

# White Paper

# Architecture and Portfolio Management – Alignment to your Business Strategy starts here

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## Andrew Swindell

Andrew is an Enterprise Architect for Inpex based in Perth, Australia and is supporting the Inpex multi-year, multi billion dollar program of work providing enterprise and solutions architecture across all enterprise domains. Andrew has over 20 years' experience in the field of Information Technology and Architecture and has been involved in a number of countrywide initiatives in Australia and New Zealand. Andrew has extensive experience in the Financial Services, Utilities, Health Insurance, Mining and Tourism industries.

Clear business intent is a critical first step in developing and refining your Portfolios and optimizing valuable change program investments. Many companies I have been involved with collect all the business unit strategies and project wish lists and struggle to prioritize the investments or align the investments to the business strategy

Clear business intent and optimizing investments is built on a number of strategic architecture inputs which guide investment prioritization including:

- An understanding of Value disciplines and market positioning;
- Clear set of business outcomes;
- An understanding of your current business capabilities and how they contribute to business outcomes;
- Clarity on your current state asset Portfolios including Business, Data, Applications and Infrastructure, and
- Supported by good governance practices at the Strategy, Portfolio, Program and Project levels.

## Value Disciplines and Market Position

A clear understanding of your market positioning and business intent will guide your investment decisions. With some Project Portfolios reaching 200+ projects and billions of dollars, if the project portfolio is not focused on delivering the business intent, misalignment can quickly show up through deteriorating assets, lower revenues or higher costs.

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There are a number of methodologies to support confirmation of market positioning, however I like the “Value Disciplines of Market Leaders” developed by Treacy and Wiersema which outline three key orientations for achieving competitive advantages as follows:

- **Product Leadership** – where a company has a clear leadership in developing products or alignment of products to customer segments. This is often achieved in industries requiring Technology but the market gap is often closed very quickly
- **Customer Intimacy** – where a company has a critical size or is in tune with its customer base enabling strong customer relationships, cross sell and loyalty.
- **Operational Excellence** – is generally the hardest to achieve and has longer lead times to create and once created, market strength can last for significant periods of time.

By accurately determining your company position, you can focus investments on those projects which best deliver to your agreed market positioning. A project weighting system will draw out the value of your programs and projects and enable measurement of alignment to your business intent. Once the mapping is complete the data can often tell a story of misalignment or over emphasis in some areas.

Most companies reflect all three of these orientations to varying degrees, however focusing the majority of spend on one of these orientations will move the organizational effort towards business intent. The following diagram highlights these three disciplines:

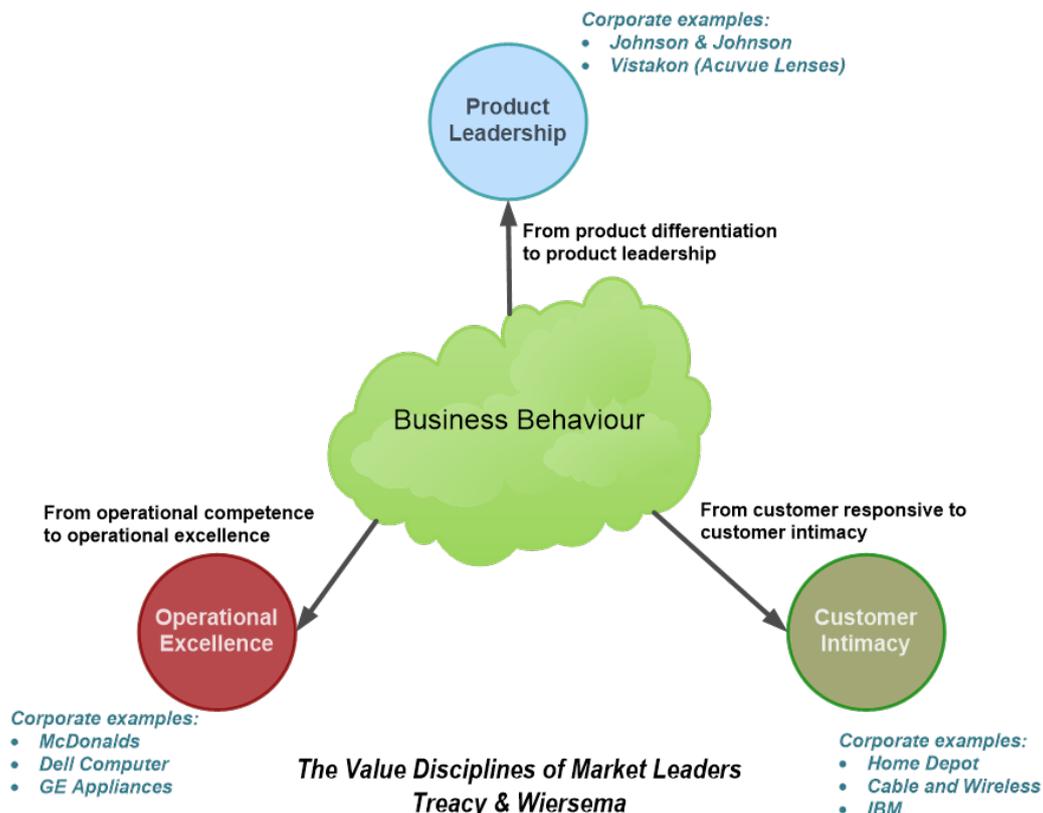


Figure 1: Value Disciplines

# Business Outcomes and Business Capabilities

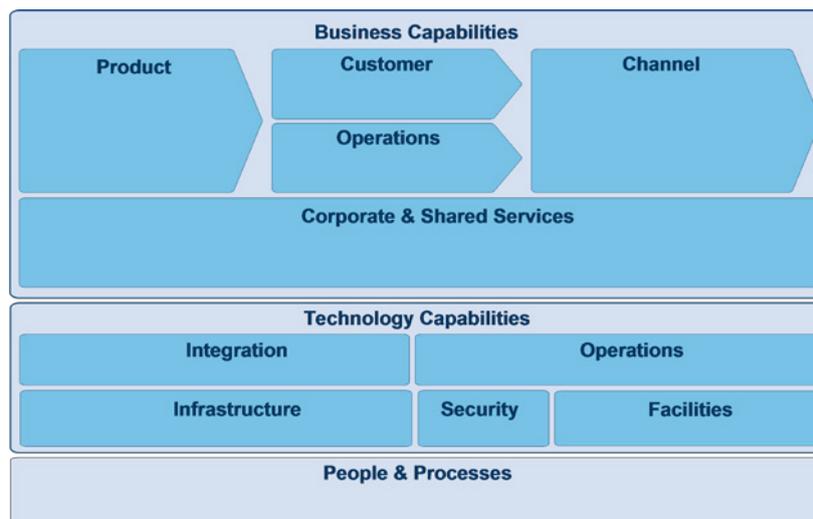
A Business Outcome is not just a statement of a goal. It is a statement about the way in which the result of business activity is visible, and how it can be judged by its external environment. A Business Outcome can also be measured to ensure the degree of change is appropriate and properly timed to meet enterprise objectives.

Business Outcomes act to categorize and identify duplication and overlap in enterprise capability and a set of clear Business Outcomes provides an effective means to interpret strategic statements and business unit strategies into programs of change. Each program can then be weighted, mapped, analyzed and planned at a lower level of detail.

Business Capabilities are also in the top layer of the business architecture and are governed by the Business Principles of the organization. The capabilities are realized by a business process and performed by a role, i.e. an individual or team in the organization.

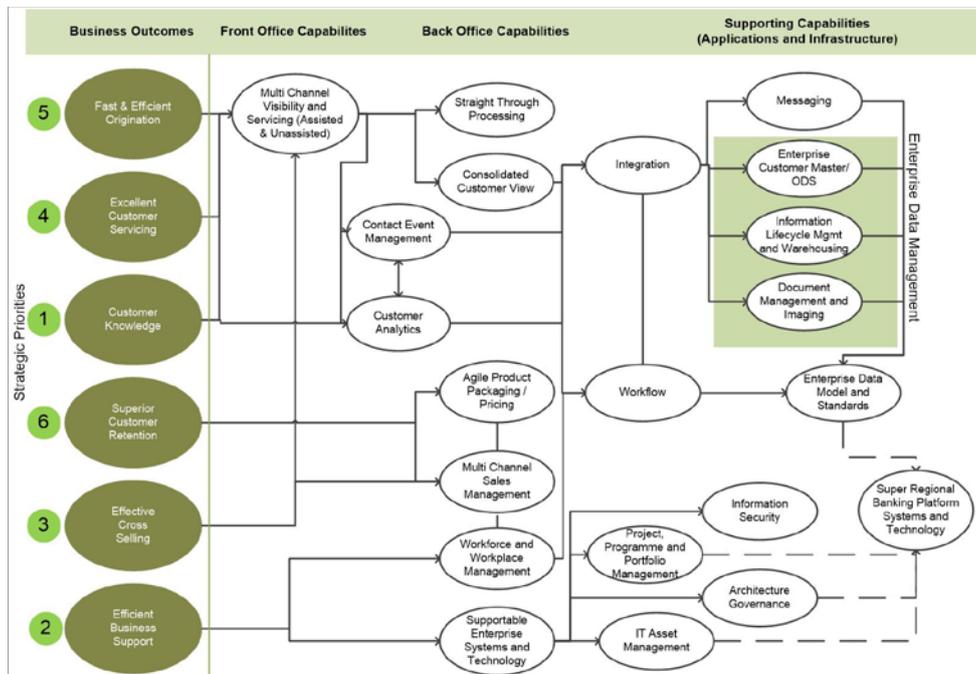
The Business Capability is, therefore, at a higher level than a business process and represents a conceptual service that a group of processes and people, supported by the relevant application, information and underlying technology, will perform. The capability represents the what, whereas the process and people represent the how.

Logical groupings of business capabilities enable filters to be placed against your Portfolios, Programs and Projects enabling analysis of the investment spend against key capabilities. Below is an example of a logical set of business and technology capabilities that can be applied to your Project Portfolios:



**Figure 2: Logical Business and Technology Capabilities**

Using both business capabilities and business outcomes provides further alignment rationale and the example below shows how a prioritized set of business outcomes can influence the allocation of program and project funding.



**Figure 3: Aligning Business Outcomes and Business Capabilities**

In this example, Customer Knowledge is the number one priority for this company and investments in Customer Analytics, Customer Events and Single Customer View will generate the greatest impact on the business outcome. These decisions then drive the timing, business engagement and level of investment required to support this outcome.

## Portfolios and Architecture Reference Models

Architecture Reference models for Applications and Infrastructure Portfolios also play a part in prioritizing and aligning your portfolio investments. Current state assessments such as RAG (Red, Amber, and Green) ratings and Risk Assessments enable a prioritized set of Application and Infrastructure gaps to be addressed as input to your Portfolio planning.

Application upgrade paths and “Red” rated Application and Infrastructure domains also highlight where lack of investment has been accruing or where ongoing low capability could hinder the achievement of your business outcomes.

Using Reference and Target State models such as those below can isolate further Architecture inputs into your Portfolio planning and enable a more holistic set of investments to be established.

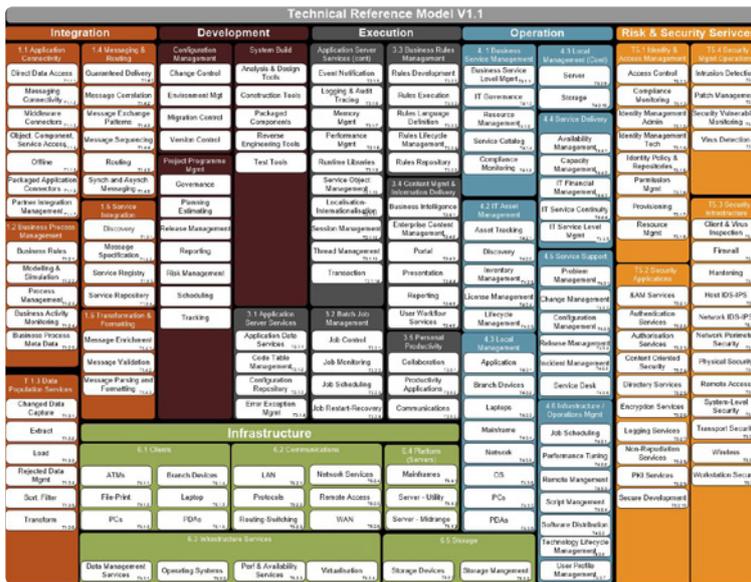
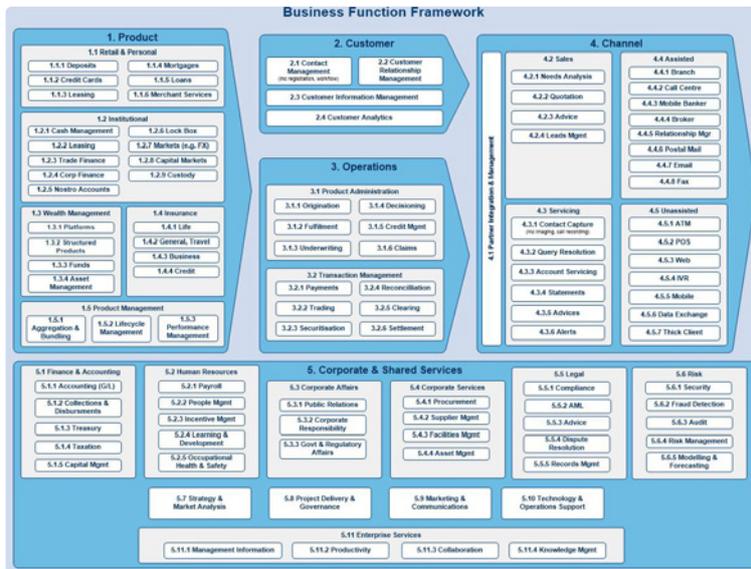


Figure 4: Architecture Reference Models for Portfolio Planning

## Bringing it all together

The analysis and positioning of your Portfolios using a wide range of inputs can generate insight and rationale for justifying investment allocations and agreed project approvals. The model below outlines how all of the inputs come together to formalize the project portfolio and communicate justification to Executive teams.

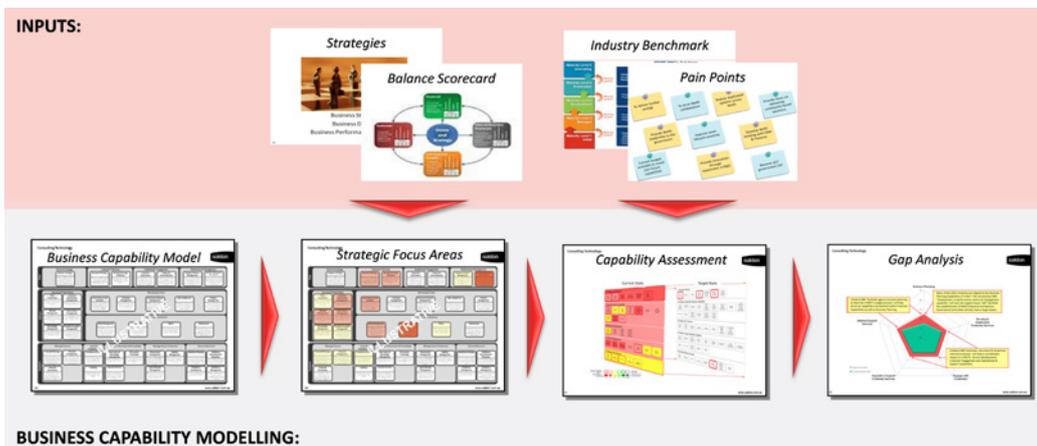
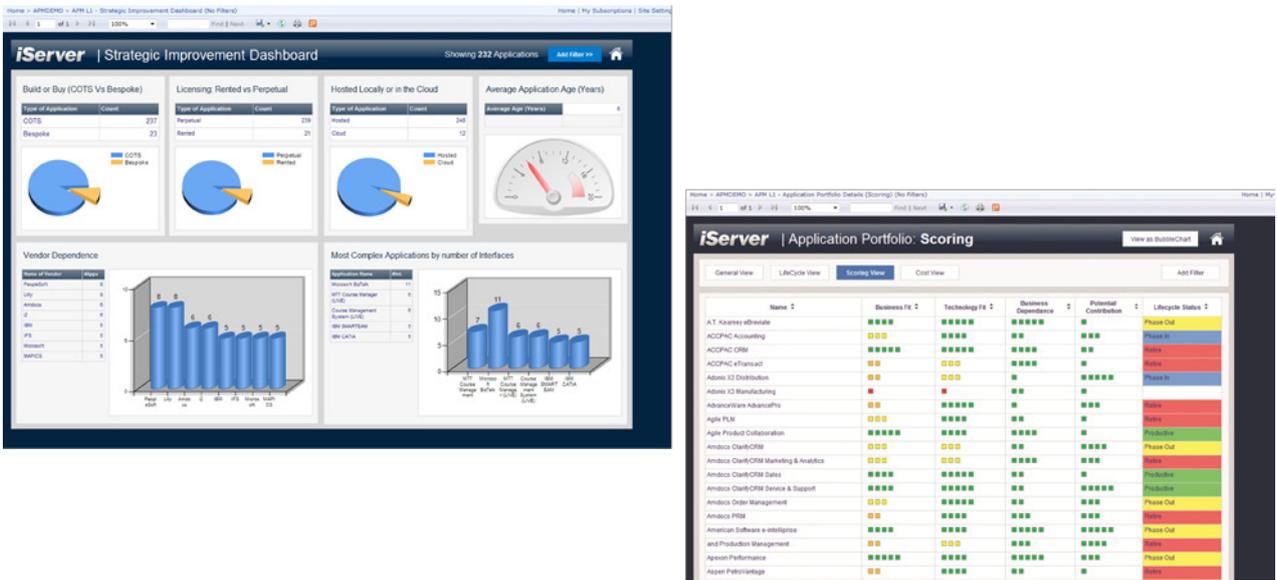


Figure 5: Summary of Architecture inputs for Portfolio Planning

A number of Portfolio reports can also be generated using the iServer APM Solution from Orbus Software. These reports are invaluable in tracking and maintaining traceability for your decisions. Below is an example of some of the reporting that can be generated:



Undertaking this level of strategic analysis at the Portfolio level leaves no stone unturned in fine tuning the inputs and providing clear guidance on the project decisions and priorities being made. The following case study highlights the impact of this analysis on a major bank.

## Case Study

A large bank had a business wish list of \$550m in projects and had only ever spent an average of \$80-\$90m per year in delivering change programs. In order to prioritize and re-align the business wish list of projects a series of top down strategy and architecture inputs were applied to identify those projects with the highest scores and greatest value to the organization.

Projects that addressed burning platforms and keeping the lights on were prioritized highest and projects that directly contributed to the business outcomes and capabilities required were also included. Projects that did not meet these criteria or were “nice to haves” were prioritized lowest.

The approach enabled a confirmed Portfolio of \$120m in projects spread over 18mths and more focused Program and Project teams established with the number of dependencies, complexities and risks significantly reduced.

## Portfolio Governance

Good governance should exist at every level of the organization as it serves a number of purposes in communication, engagement and alignment of change programs to the business intent. We are all aware of the impact poor project governance has on the success of a project and similar levels of governance should apply at the Portfolio level.

As I have referenced in previous white papers, governance is one of the least understood but most important steps in ensuring the investment Portfolio is continuously aligned and agreed.

Portfolio Governance exists to continuously engage Executive teams in strategy discussions, validating the investment priorities and supporting trade-offs and alignment to the business outcomes. The model below highlights the governance levels that should be applied at your organization.

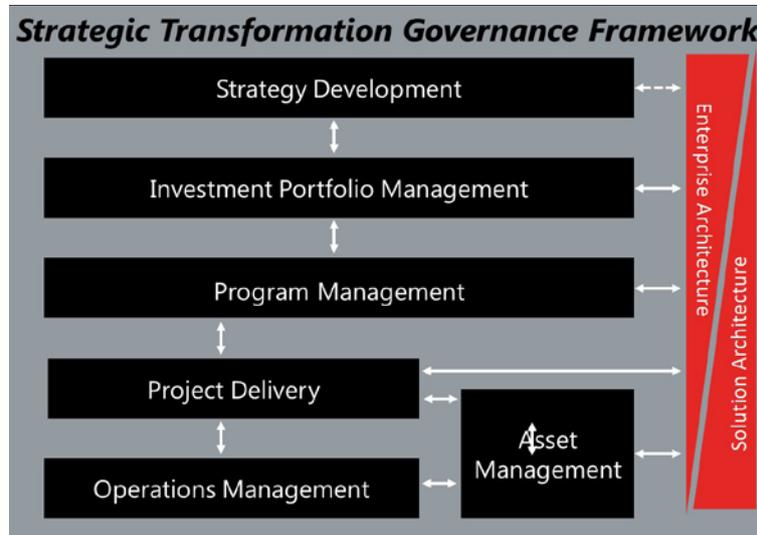


Figure 6: Summary of Architecture inputs for Portfolio Planning

## Final say on Architecture and Portfolio Management

Disciplined Portfolio Management practices, good governance, clear line of sight and a single toolset to manage data inputs all contribute to aligning your Architecture and Portfolio investments. Leveraging tools such as the iServer Enterprise Architecture product provided by Orbus Software enables much of this alignment to be achieved with support from good processes, accurate data and clear ownership and governance. Its use and alignment with Microsoft Office tools also ease uptake and enables excel spreadsheets and Visio models to be integrated into a clear picture of your Portfolio.

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### Orbus Software

3rd Floor  
111 Buckingham Palace Road  
London  
SW1W 0SR  
United Kingdom

+44 (0) 870 991 1351  
[enquiries@orbussoftware.com](mailto:enquiries@orbussoftware.com)  
[www.orbussoftware.com](http://www.orbussoftware.com)

