be, how they should interplay with each other, and in what sequence they need to be made to generate their full benefits. As a result, most organizations fail to perform many of the changes needed to properly transform their operating model while wasting vast amounts of money and time in making changes that contribute little to the execution

of their new strategy. In addition, they miss out on many synergies, are forced to rework changes, and have great difficulty engaging their employees in their strategic efforts. Worst still, some choose a strategy beyond their means. The objective of this article is to present the enterprise architecture approach and explain how it can, by supporting the different strategy-related groups of activities, help eliminate the above issues, and aid organizations in creating long-term success.

WHAT IS THE ENTERPRISE ARCHITECTURE APPROACH?

The enterprise architecture approach borrows best practices from large-scale construction projects and applies them to operating model transformations. Indeed, aligning an organization's operating model with its new strategy is often a megaproject requiring many years to complete. To explain these practices, let's take the example of the construction of a highway bridge. It begins with



THE ENTERPRISE ARCHITECTURE APPROACH BORROWS BEST PRACTICES FROM LARGE-SCALE CONSTRUCTION PROJECTS AND APPLIES THEM TO OPERATING MODEL TRANSFORMATIONS.

the setting of requirements that the bridge must meet once built. A team of engineers then uses these requirements to draft and analyze a number of design options for the bridge. Once the best option is identified, an overall plan of the bridge is created. This plan only describes the bridge at high-level. It identifies its main components (e.g., pillars, roadway, cables) and how they will be laid out with respect to each other. It also identifies the main characteristics that each of the components should have (e.g., the roadway will be made of steel). The overall plan does not include the detail design of each of the components. This will come later. Once available, the overall plan is then used to create a master schedule

that breaks the construction of the bridge into a number of projects and sequences them in a logical manner. The master schedule also identifies the expected start time, duration and main phases of each of these projects. It does not include a detailed planning for each of the project phases. Once the overall plan and master schedule are completed, the engineers then support the project teams in designing each bridge component. Finally, once the construction has started, the engineers perform inspections to ensure the bridge is built as specified and help project teams resolve any issues that may come up.

Enterprise architecture applies a very similar approach to operating model transformations. In such a

BUILDING BLOCK TYPE	DEFINITION
Business capability	An integrated set of resources (or building block) working together to produce a specific result (e.g., the capability to manufacture 1000 cars per day). A business capability always includes one or more processes, functions, information, know-how, organizational units, and technology assets.
Function	A type of work performed by the organization (e.g., accounting, marketing).
Process	"A set of activities, methods, and practices that transforms a set of inputs into a set of products and services" (Object Management Group, 2008).
Organizational unit	A (permanent or temporary) team of people with a common set of goals and whose management is entrusted to one or more of its members.
Information	Facts provided or learned about something or someone that the organization possesses.
Know-how	Skills and expertise held by the organization, its members, and its resources (e.g., AI algorithm).
Brand	A name and/or logo associated with a number of products and/or services to distinguish them from other similar products and/or services.
Technology asset	A tangible or intangible asset resulting from the application of scientific knowledge for practical purposes.

TABLE 1 KEY OPERATING MODEL BUILDING BLOCK TYPES (HADAYA AND GAGNON, 2017)

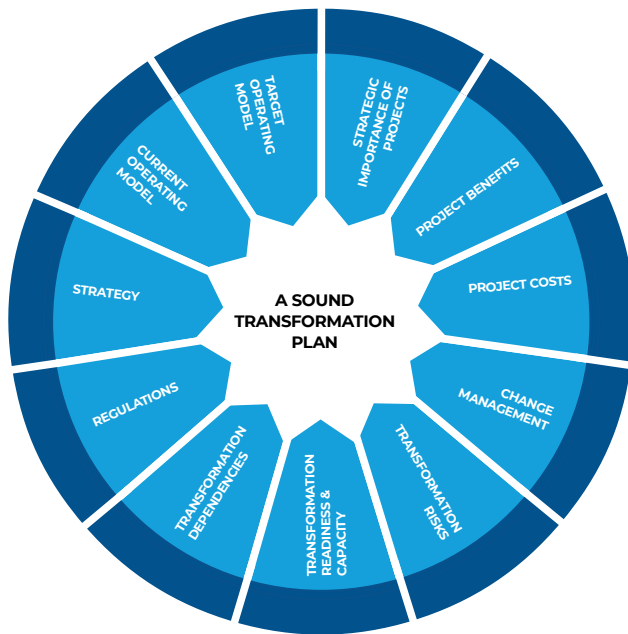


FIGURE 1: FACTORS THAT MUST BE CONSIDERED DURING THE CREATION OF A TRANSFORMATION PLAN (HADAYA AND GAGNON, 2017)

context, the new business strategy is taken as the set of requirements the operating model must meet once transformed. The overall plan becomes the **target operating model** (also called target enterprise architecture). It identifies what building blocks the operating model is to be made of once transformed (see table [right] for the key types of building blocks that make up an operating model), what main characteristics they each will need to have and how they will need to interact with each other. It does not include the detail design of each of these building blocks. This will come later. This plan can be subdivided into three facets. The first is the target business architecture that focuses on business capabilities, functions, processes, organizational

units, know-how, information and brands. The second concentrates on IT assets (e.g., software applications and technology infrastructure) while the third addresses non-IT technology assets (e.g., manufacturing plants, warehouses, distribution centers, planes) that are important to the operating model.

The **master schedule** becomes the transformation plan. It regroups all the changes to be made to the operating model into projects and orders their execution so the benefits they will collectively generate are maximized. Exactly 11 factors must be considered while creating this plan (see Figure 1). Four of them are essential inputs (strategy, current and target operating models, and regulations) while the others are analyzed during

the creation of the plan. Finally, the team of engineers becomes the team of **enterprise architects**.

THE CONTRIBUTION OF ENTERPRISE ARCHITECTURE TO STRATEGY

The enterprise architecture approach can contribute to all strategy-related groups of activities: formulation, implementation, execution, engagement, and governance.¹

The purpose of **strategy formulation** is to devise a new strategy. It entails analyzing the external and internal environments, defining and analyzing a number of possible strategies, and choosing the most suitable, acceptable, and feasible. The enterprise architecture approach can support strategy formulation in two ways. First, to identify in a more structured and rigorous manner the strengths and weaknesses of the current operating model. Second, to help compare the feasibility of the different possible strategies by creating an outline of the target operating model and transformation plan for each of them.

The purpose of strategy implementation is to identify, design and carry out changes to the operating model to align it to the new strategy. The enterprise architecture approach should be used within this critical activity group to flesh out the target operating model and transformation plan outlined during strategy formulation. This helps identify the changes that are truly needed and weed out those that are not. Since this can require a significant amount of effort, enterprise architects should focus on one “slice” of the organization at a time. Such a slice can be a department, a customer journey, or any other coherent subset of the organization. Every time a new slice is done, it should be integrated with those previously completed to create synergies. Proceeding this way enables the organization to benefit from the enterprise architecture approach while retaining its ability to start change projects soon after the adoption of the new strategy. It also makes it possible to continuously perfect its target operating model and transformation plan.

In addition to fleshing out the target operating model and the transformation plan, enterprise architects should contribute to strategy implementation by helping project



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THE PURPOSE OF STRATEGY IMPLEMENTATION IS TO IDENTIFY, DESIGN AND CARRY OUT CHANGES TO THE OPERATING MODEL TO ALIGN IT TO THE NEW STRATEGY.

teams fully design the operating model changes they have been assigned to perform. They should also help ensure the various changes are being carried out as needed.

The purpose of **strategy engagement** is to build employee commitment and remove barriers to all strategy-related activities. This entails communicating and explaining the strategy, the planned operating model changes, the priorities and the progress made. The enterprise architectures can boost engagement by working closely with managers and various subject matter experts throughout the organization. This helps make the target operating model a truly shared vision and arrive at an agreement on the order in which the changes will need to be performed.

The purpose of **strategy governance** is to choose the strategy, set priorities, allocate resources as well as verify progress is occurring as it should and make adjustments if need be. These activities are performed by the board of directors together with

the executive committee, project sponsors, project teams and several other bodies. In addition to serving on some of these bodies, enterprise architects can contribute to strategy governance by providing better inputs to decision makers.

The purpose of **strategy execution** is to perform the organization's operational activities (R&D, manufacturing, logistics, sales, marketing, procurement, IT, HR, and finance) in perfect alignment with the strategy. Enterprise architects can contribute to strategy execution only indirectly via the other four groups of activities.

CONCLUSION

The enterprise architecture approach can make the promise of strategy a reality. By improving the execution of all strategy-related activities, it can help resolve several of the issues organizations face during their strategic efforts. As such, it can point the path to true strategy-operating model alignment, enable lasting agility and, with hard work, provide lasting success.

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