

Business Architecture - Unbounded

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Architecture is very elusive . . .



“What is architecture anyway? Is it the vast collection of the various buildings which have been built to please the varying taste of the various lords of mankind? **I think not.**

“No, I know that **architecture is life:** or at least it is life itself taking form and therefore, it is the truest record of life as it was lived in the world yesterday, as it is lived today, or ever will be lived.

“So architecture I know to be a great spirit. **It can never be something which consists of the buildings which have been built by man on earth—**mostly now rubbish heaps or soon to be.

“**Architecture is that great living spirit** which, from generation to generation, from age to age, **proceeds, persists, creates,** according to the nature of man, and his circumstances as they change. That is architecture.

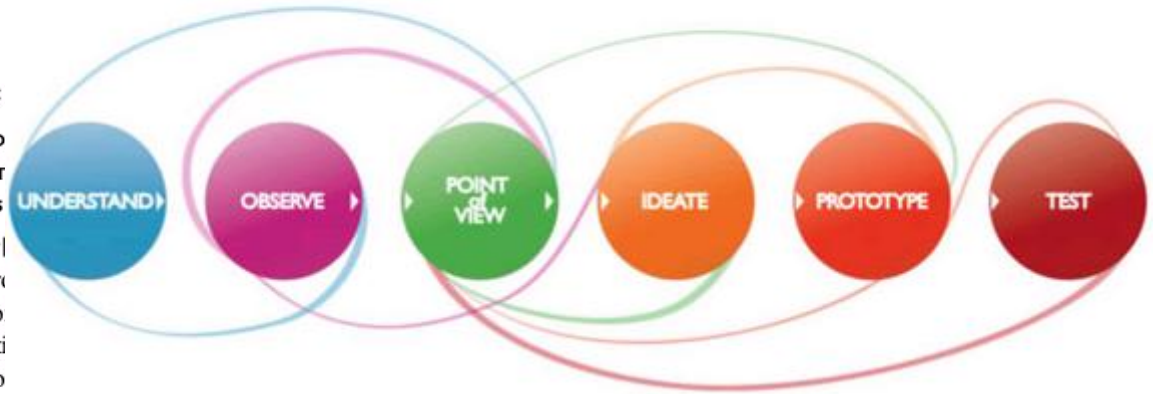
- Frank Lloyd Wright, 1937

... because it is the intangible results of design

DESIGN IS A PROCESS...

Design is...

...the visual communication of (hopefully) a **Big**
*...the art of making something better, beautifully*¹²
 ...moving from an **existing condition to a preferred one**¹⁵ ...THE INTRODUCTIO
 OF INTENTION INT
 HUMAN AFFAIRS
 ...a means by which you see yourself and a means by which you express yourself to others¹⁷ ...*the art of planning*⁸ peo
 ...the expression of an idea, pr
 system for the betterment o
 interests and human locomoti
 excluding the recent trend o
 x-height among Dutch typographers¹¹
 ...**A PLAN FOR ACTION**¹⁸ ...**how you treat your customers**⁹
 ...the soul of a man-made creation⁵
 ...the act of giving form to an idea with an intended goal: to inspire, delight, to change perception or behavior¹³
 ...**HOPE MADE VISIBLE**⁵ ...**THE CONSCIOUS AND INTUITIVE EFFORT TO IMPOSE MEANINGFUL ORDER**¹⁰ ...**above all, discipline**⁶
 ...anything that God didn't make⁷
 ...**and produce desired outcomes**⁴
 ...a plan to make something, for a specific purpose, with a specific audience or user in mind¹



noun; general
concept of the field

verb; action
or process

noun; one idea
or proposal

"Design is to design a design
to produce a design."

noun; some finished
product, actual result

- 1 – Michael Bierut; 2 – George Lois; 3 – Steve Jobs; 4 – Bruce Mau;
 5 – Brian Collins; 6 – Massimo Vignelli; 7 – Alexander Isley; 8 – Paula Scher;
 9 – Yves Behar; 10 – Victor Papanek; 11 – Stefan Sagmeister; 12 – Joe Duffy;
 13 – Clement Mok; 14 – Ellen Lupton; 15 – Milton Glaser;
 16 – Milton Glaser again; 17 – Eliot Noyes; 18 – Charles Eames

Therefore, business architects create business designs

CORPORATE STRATEGY

AMBITION

BUSINESS MODEL

TARGET OPERATING MODEL

CUSTOMER OFFERING

BUSINESS CAPABILITIES

PROCESS

ORGANISATION

TECHNOLOGY

PEOPLE CAPABILITIES

INFORMATION

CORPORATE STRUCTURE

ENTERPRISE PERFORMANCE MANAGEMENT METRICS

A business model is not an operating model

A business model describes the **decisions** made by an enterprise to create and deliver value

- Decide where it operates (e.g., which markets, countries, customer segments)
- Decide how it competes (e.g., strategies for products and services, pricing strategy)
- Decide how it mobilizes the organization (e.g., organization structure).

An operating model describes **how the organization operates** across different domains in order to deliver the business model

- How it uses its customer offering, business capabilities and corporate structure to create, deliver and capture value.

In a business transformation, the business model is defined before the operating model. The decisions made in the business model drive the design of the target operating model.

Here are some sample strategic business model decisions

Market Participation (Where to Play)	Value Chain Role	<ul style="list-style-type: none"> Moving up or down stream, or significantly shifting the portfolio focus in such manner, to hold the most profitable value chain position(s)
	Targeted Customers, Markets	<ul style="list-style-type: none"> Entering, exiting, or significantly changing focus on market segments, such as consumer segment, purchase occasion, industry/type/size (B2B), geographic market, or retail channel (e.g., e-Commerce) Entering new markets vs. achieving local leadership/density, Market specialization vs. broad market focus
	Core Offerings	<ul style="list-style-type: none"> Shift to higher margin categories, price points Financing In/out licensing to optimize offering portfolio Specialty vs. commodity, private label Shift from product focus to services or integrated solution Installed base (e.g., Aftermarket, consumables, ancillary) Shift from product category focus to consumer lifestyle focus Blockbuster, product pyramid or profit multiplier models
Competitive Strategy (How to Win)	Value Proposition	<ul style="list-style-type: none"> Increased differentiation via <xyz> Establishing a guarantee or warranty Over-invest in R&D to develop 1-2 year lead Exclusive offerings De-facto standard Optimizing the value proposition for target customer via <xyz> Eliminating <xyz> areas of unprofitable differentiation Improve the purchase/ usage experience Switchboard (matching opportunities and capabilities)
	Pricing Strategy	<ul style="list-style-type: none"> Encourage trade up through <xyz> Penetration pricing Yield pricing Per use fee, monthly fee Centralization of pricing, reduced price competition Alignment with cost to serve, menu pricing Customer value capture (shared risk/reward) Bundling A with B
	Marketing Strategy	<ul style="list-style-type: none"> Significant change in promotion spend Targeted marketing Creation of a loyalty program Changing focus from awareness to preference/conversion Capturing deep customer insights on an ongoing basis Significantly improved POS presentation / merchandising
	Sales Strategy	<ul style="list-style-type: none"> Elimination of channel loading, significant changes to trade promotion Cross-selling Optimizing sales force size or structure Long-term contracting Alternative retail formats Joint planning with customers How channels are coordinated (e.g., incentives) Significant re-allocation of resources to accounts/customer segments/geographies or hunting/farming What sort of results sales incentives are focused upon (e.g., volume vs. profit), how strong sales incentives are New customer acquisition vs. retention focus Product life cycle time profit (e.g., maximizing launches)
	Operations Strategy	<ul style="list-style-type: none"> Increase speed to market, service levels Optimize capacity Close high cost facilities Achieve overall scale, transaction scale Build to order Source strategically Focus on a few R&D projects to double down Eliminate waste (Lean/TPS) or eliminate variation (Six Sigma) Contract manufacturing, outsourcing, offshoring, shared services Digitization, automation Minimize fixed costs to maximize industry cycle profit

An operating model is described using diagrams

Phase	Audience*	Operating model	Level of Detail	Diagrams*
Strategy	Executive Leaders as Owners	High-level Operating Model	Conceptual	Conceptual diagrams reflect the usage characteristics of the TOM – what the owners are going to do with it. In other words, conceptual diagrams should not have any internal components. By way of example, in civil architecture, the first blueprints show the outside of the building, and some simple layout of the entrances, rooms, and major features, but not the placement of electrical wires, pipes, or duct work.
Design	Architects as Designers	Detailed Operating Model	Logical	Logical diagrams reflect the internal components and their connections . In this manner they are an intermediary between what is desirable (the "conceptual") and what is physically and technically possible (the "physical"). For example, in civil architecture, the second set of blueprints shows the location of electrical outlets, wiring diagrams, location of HVAC equipment, ducts, trusses, and beams, but does not identify specific products or techniques for construction or installation.
Construct	Engineers as Builders	Built Operating Model Components	Physical	Physical diagrams document the construction techniques and connections while reflecting the physical constraints and limitations. For example, in civil architecture, the engineering diagrams specify specific makes and models of equipment, their dimensions as well as how and where they get connected.

* Either from or adapted from the Zachman Framework

The intersection of the business model and operating model identifies the changes

		Business Model					
		Decision 1	Decision 2	Decision 3	...	Decision n	
Operating Model	Customer Offerings	Impact	Impact	Impact	...	Impact	
	Business Capabilities	Organization	Impact	Impact	Impact	...	Impact
		People	Impact	Impact	Impact	...	Impact
		Processes	Impact	Impact	Impact	...	Impact
		Technology	Im				
		Information	Im				
	Corporate Structure	Impact	Impact	Impact	...	Impact	
EPM Metrics	Impact	Impact	Impact	...	Impact		

Note: This analysis is an excellent opportunity to use your company's business capability map to focus on specific areas

A business capability map (current and future) is a critical input for doing impact analysis

Strategy & Vision

- Develop Strategy & Vision
- Decide & Manage Initiatives
- Conduct Market Research
- Segment Target Markets
- Define Product & Brand Strategy

Product & Service Design

- Analyze Products & Service Marketing
- Design Product & Service Offerings
- Fare Product & Service Offerings
- Design Brands
- Conduct Product & Services Tests

Marketing & Selling

- Advertise Products & Services
- Offer Products & Services
- Make Reservations
- Book / Issue Tickets
- Collect Payments
- Manage Revenue
- Manage Partners

Operations Service & Support

- Plan & Distribute Schedule
- Optimize Aircraft Routes
- Plan & Schedule Crew
- Plan & Schedule Station / Ground Facilities / Resources
- Plan & Schedule Maintenance Equipment & Resources
- Checkin
- Perform Gate & Boarding Services
- Plan Flight & Dispatch
- Track Flight & Aircraft
- Perform Inflight Services
- Perform On-ground Operations
- Perform Maintenance
- Service Customer Requests
- Manage Customer Relations

Corporate Functions

- | | | | | | | | | | |
|-----------|----------------|----------------|-------------------------|---------------|-------------------|-----------|-------------------|------------------|--------------------|
| Manage HR | Manage Finance | Operate Supply | Contracts & Legal Chain | Operate Comms | Ensure Compliance | Manage IT | Improve Processes | Deliver Training | Operate Facilities |
|-----------|----------------|----------------|-------------------------|---------------|-------------------|-----------|-------------------|------------------|--------------------|

What should architects know and do?

An architect should be ingenious, and apt in the acquisition of knowledge. Deficient in either of these qualities, he cannot be a perfect master. He should be a good **writer**, a skilful **draftsman**, versed in **geometry** and **optics**, expert at **figures**, acquainted with **history**, informed on the principles of natural and moral **philosophy**, somewhat of a **musician**, not ignorant of the sciences both of **law** and **physic**, nor of the motions, laws, and relations to each other, of the **heavenly bodies**.

-Marcus Vitruvius Pollio

de Architectura, ~15BC



What are the fundamental architect skills?



Source: "What is Design Thinking" <http://emergentbydesign.com/2010/01/14/what-is-design-thinking-really/>

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What does a business architect need to do and know?

- **Skills**

- Facilitate discussions with senior executives to define the **supporting operating model**
- Decompose a business into **core capabilities**
- Identify the entities that interact with those capabilities, and the **interactions** between them
- Decompose a business into meaningful **structural units** including **roles and responsibilities**
- Decompose a business into meaningful **process areas and the flows** amongst them
- Identify business information needs
- Work with technical architects to identify the **logical technology components** enabling the operating model
- Structure **corporate financial, legal, and tax** entities and their **governance**

- **Knowledge**

- Corporate strategy including a business unit's desired end state business model
- Product and service offerings structures
- Organization structure and people capability trends
- Business processes management
- Business information, analytics and semantics
- Corporate structure options

You can start your business architecture efforts in several different directions

Strategy Driven

- Understand ambition
- Understand business model
- Identify impacts on current operating model

Issue Driven

- Identify change drivers (efficiency? effectiveness?)
- Align with ambition and business model
- Identify impacts on current operating model

Target
Operating
Model

Thank You

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