Dynamic Strategy, Dynamic Structure
A Systematic Approach to Business Architecture

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12/6/2018
Volatile business environments require dynamic strategy

While conventional approaches to business architecture tend to perpetuate a static mindset, the discipline offers various leverage points for a more dynamic approach

This session will identify some leverage points, provide some design patterns for advancing the practice, and expose some practical indications that the transformation is already in motion
Business Architecture...
Meet "VUCA"
What is "VUCA"?
What is "VUCA"?

VUCA
Volatility
What is "VUCA"?

VUCA
Volatility
Uncertainty
What is "VUCA"?

VUCA

Volatility
Uncertainty
Complexity
What is "VUCA"?

VUCA

Volatility
Uncertainty
Complexity
Ambiguity
Is "VUCA" Increasing or Decreasing?

VUCA

Volatility
Uncertainty
Complexity
Ambiguity
Strategy Has Met "VUCA"…

VUCA

Volatility
Uncertainty
Complexity
Ambiguity
and It Has Adapted

VUCA

Volatility
Uncertainty
Complexity
Ambiguity
Is Architecture Aligned with Strategy?

“Dynamic Strategy, Dynamic Structure”
An organization’s strategy is often either **poorly articulated** or **in a state of flux**; it is more practical to focus on the organization’s capabilities and constituent operating model.

- Ross, Weill, and Robertson; 
  *Enterprise Architecture as Strategy* (paraphrased)
1. Poorly articulated?

Is Architecture Aligned with Strategy?
Is Architecture Aligned with Strategy?

1. Poorly articulated?

How can business architecture improve articulation of strategy?
Is Architecture Aligned with Strategy?

1. Poorly articulated?

How can business architecture improve articulation of strategy?

Instead of surrendering to poor articulation?
Is Architecture Aligned with Strategy?

2. In a state of flux?
Is Architecture Aligned with Strategy?

2. In a state of flux?

Is that "state of flux" an adaptation to "VUCA"?
Is Architecture Aligned with Strategy?

2. In a state of flux?

Is that "state of flux" an adaptation to "VUCA"?

Is "VUCA" increasing or decreasing?
2. In a state of flux?

Is that "state of flux" an adaptation to "VUCA"?

Is "VUCA" increasing or decreasing?

How is it "more practical" to focus on capabilities...
Is Architecture Aligned with Strategy?

2. In a state of flux?

Is that "state of flux" an adaptation to "VUCA"?

Is "VUCA" increasing or decreasing?

How is it "more practical" to focus on capabilities... if capabilities are not aligned with strategy...
2. In a state of flux?

Is that "state of flux" an adaptation to "VUCA"?

Is "VUCA" increasing or decreasing?

How is it "more practical" to focus on capabilities... if capabilities are not aligned with strategy... which is responsive to "VUCA"?
Four Possibilities

Cycle 1 / Previous Generation

- **dynamic**
  - architecture
  - static
    - strategy 1.0
    - architecture 1.0

- **static**
  - dynamic

"Dynamic Strategy, Dynamic Structure"
Four Possibilities

Cycle 2 / Current Generation

dynamic

architecture

static

strategy 1.0
architecture 1.0

strategy 2.0
architecture 1.0

static

dynamic

strategy
Four Possibilities

Cycle 3 / Next Generation?

dynamic

architecture

static

strategy

strategy 2.0
architecture 2.0

strategy 2.0
architecture 1.0

static
dynamic

"Dynamic Strategy, Dynamic Structure"
A Different Route... Architectural Leadership?

Cycle 1 / Previous Generation

Dynamic Strategy, Dynamic Structure

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A Different Route... Architectural Leadership?

Cycle 2 / Current Generation

Dynamic Strategy, Dynamic Structure
A Different Route... Architectural Leadership?

Cycle 3 / Next Generation?

Dynamic Strategy, Dynamic Structure
A Proper Alignment

Strategy / Execution (S2E)
A Proper Alignment

Strategy / Execution (S2E)

A VUCA world

volatility
uncertainty
complexity
ambiguity
A Proper Alignment

Strategy / Execution (S2E)

A VUCA world

dynamic / responsive / adaptive strategy

volatility
uncertainty
complexity
ambiguity

transient advantage vs. sustainable advantage

Rita McGrath vs. Michael Porter
A Proper Alignment
Strategy / Execution (S2E)

a VUCA world

volatility
uncertainty
complexity
ambiguity

dynamic / responsive / adaptive strategy

transient advantage vs. sustainable advantage

Rita McGrath vs. Michael Porter

dynamic capabilities vs. static capabilities

David Teece
A Proper Alignment

Strategy / Execution (S2E)

- Dynamic Capability vs. Static Capability
  - Rita McGrath vs. Michael Porter
  - David Teece

- Transient Advantage vs. Sustainable Advantage

- A VUCA World
  - Volatility
  - Uncertainty
  - Complexity
  - Ambiguity

- Dynamic / Responsive / Adaptive Strategy
  - Dynamic / Responsive / Adaptive Execution
A Proper Alignment

Strategy / Execution (S2E)

"Dynamic Strategy, Dynamic Structure"
A Proper Alignment

Business Architecture as S2E Driver

A VUCA world

dynamic / responsive / adaptive strategy

dynamic / responsive / adaptive execution

strategy / execution (s2e / strategic integration)

business architecture
How to Bridge the Gap Between 1.0 and 2.0?

Cycle 3 / Next Generation
Some Leverage Points

BIZBOK

A Guide to the Business Architecture Body of Knowledge®
(BIZBOK® Guide)
Some Leverage Points

BIZBOK

A Guide to the Business Architecture Body of Knowledge®
(BIZBOK® Guide)
A Proper Alignment
Business Architecture as S2E Driver

a VUCA world

dynamic / responsive / adaptive strategy

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“Dynamic Strategy, Dynamic Structure”
Some Leverage Points
Enterprise Architecture

Strategy

Capabilities

Operating Model
Some Leverage Points
Enterprise Architecture

Strategy

Capabilities

Operating Model

capability mapping
A Proper Alignment

Business Architecture as S2E Driver

A VUCA world

dynamic / responsive / adaptive strategy

dynamic / responsive / adaptive execution

strategy / execution
(s2e / strategic integration)
Some Leverage Points
Capability Mapping
Dynamic Capabilities vs. Static Capabilities

according to Thomson Scientific: one of the 10 most-cited scholars in business and economics during 1997 - 2007

The Dynamic Capabilities of David Teece

To U.C. Berkeley's long-standing strategy thinker, companies gain an edge only when they evolve in ways no one else can match.

by Art Kleiner

Note: This article was originally published by Booz & Company.

Every great company is involved in building great capabilities: gaining competitive advantage from the things it does exceptionally well. In the last few years, the growing recognition of capabilities’ importance in management strategy and business innovation

the ability to integrate, build, and re-configure internal and external competencies in response to rapidly changing environments
Some Leverage Points
Capability Mapping
Dynamic Capabilities vs. Static Capabilities


DYNAMIC CAPABILITIES AND STRATEGIC MANAGEMENT
DAVID J. TEECE1*, GARY PISANO2 and AMY SHUEN3
1Haas School of Business, University of California, Berkeley, California, U.S.A.
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according to Science Watch: the most cited paper in business and economics globally during 1995 - 2005

the notion of dynamic capabilities transcends reference to competence and routines

it includes the organization’s ability to adapt established resources and routines in response to environmental change
Some Leverage Points

Capability Mapping
Dynamic Capabilities vs. Static Capabilities

the theory of “dynamic capabilities” explains how organizations fulfill two seemingly contradictory imperatives:

- they must be both stable enough to continue to deliver value in their own distinctive way

- and resilient / adaptive enough to shift rapidly when circumstances demand it
Some Leverage Points

Capability Mapping
Dynamic Capabilities vs. Static Capabilities

High scalability

- Low volume / not sustainable
- High variety / not sustainable
- The ambidextrous organization

Low agility
Some Leverage Points

Capability Mapping
Dynamic Capabilities vs. Static Capabilities

the dynamic capabilities framework analyzes the sources and methods of wealth creation and capture by organizations operating in environments of rapid technological change identifying new opportunities and organizing effectively and efficiently to embrace them are generally more fundamental to wealth creation than strategizing (engaging in business conduct that raises competitors' costs and excludes new entrants)
Some Leverage Points

Capability Mapping
Dynamic Capabilities vs. Static Capabilities
Some Leverage Points

Capability Mapping
Dynamic Capabilities vs. Static Capabilities

Alvin Toffler > Quotes > Quotable Quote

“The illiterate of the 21st century will not be those who cannot read and write, but those who cannot learn, unlearn, and relearn.”

— Alvin Toffler
tags: futuristic

Read more quotes from Alvin Toffler
Some Leverage Points

Capability Mapping

A VUCA world

dynamic / responsive / adaptive strategy

dynamic capabilities vs. static capabilities

transient advantage vs. sustainable advantage

Rita McGrath vs. Michael Porter

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David Teece

volatility
uncertainty
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ambiguity

dynamic / responsive / adaptive execution

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A Proper Alignment

Business Architecture as S2E Driver

A VUCA world

dynamic / responsive / adaptive strategy

dynamic / responsive / adaptive execution

strategy / execution (s2e / strategic integration)
A Proper Alignment
Business Architecture as S2E Driver

a VUCA world

dynamic / responsive / adaptive strategy

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strategy / execution (s2e / strategic integration)
Some Leverage Points

Next-Generation Strategic Integration (NGSI)
Some Leverage Points

Next-Generation Strategic Integration (NGSI)
capability mapping
Some Leverage Points

Next-Generation Strategic Integration (NGSI)

capability mapping
dynamic capabilities
Some Leverage Points

Dynamic Strategy, Dynamic Structure

Next-Generation Strategic Integration (NGSI)

dynamic capabilities

capability mapping

S2E cycle
Some Leverage Points

Dynamic Strategy, Dynamic Structure

Next-Generation Strategic Integration (NGSI)

S2E cycle

capability mapping

dynamic capabilities

S2E cycle
Some Leverage Points

Dynamic Strategy, Dynamic Structure

Next-Generation Strategic Integration (NGSI)

dynamic capabilities

capability mapping

S2E cycle

S2E cycle
Some Leverage Points

The S2E Cycle

1. Define Strategy
2. Clarify & Communicate
3. Assess Capabilities
4. Prioritize Investments
5. Activate & Execute
6. Monitor & Adjust
Some Leverage Points

The S2E Cycle
High Frequency vs. Low Frequency
Some Leverage Points

The S2E Cycle
High Frequency vs. Low Frequency

software engineering as a "design pattern" for S2E
Some Leverage Points
The S2E Cycle
High Frequency vs. Low Frequency

agile development

the evolution of software engineering
Some Leverage Points

The S2E Cycle
High Frequency vs. Low Frequency

agile development

continuous integration

the evolution of software engineering
Some Leverage Points

The S2E Cycle
High Frequency vs. Low Frequency

agile development

continuous integration

DevOps

the evolution of software engineering
Some Leverage Points

The S2E Cycle
High Frequency vs. Low Frequency

agile development

continuous integration

DevOps

what is the difference between these transitions?
Some Leverage Points

The S2E Cycle
High Frequency vs. Low Frequency

agile development

continuous integration

frequency

DevOps
Some Leverage Points

The S2E Cycle
High Frequency vs. Low Frequency

agle development

frequency and functional integration

DevOps
Some Leverage Points

The S2E Cycle
High Frequency vs. Low Frequency

what happens as frequency increases?
Some Leverage Points

The S2E Cycle
High Frequency vs. Low Frequency

cycle overhead moves in two directions
Some Leverage Points

The S2E Cycle
High Frequency vs. Low Frequency

internal as cycle payload and external as waste
Some Leverage Points

The S2E Cycle
High Frequency vs. Low Frequency

waste is decreased and payload is increased
Some Leverage Points

The S2E Cycle
High Frequency vs. Low Frequency

cycle overhead is decreased
Some Leverage Points

The S2E Cycle
High Frequency vs. Low Frequency

cycle overhead is the barrier to increasing frequency
Some Leverage Points

The S2E Cycle
High Frequency vs. Low Frequency

as frequency increases, overhead decreases
Some Leverage Points

The S2E Cycle
High Frequency vs. Low Frequency

enabling further increase in frequency
Some Leverage Points

The S2E Cycle
High Frequency vs. Low Frequency

trending toward a continuous mode of execution
Some Leverage Points
The S2E Cycle
High Frequency vs. Low Frequency

we might call this phenomenon the "flywheel" effect
Some Leverage Points

The S2E Cycle
High Frequency vs. Low Frequency

what is the difference between these cycles?
Some Leverage Points

The S2E Cycle
High Frequency vs. Low Frequency

both cycles are systems
Some Leverage Points

The S2E Cycle
High Frequency vs. Low Frequency

both cycles behave (or should behave) systematically
Some Leverage Points

The S2E Cycle
High Frequency vs. Low Frequency

can the S2E cycle benefit from the "flywheel" effect?
Some Leverage Points

The S2E Cycle
High Frequency vs. Low Frequency

can the S2E cycle operate nearly continuously?
Some Leverage Points

The S2E Cycle
High Frequency vs. Low Frequency

is organizational agility a "different kind" of agility?
Some Leverage Points

The S2E Cycle
High Frequency vs. Low Frequency

can strategy / execution be integrated like DevOps?
Some Leverage Points
The Fallacy of Level / Frequency

cycle frequency

high

low

strategic 1.0

low

high

organizational level
Some Leverage Points

The Fallacy of Level / Frequency

cycle
frequency

high

low

tactical

low

high

strategic 1.0

organizational level
Some Leverage Points

The Fallacy of Level / Frequency

cycle
frequency

low

low

high

organizational level

high

low

tactical

strategic 2.0

strategic 1.0

“Dynamic Strategy, Dynamic Structure”
Some Leverage Points

The S2E Cycle
High Frequency vs. Low Frequency

"Dynamic Strategy, Dynamic Structure"
A Proper Alignment

Business Architecture as S2E Driver

A VUCA world

dynamic / responsive / adaptive strategy

dynamic / responsive / adaptive execution

strategy / execution (s2e / strategic integration)
Some Leverage Points

The S2E Cycle
Scaled Agile Framework

SAFe promotes alignment, collaboration, and delivery across large numbers of agile teams

it seeks to address the problems encountered when scaling beyond a single team

at the scale of many tens or hundreds of development teams, self-organizing teams becomes increasingly chaotic with SAFe

SAFe puts constraints on team autonomy to enable teams that are working on the same product to synchronize their deliverables
Some Leverage Points

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“Dynamic Strategy, Dynamic Structure”
Some Leverage Points

Next-Generation Strategic Integration (NGSI)

dynamic capabilities

capability mapping

S2E cycle

S2E cycle

S2E cycle

S2E cycle
Some Leverage Points

Next-Generation Strategic Integration (NGSI)

capability mapping
dynamic capabilities
scaled agile framework

S2E cycle
Some Leverage Points

Next-Generation Strategic Integration (NGSI)

dynamic capabilities

 capability mapping

S2E cycle

scaled agile framework

vertical / "up"

S2E cycle

S2E cycle

S2E cycle
Some Leverage Points

The S2E Cycle
Organizational Agility

as the pace and complexity of change in the marketplace required the whole organization to become more nimble and innovative, “agile software development” began morphing into “organizational agility”

as large organizations like Apple, Amazon, Facebook, Google, and Microsoft have mastered agile management practices, they have become the most valuable and fastest growing entities on the planet
Some Leverage Points

Next-Generation Strategic Integration (NGSI)

capability mapping
dynamic capabilities
scaled agile framework
vertical / "up"

S2E cycle
Some Leverage Points

Next-Generation Strategic Integration (NGSI)

dynamic capabilities

capability mapping

S2E cycle

vertical / "up"

scaled agile framework

organizational agility
Some Leverage Points

Next-Generation Strategic Integration (NGSI)

dynamic capabilities

capability mapping

scaled agile framework

vertical / "up"

organizational agility

horizontal

S2E cycle

"Dynamic Strategy, Dynamic Structure"
design thinking is starting to power corporate strategy
executives are using this approach to devise strategy and manage change
the emphasis on design clearly is moving to the C-suite, and more and more organizations are creating a chief design officer role
through iterative interaction with the decision maker, a proposed direction gradually wins commitment throughout the process of its creation...
Some Leverage Points

Next-Generation Strategic Integration (NGSI)

- S2E cycle
- S2E cycle
- S2E cycle
- S2E cycle

- dynamic capabilities
- scaled agile framework
- vertical / "up"
- horizontal

Organizational agility
Some Leverage Points

Next-Generation Strategic Integration (NGSI)

capability mapping

dynamic capabilities

capability mapping

S2E cycle

S2E cycle

S2E cycle

S2E cycle

design thinking

horizontal

vertical / "up"

scaled agile framework

organizational agility

“Dynamic Strategy, Dynamic Structure”
"deriving" next-generation strategic integration with systematic innovation

"predicting" leverage points / endpoints
hypothesis testing
experimental design
technological forecasting
**Some Leverage Points**

The S2E Cycle
Continuous Accounting

Continuous accounting is an approach to managing the accounting cycle that aims to achieve a more strategic finance and accounting function by resolving tactical issues.

It optimizes the accounting calendar by distributing workloads evenly over the accounting period to eliminate bottlenecks, optimize the sequence of accounting tasks, and allow processing of transactions as they occur.
Some Leverage Points

The S2E Cycle
Continuous Accounting

Continuous accounting embeds control and period-end tasks within daily activities, allowing alignment of the accounting schedule with the rest of business.

It shortens the close, smooths end-of-period spikes, and converts the visibility of financial results that are traditionally reserved for the close process into a real-time picture at any point in the accounting period.

Finance is shifting from traditional, rigid, and manual accounting processes to more automated, more flexible, and more agile operations.
Some Leverage Points

The S2E Cycle
Continuous Accounting

- continuous
  - software engineering
- discrete
  - technical
  - non-technical

operational mode

functional type
Some Leverage Points

The S2E Cycle
Continuous Accounting

- **continuous**
- **discrete**

**operational mode**

**technical**
- software engineering

**non-technical**
- accounting / finance 1.0

**functional type**
Some Leverage Points

The S2E Cycle
Continuous Accounting

- **continuous**
  - software engineering
  - accounting / finance 2.0

- **discrete**
  - accounting / finance 1.0

- **technical**
  - non-technical

- **operational mode**
  - functional type
Some Leverage Points

The S2E Cycle
Continuous Accounting

continuous

software engineering

non-technical

? ??

technical

discrete

operational mode

functional type

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Some Leverage Points

Next-Generation Strategic Integration (NGSI)

dynamic capabilities

capability mapping

horizontal

vertical / "up"

scaled agile framework

organizational agility

design thinking

S2E cycle

"Dynamic Strategy, Dynamic Structure"
Some Leverage Points

Next-Generation Strategic Integration (NGSI)

- dynamic capabilities
- scaled agile framework
- vertical / "up"
- design thinking
- horizontal
- organizational agility
- continuous accounting
- S2E cycle
- capability mapping
Some Leverage Points

The S2E Cycle
Strategy Formation

Strategic planning is no longer an exercise for just senior management -- it is a participatory activity.

Most organizations recognize the importance of engaging multiple perspectives in the process of strategy formation -- especially if it requires performance improvement and culture change.

HueLife uses “Technology of Participation" (ToP) for a variety of settings, from community-wide strategic planning to planning for mergers to planning for venture formation to conventional strategic planning.
Some Leverage Points

The S2E Cycle
Strategy Formation

The facilitators will share real applications to reveal what works when engaging whole systems in strategic thinking and planning efforts.

Participants will practice the strategic planning tools, enabling assimilation in their organizations and communities.

Strategic planning is critical for the success of any organization or community.

The Baldrige “Criteria for Performance Excellence” indicate that effectively developing and implementing strategy aligns organizational processes and leverages core competencies.
Some Leverage Points

Next-Generation Strategic Integration (NGSI)

capability mapping

dynamic capabilities

vertical / "up"

scaled agile framework

design thinking

S2E cycle

continuous accounting

horizontal

organizational agility

"Dynamic Strategy, Dynamic Structure"
Some Leverage Points

- Dynamic Strategy, Dynamic Structure
- Next-Generation Strategic Integration (NGSI)
- Capability mapping
- Dynamic capabilities
- S2E cycle
- Scaled agile framework
- Vertical / "up"
- Design thinking
- Strategy formation
- Continuous accounting
- Horizontal organizational agility

"Dynamic Strategy, Dynamic Structure"
Some Leverage Points

Next-Generation Strategic Integration (NGSI)

capability mapping
dynamic capabilities

vertical / "up"
scaled agile framework
design thinking

vertical / "down"
strategy formation

S2E cycle
S2E cycle
S2E cycle
S2E cycle

horizontal

continuous accounting organizational agility
Some Leverage Points

vertical / "up"
Some Leverage Points

vertical / "up"

scaled agile framework
Some Leverage Points

vertical / "up"

scaled
agile
framework

design thinking
Some Leverage Points

vertical / "up"

scaled agile framework

design thinking
Some Leverage Points

vertical / "up"

scaled agile framework
design thinking

horizontal
organizational agility

S2E cycle
Some Leverage Points

vertical / "up"

scaled agile framework
design thinking

horizontal

organizational agility
continuous accounting
Some Leverage Points

vertical / "up"

S2E cycle

scaled agile framework

design thinking

horizontal

S2E cycle

organizational agility

continuous accounting

vertical / "down"
Some Leverage Points

vertical / "up"

scaled agile framework
design thinking

horizontal

organizational agility
continuous accounting

vertical / "down"

strategy formation

S2E cycle
S2E cycle
S2E cycle
S2E cycle
### Next-Generation Strategic Integration

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<td>top-down + bottom-up</td>
</tr>
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</table>
Q & A