

# Designing IT Architecture to Strengthen Business Capabilities



## Is Your IT Architecture Designed to Strengthen Your Business Capabilities?

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For years, consultants have been recommending tighter alignment between IT and business strategy. At a high level, it makes perfect sense. But when you begin to peel back the various layers of organizational complexity, aligning IT with the needs of the business becomes a more complicated exercise.

In order to optimize the alignment of IT and business strategy, organizations must understand the discrete business capabilities

that the IT architecture is intended to enhance, and build accordingly. At the same time, the IT architecture needs to be able to adapt as the business changes.

## UNDERSTANDING BUSINESS CAPABILITIES

In the midst of the day-to-day grind, business and IT leaders aren't often apt to stop, step back, and assess the organization's capacity to successfully perform business activities. Therefore an organization's true business capabilities may not be well understood or defined.


Capabilities are often confused with organizational structure – R&D, Manufacturing, Distribution, IT, HR, Finance, Marketing, Sales, Operations, etc.– which in turn causes the IT architecture to mirror the org chart, without optimizing the underlying business processes.

Once you've identified your actual business processes and capabilities, aligning your IT architecture to support and even strengthen these functions requires focus at several different levels.

## ALIGNING IT ARCHITECTURE TO BUSINESS CAPABILITIES

### Economic Alignment

Although IT investments may take time to deliver the expected outcomes, a well-designed IT architecture must enable the business to optimize its current business processes, and quickly deliver new capabilities as the business changes. High IT costs are often driven by a complex IT architecture that can impede growth, agility and profits.

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## Operative Alignment

The IT architecture needs to support business processes across the organization, while staying as streamlined as possible. (For instance, when a business maintains separate systems for customer-facing sales channels, the result is typically duplication of data, higher costs, and poorer customer experience.)

By standardizing around *business capabilities* at the IT architectural level, a business can support the various functions, eliminate waste and duplication, and control costs more effectively.

Effective alignment necessitates that IT and the business dedicate owners to the various capabilities of the business. For example, the liaison involved in customer-facing functions should be a CRM expert; the liaison supporting the procurement channel should know SCM inside and out.

When the business and IT cooperate to deliver specific capabilities, the IT architecture becomes harmonious with business outcomes.

## ADDING NEW BUSINESS CAPABILITIES

In any organization, balancing existing IT needs with projected needs, while maintaining flexibility to take advantage of new business opportunities as they arise, can be a delicate dance.

A strong start is creating a 3-year roadmap that integrates the

business plan and the IT architecture required to support it. But that's only part of the solution. The roadmap should be flexible enough to adjust to the changing business climate. New regulations, political landscapes, technologies, demographics, social changes, mergers, acquisitions, etc. can disrupt the most well-laid plans.

So why have a plan? Without a plan, decisions lack a "future state" context. Having no plan may even inhibit future capabilities required down the road. As unforeseen markets and opportunities emerge, determine if any new business capabilities are required to respond, and continually align your IT architecture roadmap accordingly.

## RECOMMENDED NEXT STEPS

Help align your IT architecture with business capabilities by performing the following exercises:

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1. Determine the 6-10 major business capabilities required to run your business. There will be sub-capabilities under each main capability. Don't think organizationally. Instead, try and view your business from the customer's point of view.
2. How does your IT architecture currently reflect these 6-10 major capabilities of your organization? Do you see duplication?
3. Identify an IT owner and a business owner of each business capability. There should be IT architects dedicated to each major business capability. They should be working hand-in-hand with their business counterpart.

4. Analyze your existing markets relative to your capabilities to serve them. Will you add industries? Enter new markets? Are there regulatory changes on the horizon? Balance your roadmap accordingly and plan for the support of future business capabilities. Are your customers just satisfied, or delighted?

5. Analyze your IT project portfolio. Is it driven by an IT architecture that is aligned to your business capabilities? How does it need to adapt?

## CONCLUSION

Leaders who take the time to define the organization's true business capabilities, and align their IT architecture accordingly, will be in a position to reap rewards for years to come.

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