

Session 3 :

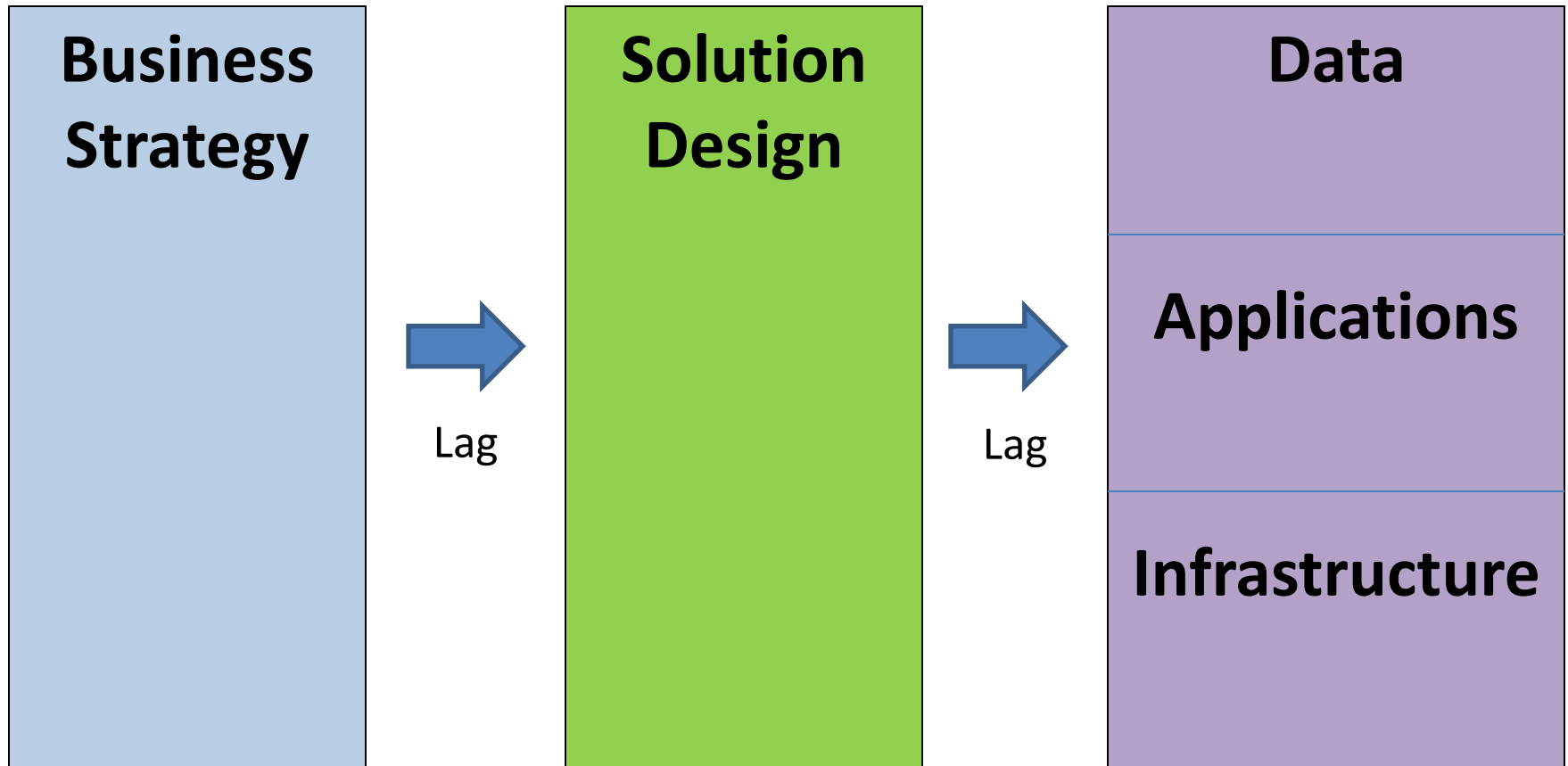
Business Operating Models and ICT

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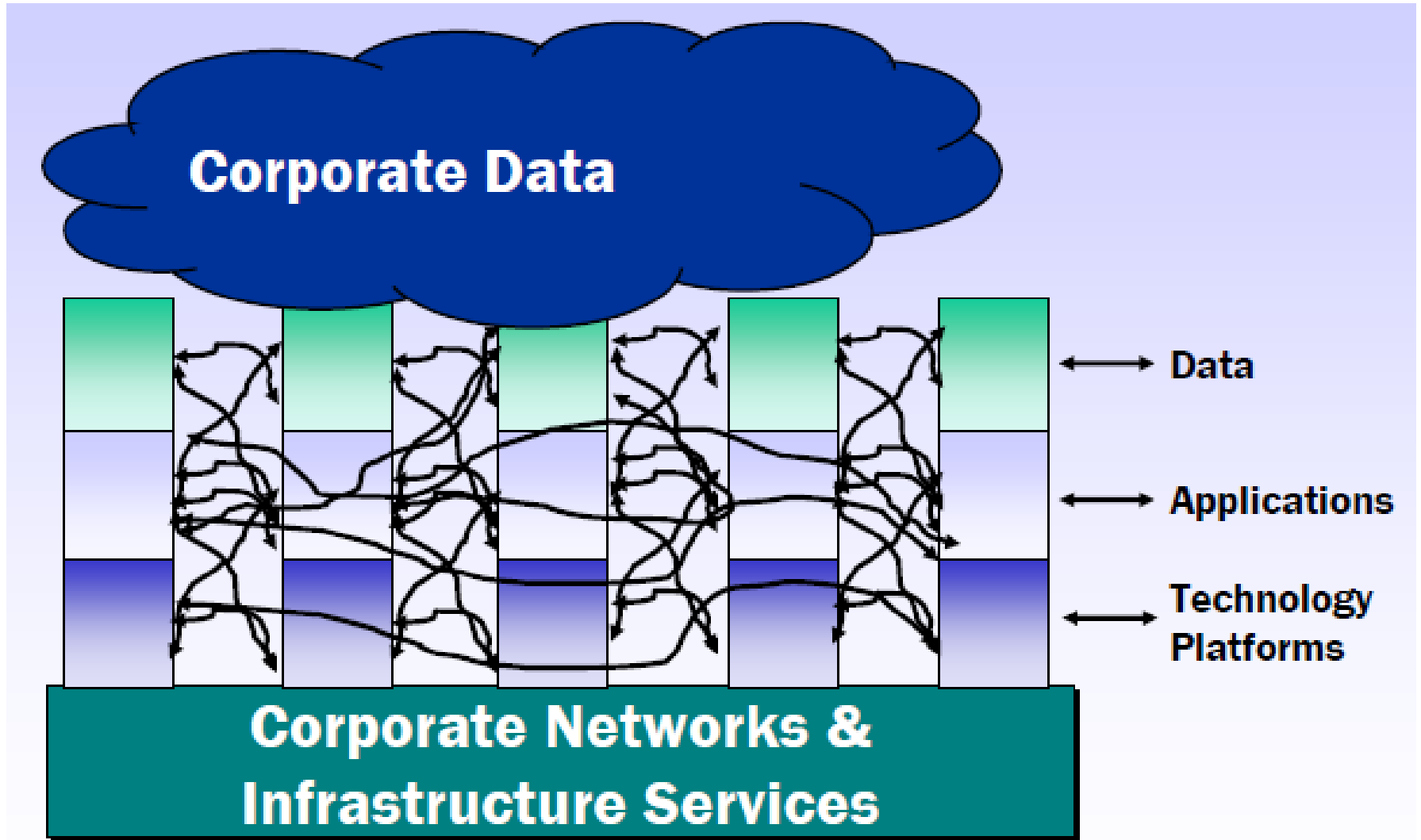
POST GRADUATE DIPLOMA IN BUSINESS AND FINANCE
2014

Business and IT alignment



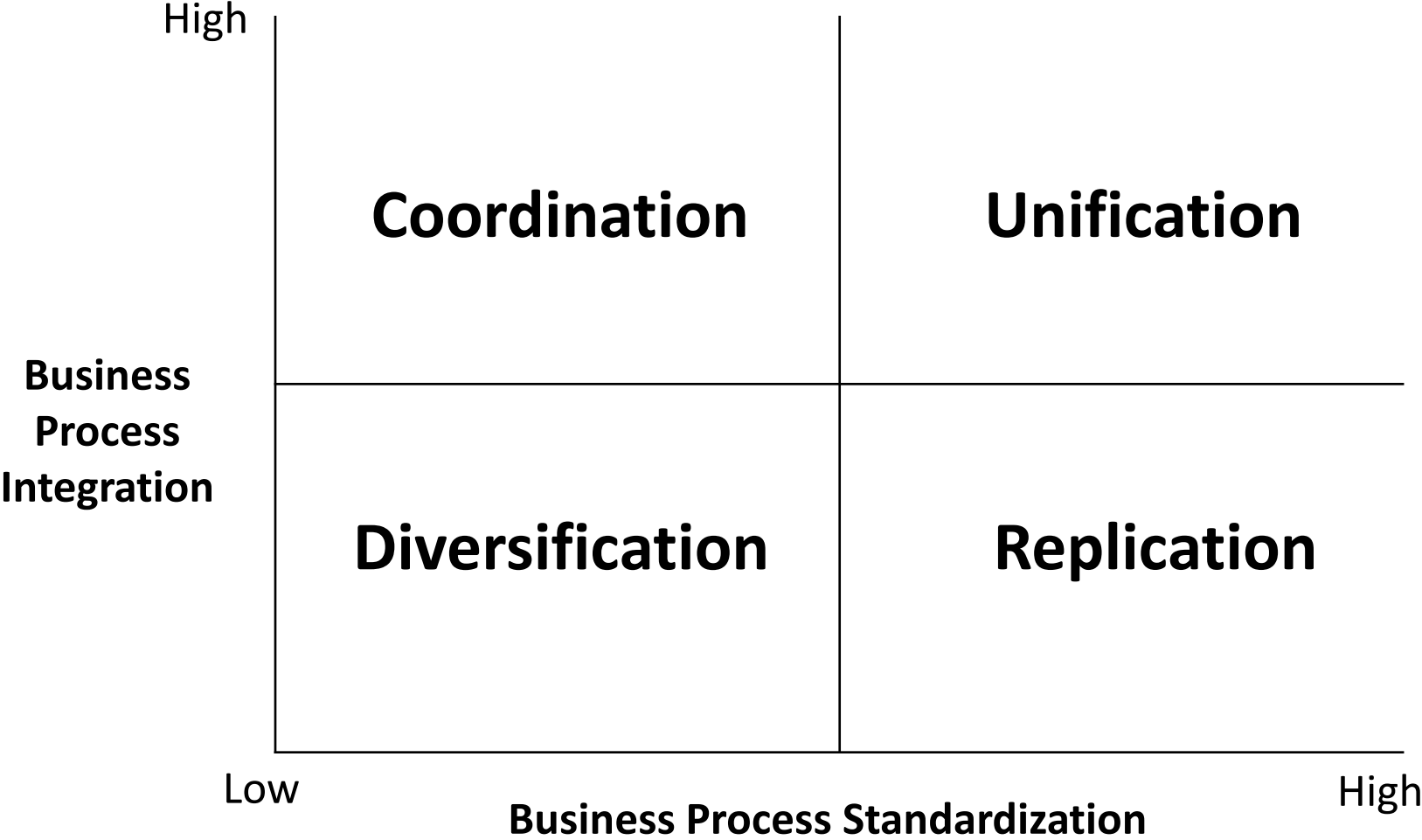
- IT becomes a persistent bottleneck – as it is reactive in creating business value
- How to make IT **Proactive**?

IT Landscape

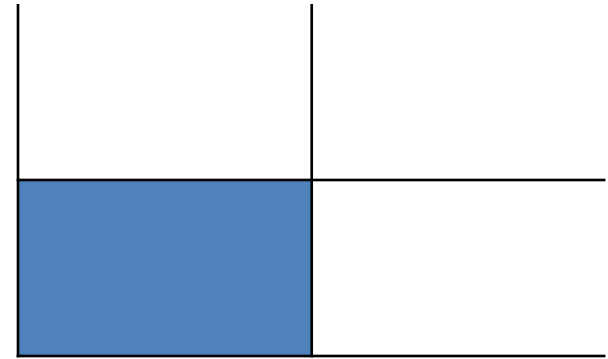


Source: *Architecture as Strategy: Creating a Foundation for Business Execution*, J. Ross, P. Weill, D. Robertson, HBS Press, June 2006.

Operating Models

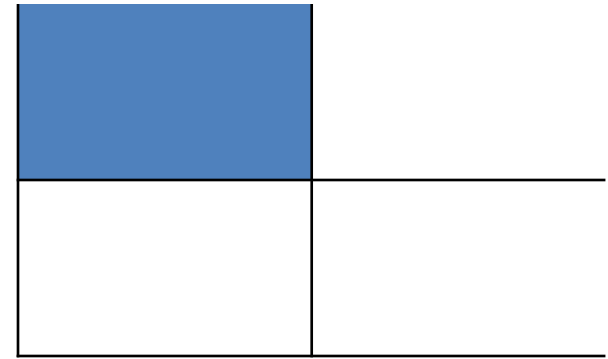


Diversification



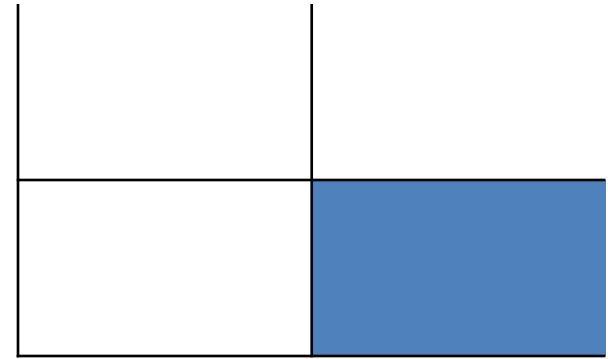
- Decentralized organizational design. Business units pursue different markets with different products and services, and benefit from local autonomy in deciding how to address customer demands.
- **Key Requirement** : Independent business units with different customers and expertise.
- **Key IT capability** : Provide economies of scale without limiting independence.
- **Key Characteristics** :
 1. Few, if any, shared customers or suppliers
 2. Independent transactions
 3. Operationally unique business units
 4. Autonomous business management
 5. Business unit control over business process design
 6. Few data standards across business units
 7. Most IT decisions made within business units.

Coordination



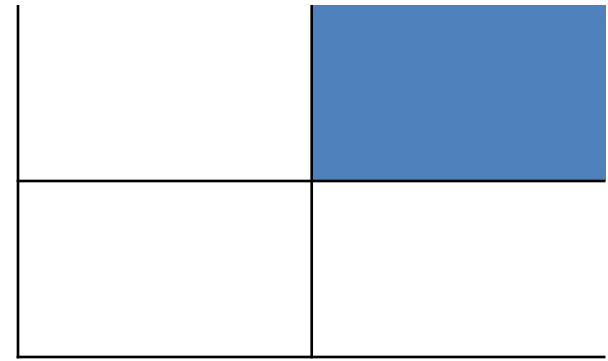
- Focuses on High integration. creates a single face to its customers or a transparent supply chain without forcing specific process standards on its operating units
- **Key Requirement** : Unique business with a need to know each others transactions.
- **Key IT capability** : Access shared data via standard technology interfaces.
- **Key Characteristics** :
 1. Shared customers, products or suppliers
 2. Impact on other business unit transactions
 3. Operationally unique business units or functions
 4. Autonomous business management
 5. Business unit control over business process design
 6. Shared customer/supplier/product data
 7. Consensus processes for designing IT infrastructure services; IT application decisions are made in business units

Replication



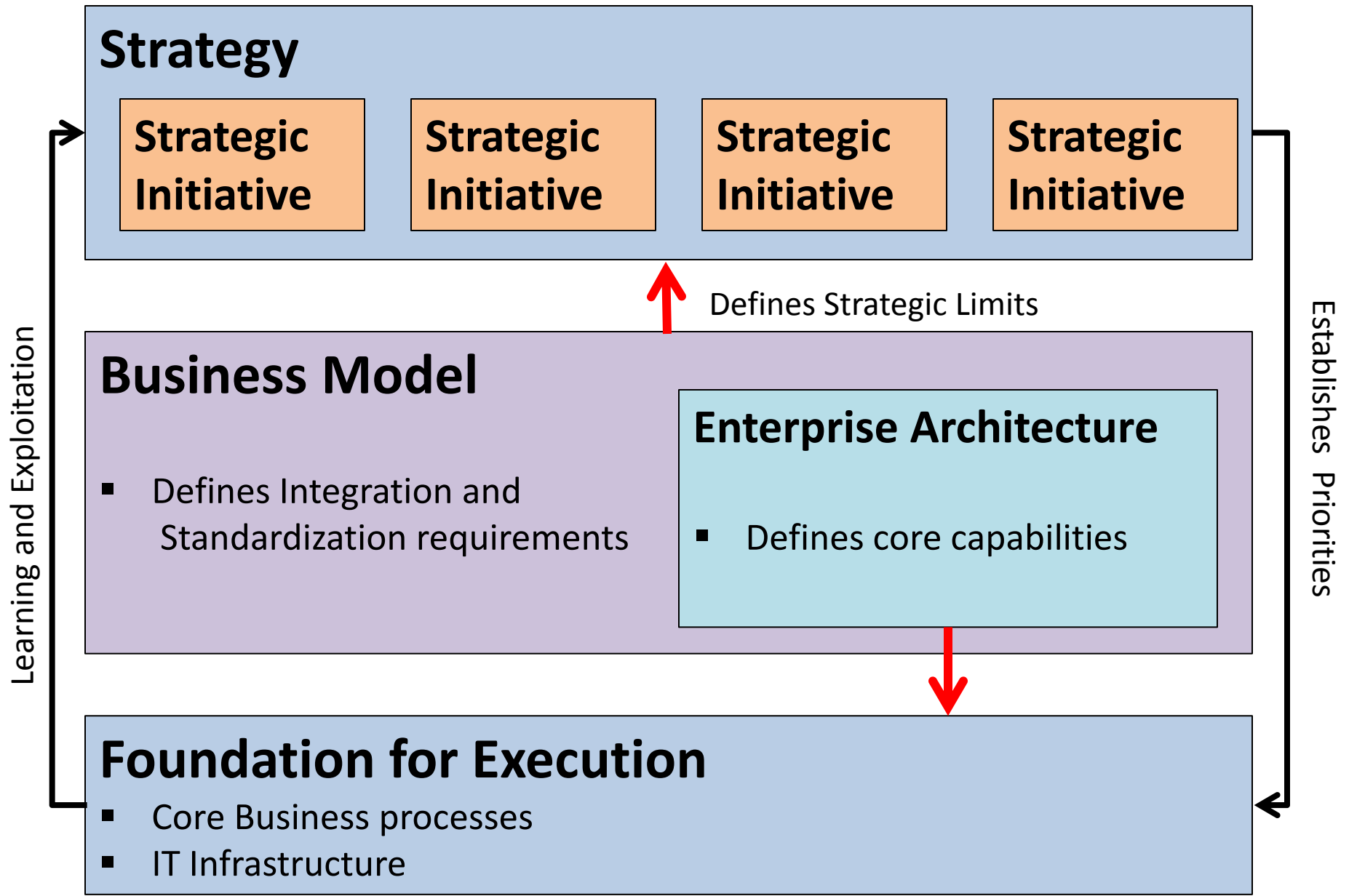
- Focuses on process standardization. Operating units perform tasks the same way using the same systems so that they can generate global efficiencies and brand recognition.
- **Key Requirement** : Independent but similar business units.
- **Key IT capability** : Provide standard infrastructure and application components for global efficiencies.
- **Key Characteristics** :
 1. Few, if any, shared customers
 2. Independent transactions aggregated at a high level
 3. Operationally similar business units
 4. Autonomous business unit leaders with limited discretion over processes
 5. Centralized (or regional) control over business process design
 6. Standardized data definitions but data locally owned with some aggregation at corporate
 7. Centrally mandated IT services

Unification

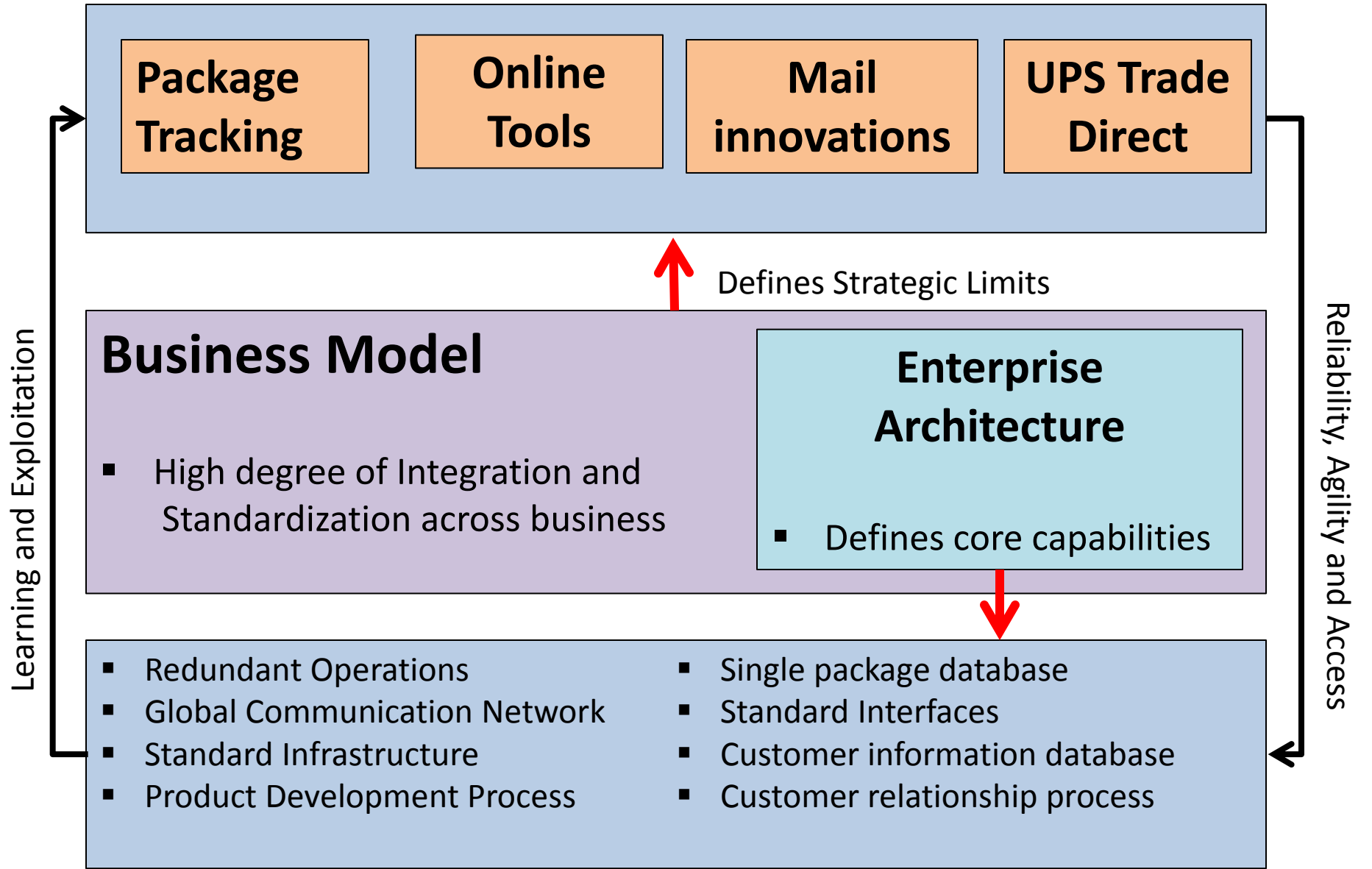


- A centralized organizational design. The company pursues the need for reliability, predictability and low cost by standardizing business processes and sharing data across business units to create an end-to-end view of operations and a single face to the customer.
- **Key Requirement** : Single business with global process standards and global data access.
- **Key IT capability** : Enterprise systems reinforcing standard processes and providing global data access
- **Key Characteristics** :
 1. Customers and suppliers may be local or global
 2. Globally integrated business processes often with support of enterprise systems
 3. Business units with similar or overlapping operations
 4. Centralized management often applying functional/process/business unit matrices
 5. High-level process owners design standardized process
 6. Centrally mandated databases
 7. IT decisions made centrally

Solution



Example : UPS



Source: *Architecture as Strategy: Creating a Foundation for Business Execution*, J. Ross, P. Weill, D. Robertson, HBS Press, June 2006.

Business Operating Models

Diversification Model



Replication Model



Business Operating Models

Coordination Model



Unification Model



Key Concepts

- **What is important for a company?**

- Business Operating Model : The desired level of business process integration and business process standardization for developing goods and services to customers.

- **How to get there?**

- Enterprise Architecture: The Organizing logic for key business processes and IT capabilities reflecting the integration and standardization requirements of the firm's operating model.

- **The Asset**

- Foundation of Execution : IT infrastructure and digitized business processes automating a company's core capabilities.

- **The Result**

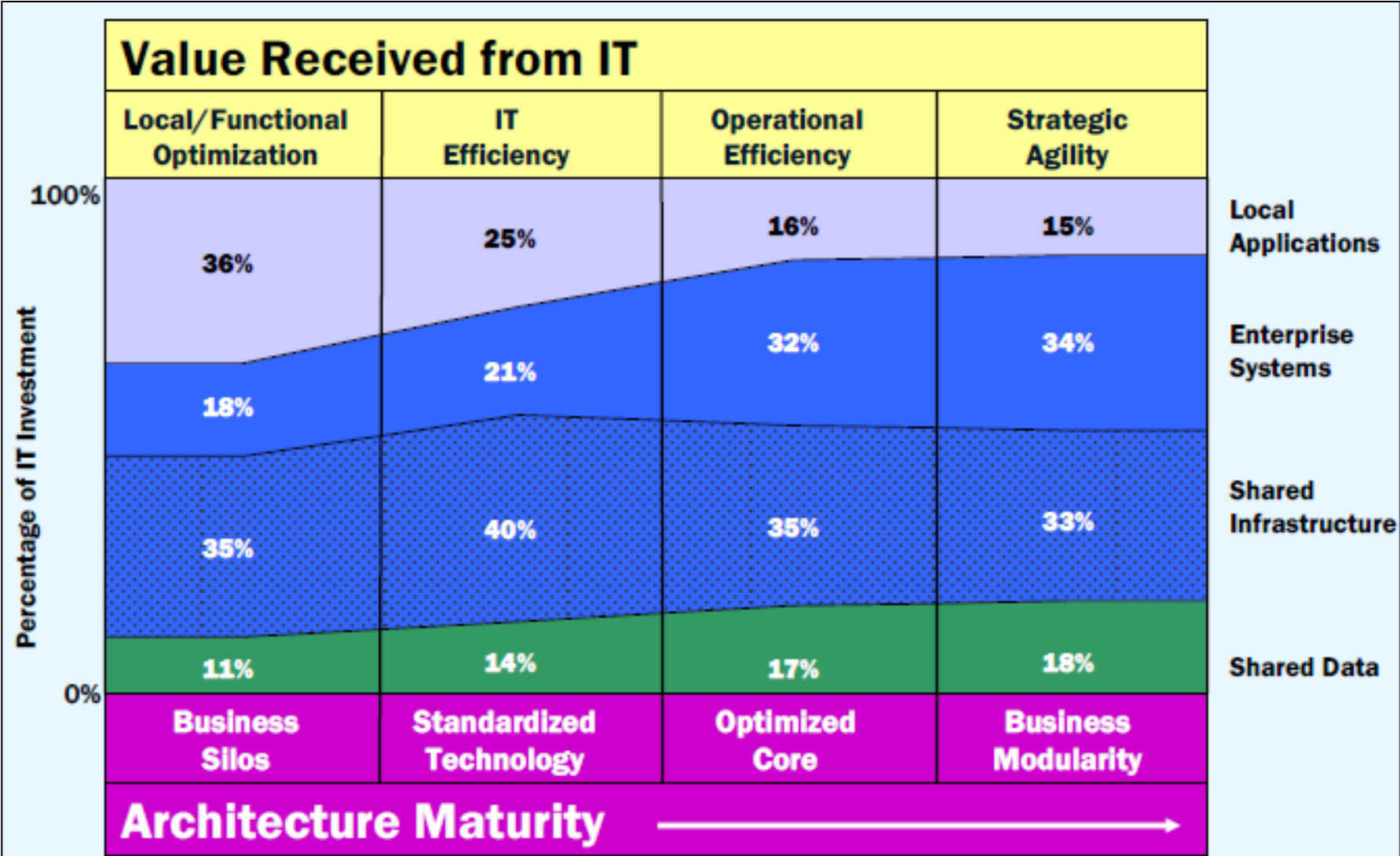
- Better performance : More agility,/ flexibility high profits, lower IT risks, more satisfied senior management, better Time To Market

IT Enterprise Architecture – Maturity Stages

Stage Name	Business Silos	Standardized Technology	Optimized Core	Business Modularity
IT Capability	Local IT applications	Shared technical platforms	Enterprise-wide hardwired processes or databases	Plug & play business process modules
Business Objectives	ROI of local business initiatives	Reduced IT costs	Cost and quality of business operations	Speed to market; Strategic agility
Funding Priorities	Individual applications	Shared infrastructure services	Enterprise applications and data stores	Reusable business process components
Key Management Capability	Technology-enabled change management	Design and update of standards; funding shared services	Core enterprise process definition and measurement	Management of reusable business processes
Who Defines Applications	Local business leaders	IT & business unit leaders	Senior management and process leaders	IT, business and industry leaders
Key IT Governance Issues	Measure and communicate value	Establish local/regional/global responsibilities	Align project priorities with architecture objectives	Define, source & fund business modules

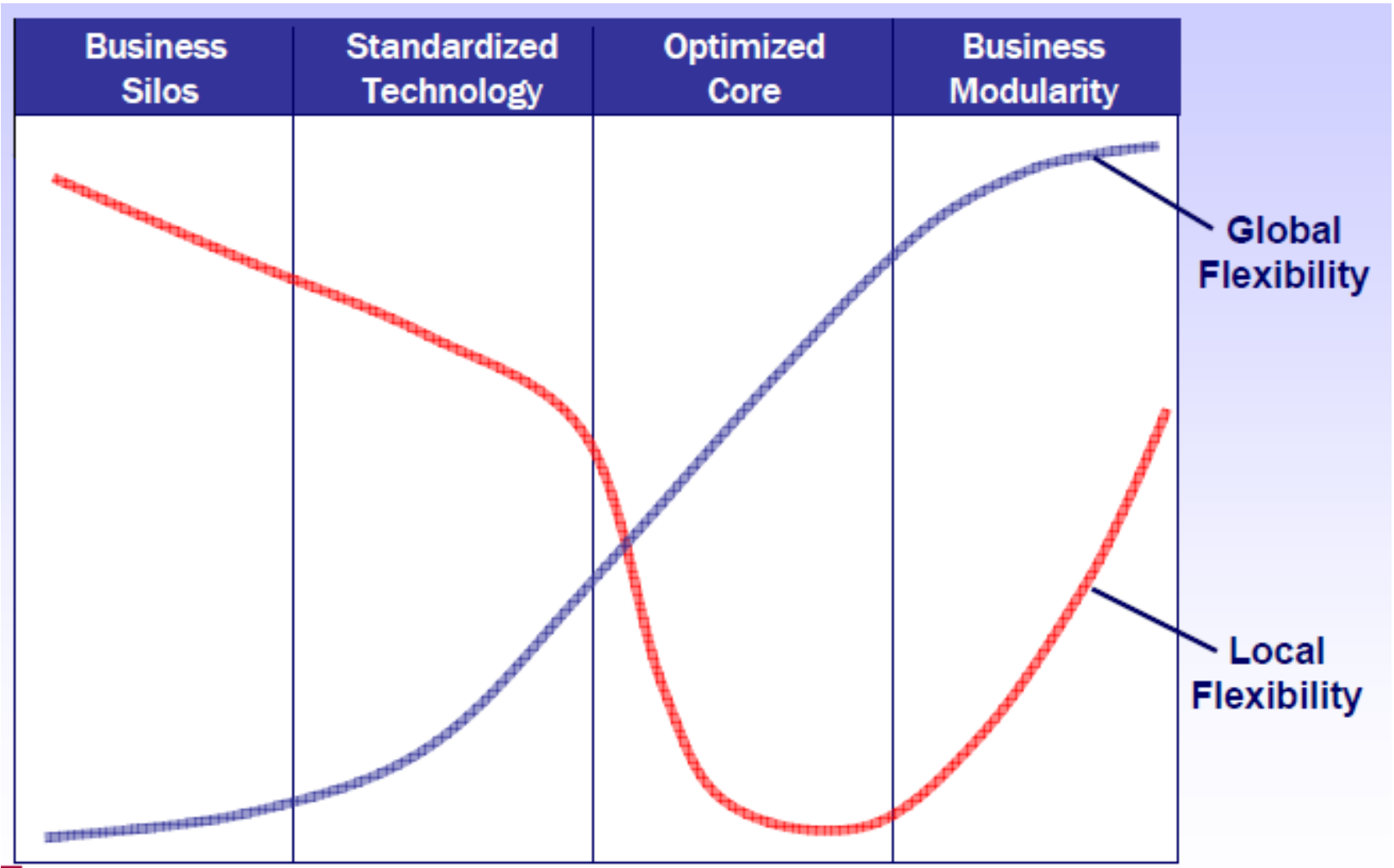
Source: *Architecture as Strategy: Creating a Foundation for Business Execution*, J. Ross, P. Weill, D. Robertson, HBS Press, June 2006.

IT Enterprise Architecture – IT Investment



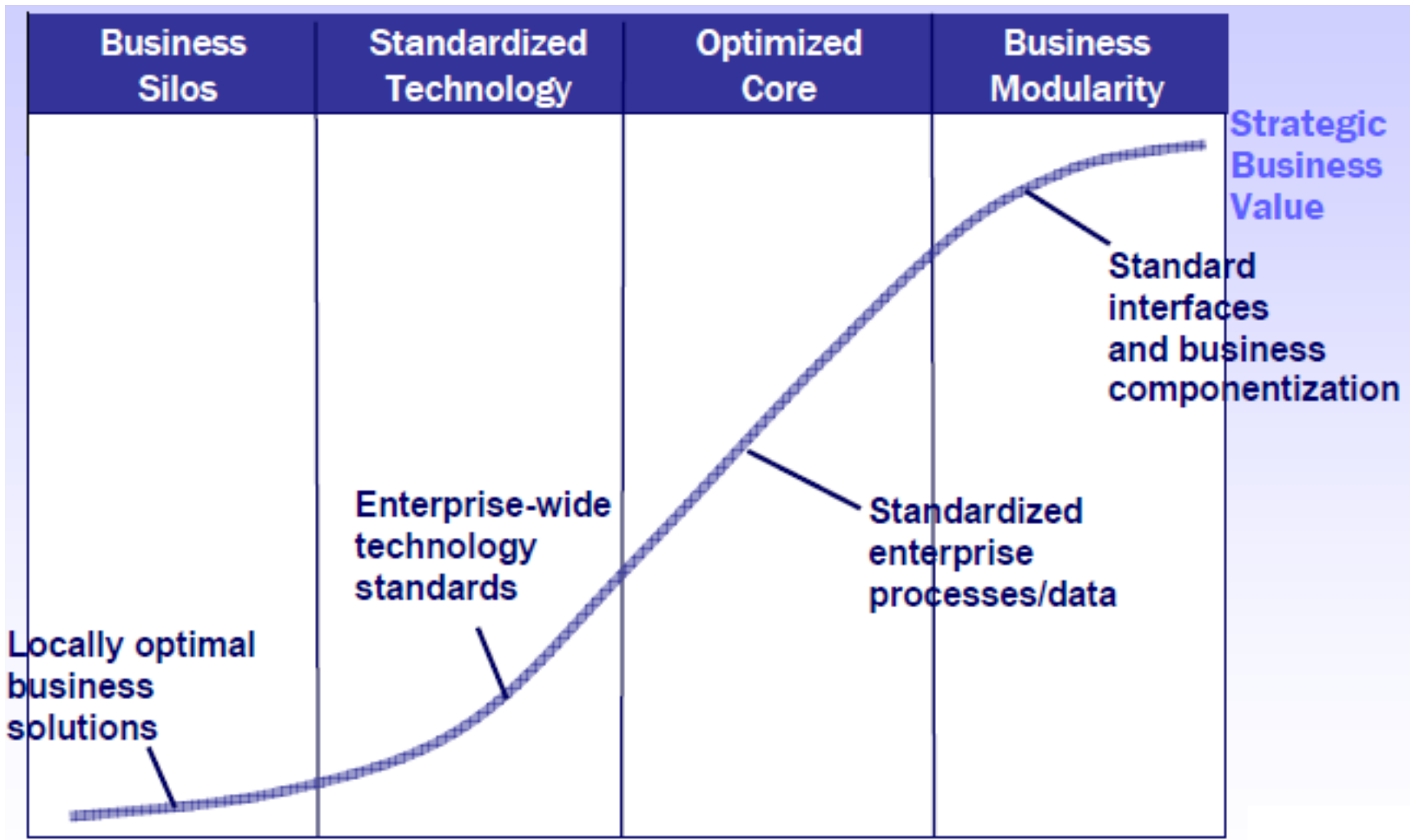
Source: Maturity matters: how firms generate value from enterprise architecture, Jeanne Ross, MIT Sloan Center for Information Systems Research, July 2004

IT Enterprise Architecture – Flexibility



Source: *Architecture as Strategy: Creating a Foundation for Business Execution*, J. Ross, P. Weill, D. Robertson, HBS Press, June 2006.

IT Enterprise Architecture – Increasing Value from IT



Source: Maturity matters: how firms generate value from enterprise architecture, Jeanne Ross, MIT Sloan Center for Information Systems Research, July 2004

IT Enterprise Architecture – Strategic Benefits

▪ Technology related

1. IT Costs - eliminates non-value-adding variations in technologies and relies on a set of relatively stable technical competencies
 - IT Operations unit costs
 - Application maintenance costs
2. IT Responsiveness – standardization helps quicker Time To Market of business solutions and responsiveness to errors, as the available technologies are strategically limited.
3. Risk Management - Cleaning up IT infrastructure, shared data and enterprise applications provides a more manageable IT environment.
 - Reduced business risk
 - Improved regulatory compliance
 - Increased disaster tolerance
 - Reduced security breaches

IT Enterprise Architecture – Strategic Benefits

■ Business related

1. Shared business platforms

- Greater data sharing
- Integrated process standards - reliability and predictability of IT-enabled business processes across locations and business units.

2. Managerial Satisfaction - the confidence of non-IT executives in the ability of the IT unit to deliver business value.

- Senior Management
- Business Unit Leaders

3. Strategic Business Impacts

- Operational Excellence - low cost provider, emphasizing efficient, reliable and predictable operations
- Customer Intimacy - extraordinary customer service, responsiveness, and relationships, based on deep customer knowledge
- Product Leadership - first to market with innovative products and services, usually dependent on rapid R&D to commercialization processes
- Strategic Agility - the ability to respond rapidly to competitor initiatives and new market opportunities.

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