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Strategy by Design

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BY HUGO TREPANT AND DANIEL NEWMAN

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For years, many companies have experienced a problematic tension between their IT departments and business units. On the one hand, IT works best when it is tied tightly to the company's overall business goals. That's why chief information officers have long worked to get a seat at the executive table — to help set the company's strategic mandate and align IT with the organization's aspirations. On the other hand, business unit executives remain doubtful about IT's ability to support them in creating value. And despite the best intentions of managers on both sides of this gap, companies continue to struggle to integrate IT systems and to determine whether IT actually improves performance, and if so, by how much.

One approach to closing the distance between IT departments and business units is the discipline called enterprise architecture (EA). We define EA as the logical framework that establishes the links between business strategy and organizational structures, processes, databases, and technologies. For example, a bank that wants to capture better customer information in order to energize an effort to sell additional, higher-margin products and services to existing customers

would use an EA system to align its customer relationship management, information retrieval, and sales planning software. At the same time, EA applications would be set up for staff training, account management, and frequent assessments of the campaign's efficacy. The goal of EA is thus twofold: to add value through its support of business goals and to enable companies to measure the value added.

One agency reduced the time to process claims to five days from four weeks and slashed the number of processing centers by 60 percent.

A recent survey conducted by Booz & Company confirmed that EA can successfully resolve the differences between technical specialists and nontechnical management. We asked executives at more than 60 financial-services companies and government agencies to evaluate EA's effect on performance in four areas: decreased cost, reduced complexity, reduced risk, and increased agility. The responses were nearly unanimous: Almost every organization that had implemented EA reported that the approach had value, and the amount of value identified varied by the level of maturity of the

EA efforts.

Of the organizations in the top third in terms of EA maturity — measured by the degree to which EA was integrated into the organization's overall planning efforts — 60 percent reported gains in all four performance dimensions. By contrast, the few organizations claiming that their EA efforts had produced little or no business value so far were all at the emerging level of EA maturity, in which EA was still restricted to the IT function, with no clear engagement with the business units.

The experience of one large U.K. government agency typified the responses. The agency had been largely paper-based, with separate business processes for the various benefit packages it administered. Fragmented workflow processes and

outdated IT systems had adversely affected customer service, efficiency, and staff morale. By implementing an overarching EA framework across its operations, the agency reduced the average time it took to process claims by more than 70 percent, to just five days from more than four weeks, and slashed the number of processing centers by 60 percent, to 10 from 25.

By providing an integrated view of its business and IT architectures, EA not only was instrumental in vastly improving agency performance but also controlled operational risk by allowing for the coex-

istence of old and new processes. Moreover, the discipline EA brought to the agency gave it a framework to transparently link business objectives with IT requirements.

Attaining high levels of EA maturity, however, is no easy task. An organization that wants to do so must see EA not as a state to be reached but rather as an ongoing



process, a long-term effort to improve both the company's technology and its receptivity to using IT as a fulcrum for improved performance. Four key elements must be addressed to master EA maturity.

1. Strategic alignment. Every EA effort must be focused directly on achieving real business results. Organizations with mature EA programs nearly always design their EA functions to be included in both technology and strategic planning processes — to compel formal engagement between the two.



2. Leadership and staff development. A successful EA program depends on top management effectively communicating its value throughout the organization (in both technical and nontechnical

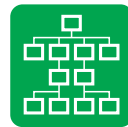


settings). It also relies on the training and development of enterprise architects who understand the business and can further strengthen the organization's EA capability.

3. Performance measurement. Accurately measuring the results of EA efforts in terms that show its impact on the business (and using these results to further drive support for EA) is critical. This helps strengthen the message that EA is not simply the preserve of the IT department.



4. Organizational structure and formal processes. Our study found that creating the frameworks, tools, and methodologies of EA is necessary in developing a functional capability, but that they mattered



much less in driving business value than the first three elements outlined above. That's because organizational structure and formal processes, although foundational elements of EA, are not differentiating facets of enterprise architecture implementation.

At a time when all industries are being reshaped by changing business conditions, organizations should define their strategies clearly, and then design, implement, and maintain cohesive enterprise architectures that build IT capabilities around those strategies. Organizations possessing these capabilities will be best equipped to create innovative new products and services that can build competitive advantage.

The keys to long-term success are agility, responsiveness to markets and customers, and flexibility in pursuing partnership and acquisition opportunities. A mature EA ca-

pability offers the potential to guide organizations in these efforts — to link business processes and technology more tightly with strategy, to make better investment decisions, and to adroitly measure the results of those decisions. +

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