



A Framework for Understanding Transformation, Part I

Description

Introduction

In [Agile Enterprise Risk Management, Risk-Based Thinking, Multi-Disciplinary Management and Digital Transformation](#) I focus on several topics tied to transformation. The overarching objective of transformation is **business agility**—the ability to identify opportunities and threats in your environment and react to them at speed. In the volatile environment in which we are now living, this is what will enable you to sustain your company. In fact, it’s™ the only thing that will.

In the VUCA (Volatile, Uncertain, Complex and Ambiguous) world in which we are currently operating the rapid evolution of forces acting on your company, most prominently technology, are driving continual change to the degree that you will need to be prepared to evolve and transform again and again to keep pace. There is no single target end-state that you can reach that will allow you to take an extended breather. Even as you transform, the chances are that you will have to change course, maybe more than once, in the midst of your execution.

I contend that you are now facing a need to perform two transformations in parallel—undertaking a Digital Transformation and upgrading your Enterprise Risk Management. (I recommend Agile ERM, as defined and documented in [the book](#).) I believe that the two are symbiotic—that both require many of the same management disciplines, which must be implemented and exercised in a manner consistent with achieving a Digital Business Architecture, to be successful.

Context

The degree and rate of change companies are experiencing today are unlike anything that they’ve™ experienced previously. Very little seems to demonstrate long-term persistence and many of the precepts that used to guide companies—™ thinking about their strategies and business models can no longer be relied upon as a rudder with which to steer the ship. Investments in doing more of what you are already doing may well be badly misguided. When cornerstone assets and operating models are tied to anchor products that underpin your company’s™ market value, you are at great risk of having

that value undermined by upstart competitors. Managing a competitive value proposition in shifting markets requires a great deal of business agility and willingness to undertake sharp pivots away from what has worked previously but won't anymore.

Attaining the business agility required to remain competitive will not be easy and it will not be fast. It will require that you transform how you operate your business in very fundamental ways and that you do it while maintaining your current operations. Navigating this process successfully will require thoughtful planning and every company's path will be different; however, all of them should be based on one set of building blocks—the company's Enterprise Architecture, its existing (as-is) and its intended (to-be) anatomy. I believe that developing an understanding of your before and after target architecture should inform the approach you take to transformation.

You have probably transformed before, maybe even substantially. You may have tried some approaches that worked and some that didn't. There are many theories and approaches to organizational change, and it is up to you to select and implement what will be appropriate and workable for you and your company. What I seek to provide is a conceptual framework to inform the process and help to treat it as a measurable activity, much the same as any of your other business processes. Just as Agile software development is intended to overcome impediments to rapid implementation, you must develop the ability to do the same for your ability to transform predictably and at speed.

Accomplishing a Digital Transformation is a crucial target and Agile ERM adoption is complementary to it. They are symbiotic; adopting Agile ERM will help to manage risks associated with your digital transformation and position you to manage the process as smoothly as is possible.

Enterprise Architecture—Your Company's Anatomy

Your company is a composite of anatomical elements described by its Enterprise Architecture. As I observe in [the book](#):

When you think of an Enterprise or a Business, you think of its Brand, the products it sells and its reputation. The fact is, while they are all relevant to the Enterprise, it is none of those things. The Brand is an asset; products can be changed or discontinued, and its reputation can wax or wane based on factors that the Enterprise may not control completely. Actually, an enterprise is a portfolio of Capabilities and Enablers, all of which are included in the EA and BA models.

Capabilities are that which your Enterprise is capable of doing. For example, auto companies design and build cars, banks assess applicants' credit and make loans and home builders construct houses. All of them perform administrative tasks, such as paying bills, filing taxes and managing their employees' benefits. To enable these Capabilities, the companies employ people with specific skills and enable them with places to work, application systems and equipment.

The EA model I employ for Agile ERM consists of a limited number of entity types, which make it practical for companies to build and maintain. It consists of the following entities:

- Markets and Market Segments
- Products and Services

- Value Streams
- Capabilities
- Enablers: Physical and Non-physical Assets, People, Processes, Technology Application Components and Data Assets

These are the fundamental building blocks from which any company is constructed. If you decide to get into a new line of business or to create a new product or service, one of the first things that you will do is to identify the new or revised Capabilities that may be required and the new or revised Enablers you will need to allow you to execute them. There is nothing revelatory in this; it is how businesses have operated since there have been businesses. It's all a part of conducting a feasibility analysis and determining whether to make an investment in expanding or transforming the company.

In subsequent articles in this series, I will explore:

- The EA model structure and alternate views through a variety of lenses
- Digital Transformation and Agile ERM what they are and why you need to adopt them
- What transformation is and how to approach it
- The why and how of developing and maturing your transformation capabilities

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