A Framework for Understanding Transformation, Part IV

Description

In the previous articles in this series, I asserted the crucial importance of *Business Agility* to your sustainability. The Digital Transformation that must undertake is a critical key to attaining it. But what is *Business Agility* and how should you understand how it is related to the models I presented earlier?

The common foundation of the three model framework I employ to describe a business consists of these layers:

- Outside-Focused (Strategic)
  - Strategy
  - Market
  - Product/Service

- Inside-Focused (Operational)
  - Value Stream
  - Capability
  - Enabler

Outside: Strategy, Markets, Products/Services

The *Outside* view of your business is what can be seen by customers, prospects, potential partners, competitors and other stakeholders, such as your suppliers. Many business strategy thinkers frame their approaches in terms of ***Where to Compete*** and ***How to Win***, which is the logic behind ***What You Will Sell*** and ***To Whom***. Within a given market and product segment, you must select a tactical approach that will provide advantage over your competitors. This is commonly viewed through the lens of ***Differentiation*** and competitive ***Value Proposition***â€"how your products are different and better than your competitorsâ€™.

Competitors tweak their offerings and new entrants create new business models, products and services constantly. The niche you thought you commanded can be bracketed, dry up or be completely superseded at any time. In large measure, the decisions you have to make in the *Outside* layer are

intellectual, creative and information driven. Your ability to understand your prospective customers and what drives their buying behavior is critical to your success. Business Agility in the *Outside* context is mainly one of ***design***: the ability to recognize opportunities and ideate, develop, refine, validate and release competitive products rapidly. The goal of your transformation is to enable you to do exactly that.

Luxury cars are targeted toward specific segments of the car-buying public. Manufacturers go out of their way to evoke a particular set of feelings in marketing communications about their products and build very specific buying and servicing experiences for them. After all, no one ***needs*** a six-figure car, much less a seven-figure one, so manufacturers have to make prospective customers ***want and be willing to pay*** for them. Itâ€™s expensive to build and sell these vehicles, but at the prices they command, there is a lot of profit in them. On the other hand, economy cars are all about price point and volume. Manufacturers compete in this market on a Value Proposition of providing (or at least appearing to provide) a little more for a little less. Economy cars have much slimmer margins than luxury cars, so selling lots of them is the path to profitability.

Between the two extremes, there are many places to play, such as the near-luxury market, where cars that echo design features and performance of a brandâ€™s luxury cars are sold for incrementally more than economy or standard cars. You may recognize some of this in the premium economy seat class that most airlines seem to have these days. Itâ€™s not exactly the steerage class of true economy, but it certainly isnâ€™t Business or First class, either.

Inside: Value Streams, Capabilities, Enablers

The *Inside* view of your company addresses how you are constructed to deliver the products and services you sell. Value Streams, Capabilities and Enablers are configured and organized for that purpose. There are, needless to say, a great number of considerations that must be addressed to optimize your companyâ€™s internal architecture. Whereas the *Outside* concerns are largely intellectual, the *Inside* concerns are often largely tangible, such as how production of physical goods will be accomplished and administered.

More importantly, what goes on inside your company serves as a gaiting factor for what you can deliver outside of it. If you donâ€™t have the facilities, equipment and manpower to manufacture a product, you canâ€™t deliver it yourself, though you may be able to contract with a supplier to make it for you. If your Operating Model and Operational Architecture are not configured to allow you to create new products or evolve existing ones rapidly, you could fall victim to a competitor that can. So, thereâ€™s little doubt that your internal architecture will act as a brake on your Business Agility if it is not optimized for flexibility and plasticity; however, cost is also a concern, and flexibility and plasticity has a price.

The Target Architecture of Your Enterprise and Business Agility

In part II of this series, I identified the Digital Business Architecture as a target architecture for your company. In addition to elements of the architecture addressed by that model, there are some additional elements that you should implement. In aggregate, these elements contribute to both your Business Agility and your ongoing transformation capabilities.

Outside-Focused

(Digital Business Architecture Pillar)â€"Business Intelligence and Analytics, Artificial Intelligence, Machine Learning

As markets evolve at ever increasing rates, your ability to identify patterns so that you can act on them must accelerate. This element is critical to this ability.

Lean Product Management Orientation

This PM approach accelerates your Product Development processes by focusing on selected core features and functions to incorporate in Minimum Viable versions and pushing you toward early exposure to prospective customers. This forces you to focus and hone your Value Proposition and obtain validation of the product-solution fit and product-market fit early in the lifecycle so that you can enhance your prospects for successful launch and discontinue investing in products that have limited potential for success.

Developmental Business Portfolio

The decreasing lifespans of most products creates a need for replacements if your enterprise is to maintain its market share. An evergreen portfolio of prospective products in various stages in the development lifecycle will provide opportunities for revenue growth or at least, preservation.

Shared Focus

(Digital Business Architecture Pillar)â€"Distributed Decision-Making and Authority

Decision latency is a major threat to agility. This element is a dispersed authority and accountability structure that eliminates unnecessary oversight, minimizes bureaucracy and pushes decision-making to the people who are most knowledgeable and directly impacted by it.

(Digital Business Architecture Pillar)â€"Partner Development Platform

Partnering will become an increasingly important element of strategy, especially for digital products and services. The PDP enables the enterprise to deliver digital service support and integration options to enable collaborative offerings with partners more easily and efficiently.

Inside-Focused

(Digital Business Architecture Pillar)â€"Digital Product and Services Factory, Integrated PM/Tech teams, Agile, DevOps, CI/CD, System Reliability Engineering

This element is the where the rubber of your digital business meets the road. This is the element of the architecture that all the others are intended to enable. It consists of:

- Organizational components (the integrated PM and Technology team,)

- Processes (lean product development, agile software development, DevOps, CI/CD and SRE,) and
- Technology enabling your market surveillance, product development, operations and support processes.

(Digital Business Architecture Pillar)â€"Operational Infrastructure

Your infrastructure must be elastic (capable of being resized as needs arise and circumstances change,) flexible and plastic (easily reconfigured,) cost-effective and manageable. A cloud-based architecture is almost certainly the best approach to this.

(Digital Business Architecture Pillar)â€"API Infrastructure

The distributed environment you will operate requires a robust, standards-based and easy-to-manage integration approach. APIs are the best choice for this now.

Business Process Management

Rationalizing, applying Machine Learning to and accelerating processes across your enterprise is a major goal of Digital Transformation and an important contributor to your Business Agility. Robotic Process Automation (RPA) and Digital Process Automation (DPA) are tools that you must master. Glenn Smythe, Chief Architect at Fragile to Agile, an Australian-based consultancy specializing in Digital Transformation, recommends adopting these technologies immediately, even if you are not configured to take complete advantage of them right away. Putting them in place side-by-side with human actors will position you to expand adoption over time.

Knowledge Management, Taxonomy and Ontology, Pattern Library

One easy way to accelerate your companyâ€™s evolution, minimize development risks and save costs is to not build things if you can reuse existing ones. Enabling reuse requires that you architect and design for it when you build things and that you make it possible to identify objects you have that can be reused. A classification and nomenclature scheme attached to a repository where components of all types are archived, is a large step toward this goal.

The Target Architecture of Your Enterprise and Transformation Capabilities

If you successfully implement the elements and components Iâ€™ve outlined, you will certainly be more agile as a company than you are now; however, that agility will be bounded by the context of the architecture that will exist at that point. Events that you cannot foresee or for which you cannot plan will arise and force you to change both WHAT you are doing and HOW you are doing it. Most new Products and Services brought to market are extensions or evolved versions of things a company already knows how to deliver. It exploits competitive strengths, which makes all the sense in the world. After all, a publishing company is not likely to suddenly start manufacturing computers, regardless of how good the opportunity may appear.

A publisher has a content lifecycle that involves more than a few actors in a defined processâ€”everything from product planning to authoring to editing to production to distribution. This represents a fair amount of its cost structure and opportunities to reduce it will provide tangible benefits to its bottom line. What if it adopted AI-driven content creation? What if it could automate some or all of its editing processes? These things would certainly accelerate the production lifecycle and could allow it to work with a smaller staff.

How quickly could you effectuate such changes? Your Digital Transformation and adoption of the Digital Business Architecture will enable you to make such transformations more quickly and reliably. In performing your initial transformation, you have laid the groundwork for future transformations.

For instance, you implemented Robotic Process Automation and Case Management to handle some business processes. Your initial implementation might contain *attended* workstreams, in which a worker works side-by-side with the automationâ€”robots perform some tasks and hand work items off to human actors when decision-making is required for which they are not programmed. When you can, you will want to automate the process entirely. What may impede that? Human resistance to change or incompatibility with systems on which the process is dependent, among other things.

As you navigated your transformation, you should have learned how to reshape your workforce, either through training or hiring. You should have learned how to reconfigure existing roles and jobs to conform to the requirements of the architecture you adopted. You should have migrated some of your systems to employ new technology and operate on a cloud infrastructure and some of your processes to be more automated and perhaps more accessible to remote workers. You should have also developed new governance structures to help you manage the many elements of your enterprise that simply didnâ€™t exist before. Overall, in making changes, you should have both gained experience in and reduced the organizationâ€™s resistance to making them.

Your transformation capabilities will certainly be hard won over the years of effort it will take to achieve the Digital Business Architecture. They are second-order capabilities that are critical to your long-term success. You will probably never get to the architecture you originally defined. Too many things will change along the way, create new requirements or new opportunities and invalidate your original designs. Ultimately, your evolution will be a continuous process and you will need to apply your change skills again and again.

So, define, plan and execute the changes you need to build Business Agility, but be mindful of the need to preserve what you learn from the experience.

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