

Enterprise Architecture: Far Too Important to Be Left to the IT Team

Viewpoint

To avoid hobbling the business, a company must define its business model and enterprise architecture at the same time.

Switching to a unified business architecture will take time and effort. Firms that can afford to pace themselves should take it slowly.

Dynamics

- Enterprise architecture is seen as a back-office activity in many companies. Its role in enabling business growth is not understood.
- Business and IT convergence is usually limited to functional specification handovers, or project-based virtual team working.

Predictions

- For most businesses, enterprise architecture will remain a back-office function until at least 2005.
- Enterprise architecture will shift from being an IT concept to be a combined business and IT function—the business architecture.
- Leading companies will appoint a board-level executive to provide an overall business architecture.

Recommendations

- Create a business architecture linking all aspects of the business model with the enterprise architecture.
- Appoint a board-level sponsor responsible for ensuring business architecture objectives are defined and met.
- Make the CIO and the chief technology officer understand that they no longer own the enterprise architecture.

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“The business architecture removes the artificial distinction between business and IT planning.”



Viewpoint

Companies have always had a problem aligning IT development with business goals.

Management talks in terms of business models, business processes and specific business activities, while the IT department talks about technology and how IT will be integrated into an overall architecture. The result is a capability gap caused by the time taken to translate business requirements into IT systems. This translation approach risks losing definition in the process. In slow moving markets, these deficiencies can be tolerated. But in today's fast moving, highly competitive, low growth environment, businesses cannot afford such delays and lack of clarity.

A new method of making the link between business objectives and IT is needed. Today's environment demands a unified, synchronized approach that creates an overall business architecture. In this, the rules for constructing the business at the process, people, and organization levels are aligned, right from the start, with the rules governing IT structures and standards.

A common architecture will let organizations set rules and standards for their businesses and better link the business and IT functions. This will make it easier to justify IT investments in terms of business needs, as well as allow for rapid extensions to the business model and its supporting processes, such as the speedy integration of new acquisitions.

Dynamics

Hampered by the enterprise architecture

Enterprise architecture has long been seen as purely a matter for the IT department. Only IT departments had the relevant expertise, and companies saw IT applications as strictly back-office functions. The big change that made information and communications technology a business issue was the advent of the Internet. Suddenly, companies could talk to their customers quickly, cheaply and easily. For the first time, business models were being driven by computer-mediated applications. In the rush to the Web, many companies saw, for the first time, that their enterprise architectures were hindering business, rather than supporting it. The increasing need to respond fast to competition caused many enterprise architectures to fall behind in their ability to serve business goals.

Today, IT-related delays continue to hinder business growth. CRM projects, real-time operations, and business process outsourcing plans all suffer from technology-related hold-ups and inflexibility. As C. K. Prahalad and M. S. Krishnan commented in a recent MIT Sloan School study, managers rarely know how "to fix the disconnection between the quality of IT infrastructures and the need for strategic change".

A new approach

A gap exists between the needs of business and IT's ability to satisfy them. The delays involved will lead to a lack of support for businesses, particularly where IT is an essential driver or enabler of rapid market change.

Current ways of tackling the situation—handing over a specification, forming a virtual project team or taking Prahalad and Krishnan's favored route, the portfolio-managed scorecard approach, which lets companies thoroughly analyze what they need from IT

applications—all suffer from inherent delays. But there is room for a fourth option, and one that is more in tune with fast-moving markets, especially where IT is both a supporting element and an agent of change.

This new approach involves focusing on a single, unifying, overarching concept—the business architecture.

The business architecture removes the artificial distinction between business and IT planning. It tackles the rules for how a business is put together and the enterprise architecture that dictates the shape of the IT environment at the same time, and brings them into alignment from the start. Both are architectural concepts, and they are much more likely to work smoothly together if they are linked from the outset.

When both architectures are devised at the same time, the company can plan for the optimum use of IT investments. The enterprise architecture will avoid producing IT systems that are expensively over-specified to cover every eventuality, or unable to adapt to serve new demands and urgent business needs.

Building a business architecture

The starting point for developing a comprehensive business architecture should always be a clear understanding of the company's main source of competitive advantage.

Michael Treacy and Fred Wiersema's concept of value disciplines can be valuable here. It can help companies decide whether their main focus is on customer intimacy, operational excellence or product leadership (or, in Gartner's extended version of Treacy's model, the fourth value discipline of brand mastery). A company striving for customer intimacy, for example, should design its business model, IT systems and operational activities to support this strategy at the process level.

A "customer-intimate" style of architecture can be defined at both the business and IT level. A financial services company, for instance, that was pursuing a customer intimacy strategy would base its architecture on a generic style for that purpose, recognizably similar to the architectures used by other companies targeting the same value discipline. But it would then add in ideas and capabilities of its own, reinforcing its strengths and differentiation through its distinctive business model, business processes and IT infrastructure. The resulting business architecture will set the rules as to how the business and IT functions are not only put together, but also how they are interrelated.

Creating business architecture this way will not be an easy step for most companies. It will take time to move on from the old ways of doing it. But a phased approach can usually be taken, depending on the extent to which the business depends on its IT systems and on the rate of change that characterizes its markets.

The business process changes needed to support the switch to a unified business architecture will take time and effort and may incur considerable costs. Only those companies where the issue is most pressing should start to do it immediately. For other businesses, a more gradual and orderly transition can be considered, based on principles of natural wastage and cyclical replacements. Realigning the way this vital planning is done over a period of two to four years will be quite challenging enough for most companies.

Predictions

- **For most businesses, enterprise architecture will remain a back-office function until at least 2005.** Business ability will be restricted because many companies simply cannot codify and plan the evolution of their own business models. Even where this is not a problem, the idea of simply handing over specifications for new functionality after all the planning is finished is a deeply ingrained habit.
- **Enterprise architecture will shift from being an IT concept to be a combined business and IT function—the business architecture.** The interdependency between the two disciplines means that only a holistic view can avoid delays and misunderstandings.
- **Leading companies will appoint a board-level executive to provide an overall business architecture.** Where industries are changing rapidly, events have already forced some companies to take steps to improve the alignment between business needs and IT architectures.

Recommendations

- **Create a business architecture linking all aspects of the business model with the enterprise architecture.** Strategic planners should use scenarios linked to the value discipline pursued by the organization to identify the generic architecture style.
- **Appoint a board-level sponsor responsible for ensuring business architecture objectives are defined and met.** This role will not be to provide cost and contract oversight but to define, codify, evolve and review the business architecture for the company. If the strategic planning function exists, the new post should reside in that department.
- **Make the CIO and the chief technology officer understand that they no longer own the enterprise architecture.** They should be aiming to deliver the IT elements needed to satisfy the larger business architecture.

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Related Research from GartnerG2

Report: [Strategy of Acceleration: Time to Change Culture and Architecture](#)
By Jorge Lopez (29 July 2002)

Report: [Brands: Net-Liberating the Masters of the Fourth Value Discipline](#)
By David Flint (14 September 2001)

Report: [Real Time: The Costs Are Real, But Are the Benefits Real, Too?](#)
By Alexander Drobik (31 August 2001)

Gartner Core Research

[Estimating the Time and Cost of ERP and ERP II Projects: A 10-Step Process](#)
By Brian Zrimsek, Pat Phelan, Frances Karamouzis and Ned Frey (26 September 2001)

Summary: Companies implementing enterprise resource planning (ERP) and ERP II systems risk spiraling project costs and missed deadlines. For 40% of companies deploying ERP or ERP II systems through 2004, the actual time and money they spend on these implementations will exceed their original estimates by at least 50%.

Bibliography

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[The Discipline of Market Leaders: Choose Your Customers, Narrow Your Focus, Dominate Your Market](#)

By Michael Treacy and Fred Wiersema (Addison Wesley Longman, 1994)

[GartnerG2 Value Discipline Framework](#)

(http://www.gartnerg2.com/Growsmart/fw_valueDiscipline.asp)

Methodology

Information in this report is derived from GartnerG2 primary market research undertaken with CIOs and CEOs in the fields of e-business, CRM, ERP, real-time enterprises and enterprise architecture.

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