Business Architecture
The Key to Strategic Architecture Management

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The Open Group
Association of Enterprise Architects
An International Forum for Enterprise Architecture

Architecture World ‘07
Your IT in line with business strategy

**act! profile**

Enterprise Architecture and strategic Architecture Management

Business/IT Alignment, BPM and Application Portfolio Optimization

Demand Management

IT-Strategy and Governance

IT-Organization

Project Management

Operational Architecture Management (Implementation Governance)

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**References**

**Leading Life and Non-Life Insurance Company**  
Post-Merger Application Portfolio Analysis and Optimization; Reference Architectures for Policy Management and Sales Support; Gap-Analysis and Transition Planning.

**Health Insurance Company**  
Definition and Implementation of Architecture and Governance Board.

**Building Society**  
Implementation of strategic Architecture Management.

**Bank**  
Application Portfolio Model and Implementation of Application Management.

**Health Insurance Company**  

**Bank**  
Architecture Audit, Reference Architecture for Multi-Channel-Banking.

**Automotive**  
Organizations

- Working Member of Architecture Forum
- TOGAF Development
- Conference Presentations

- Member of International Committee on EA Standards
- Lead Author for „Enterprise Architecture Management Guide“

- Partnership
- Conference Presentations

- Author for „Journal of Enterprise Architecture“

- act! Architecture Management Days
- German EA Forum since 2003
Contents

- Motivation: to bring light into darkness
  - Why at all an Enterprise Architecture?

- Transformation: Nothing endures but change
  - Business Architecture is the motor of changes in the IT-landscape

- Composition: It’s all in the mix
  - Means to an end
  - Elements of an Enterprise Architecture
Example: the application landscape

... of a fictional insurance company lists application systems and interfaces categorized, e.g., into functional domains.

The details convey the need for action for consolidation and standardization (exemplary illustration):
- The heterogeneity of sales support systems impedes the optimization of “time to market”.

This example can be transferred to other domains such as assets, or other layers, e.g. infrastructure.

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Development of an EA

Departments
- Life
- Non-Life
- Health
- …

Projects
- Sales
- CRM
- Provision
- Product
- Finance
- Performance
- Service
  (Workflow, DocMgmt., …)

Business

Software

Infrastructure

Requirements

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Enterprise Architecture Reveals Relations

- **Application architecture**
  - Service
  - Application system

- **Business architecture**
  - Process
  - Product
  - Org. Unit

- **System architecture**
  - Component
  - Interface
  - Infrastructure system
  - Device

- **Project**

- **Transition**

- **Requirements**

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The Application Portfolio is a popular instrument for the joint representation of IT and business (1)

<table>
<thead>
<tr>
<th>Processes</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Functionally categorizes application systems
- Therefore generates a basis for systematic analysis
- Allows an evaluation of the analysis results
The Application Portfolio is a popular instrument for the joint representation of IT and business (2)

- Functionally categorizes application systems
- Therefore generates a basis for systematic analysis
- Allows an evaluation of the analysis results
Planned changes of the IT-landscape become visible in the application landscape

These changes of the IT-landscape can be evaluated with the help of functional categorization, too.

This supports the goal-oriented controlling of IT-investments.

Example
**Example: Controlling of IT-Investments in Application Systems**

<table>
<thead>
<tr>
<th>Investments</th>
<th>Investment Control</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Development Costs</td>
<td>20%</td>
</tr>
<tr>
<td>Adaptive und corrective maintenance</td>
<td>80%</td>
</tr>
<tr>
<td>Integration</td>
<td></td>
</tr>
</tbody>
</table>

Portfolio-management

Application ABC

*Investment Control: x %*

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Example: Portfolio Management

Evaluation of planned projects (value added, contribution to strategy, costs)

- Strategic impact
- Economic impact

Projects:
- Project A
- Project B
- Project C
- Project D

Technologies:
- CRM
- SAP-FI
- PoS
- Contract Managm.
- Performance
- Provision
- SAP CO
- PEAP
- DWS
- Stat. Distribution
- Internet

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Example: The Meaning of Integration Costs

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<td></td>
<td>Integration</td>
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<td></td>
<td>Integration</td>
</tr>
</tbody>
</table>

Interface A

Project A

Interface B

Project B

Interface C

Project C

Interface D

Project D

Beurteilung der Projektreihen (Wertschöpfung, Strategiebeitrag, Kosten)

<table>
<thead>
<tr>
<th>Projekt</th>
<th>Wertschöpfung</th>
<th>Strategiebeitrag</th>
<th>Kosten</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project A</td>
<td>0,32</td>
<td>0,22</td>
<td>0,09</td>
</tr>
<tr>
<td>Project B</td>
<td>0,20</td>
<td>0,04</td>
<td>0,03</td>
</tr>
<tr>
<td>Project C</td>
<td>0,60</td>
<td>0,10</td>
<td>0,25</td>
</tr>
<tr>
<td>Project D</td>
<td>-0,05</td>
<td>0,00</td>
<td>0,05</td>
</tr>
</tbody>
</table>

Strategische Wirkung


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Example: Controlling of IT-Investments with the help of Enterprise Architecture

- Operationalized key figures from the business architecture (e.g. meaning of process, share of turnover) support the evaluation of IT-investments (e.g. standing maintenance- and integration efforts)

- A Housekeeping process interconnected with portfolio management ensures constant optimization of the IT-landscape oriented at the requirements from the business.
EA provides orientation

- Focus of EA management on efficiency and effectivity of IT (do the right things efficiently and reliably).
- Step-by-step optimization via transformation steps (projects, housekeeping, roadmaps, ...).
- The drivers of this change are both inherent to IT and therefore controllable, and derived directly from the business.
- Changes of the business strategy must be promptly recognized, thoroughly analyzed and proactively implemented within the architecture.
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How do we deal with changes within the business?

- Changed goals & strategies
- M&A
- Market changes
- Legal changes

Framework conditions

Influenceable changes

Controllable changes

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Application Portfolio

- The application portfolio plan describes the changes of the IT landscape through projects of portfolio management and housekeeping.
- Possible changes of the business must be taken into account, too.
Development of Application Portfolio Scenarios

Scenario_As Is

GOAL_A
Strategy_A
BP_A
BP_B
AS_A
AS_B
AS_C
IS_A
IS_B
IS_C
IS_D
PF_A
PF_B

Scenario_To be_A
GOAL_A
Strategy_A
BP_A
AS_A'
IS_A
IS_B
IS_E
PF_A

Scenario_To be_B
GOAL_A
Strategy_A
BP_A
AS_E
IS_E
IS_F
PF_G

....
Evaluation of Application Portfolio Scenarios

Business Architecture „as is“

Weaknesses, Housekeeping

GOAL_A
Strategy_A
BP_A
IS_A
IS_B
PF_A
BP_B
AS_B
AS_C
PF_B
AS_D

Transformation

Business Architecture „to be“

Scenario

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Application Portfolio (as is – to be)

- Life
- Health
- Non-Life
- Reinsurance
- Building Society savings
- Financing
- Industry

Control Business (Strategy/Governance)
Customer Service (analyse Market)
Product development
Acquisition (Risk-analysis)
Asset management (Processing)
Control Risks
Checking and Controlling of Finance & Taxes

PoS new
PoS Health Agency
PoS new
PoS Building Finances stationary
PEAP
electr. transmission of application data
Life new
Contract management SHUKR
Contr.- man. SHUKR II
Reinsurance
Building Finances
INDUV
RISK new
SAP FI
DWH

2007
2008

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Example: Elements of Business Architecture (1)

- Documentation of responsible and using organisation units, relevant employees and locations based on application systems, platforms, and infrastructure systems.

- The documentation of processes and products enables the generation of application portfolio matrices: application systems are placed into the business context.

- The description of topically relevant information in relation to business components and data banks supports, e.g., the analysis of redundant information.

- Service orientation (BSM, SOA) calls for the modelling of a virtual layer.
Example: Elements of Business Architecture (2)

Business Transformation requires tracking of measures and projects.

With the EAM business architecture is the lever to show IT within the value chain.

Operationalization of the "business value of IT" requires the assignment to goals and strategies.

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Example: Elements of Business Architecture (3)

A comprehensive IT Value Management requires the embedding into the enterprise’s goal and key figure system.
Means to an end (1)

- Application Portfolio Planning controls transformation of the IT-landscapes.
Means to an end (2)

- Application Portfolio Planning controls transformation of the IT-landscapes.
- IT-Roadmaps change the Application- and Infrastructure landscape, Business Roadmaps implement the business strategy.

As is | To be
---|---
As is | To be
As is | To be

Run The Business | Change the Business
Transformation Roadmap (IT) | Transformation Roadmap (Bus.)

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### Means to an end (3)

- Application Portfolio Planning controls transformation of the IT-landscapes.
- IT-Roadmaps change the Application- and Infrastructure landscape, Business Roadmaps implement the business strategy.
- A thorough EA model supports
  - IT Investment controlling
  - IT-Service Planning (Differentiators, Commodities)
  - Innovation management / Development of transformation roadmaps
  - Measurement of IT-Performance (Operationalization)
Means to an end (4)

- Application Portfolio Planning controls transformation of the IT-landscapes.
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**Direction and level of Abstraction**

- **Direction:**
  - Strategic: e.g. goals, principles, framework conditions, strategies.
  - Operative: e.g. processes, products, organization.

- **Abstraction:**
  - e.g. product catalogue 1.level vs. product groups

- The target area derives from the governance and planning purpose of an EA, but must be expandable if needed.

- EA is a controlling instrument – the necessary means are determined by actual course.

- Best Practice „Route“:
  - Specify until the necessary controlling information is available.
  - Analyse strategy until the goal of the IT transformation can be operationalized

⇒ **Keep on checking the course!**
Thank you very much for your attention!