

Economic Benefits of Enterprise Architecture:

The Coherency Architect's Economic Toolset.



Why Economic Estimation is Necessary

When the *Coherency Architect* is working with implementing and maturing the Enterprise Architecture then he has to convince various stakeholders on to investing in the transition from the existing *Enterprise Architecture* maturity level to the new level (“TO BE”).

For this the *Coherency Architect* has to create a stakeholder communication plan where he or she will need to involve the stakeholders and win the over to invest in the change.

“*Enterprise Architecture is about people*” - Chris Potts, IT University of Copenhagen 2010.

The communication has to be based on the stakeholder analysis which means that the various stakeholders have different needs for information and they need different ways to be informed about the *Enterprise Architecture* program.

Likewise have the various stakeholders various ways to react on the information and they have various means to influence the decisions and the over all commitment to the *Enterprise Architecture* transition plan.

To identify and manage the stakeholders then the *Coherency Architect* should brainstorm and note all the stakeholders (individuals and organizations) who can have an influence on the project.

An example of a brainstorm is in the illustration below:

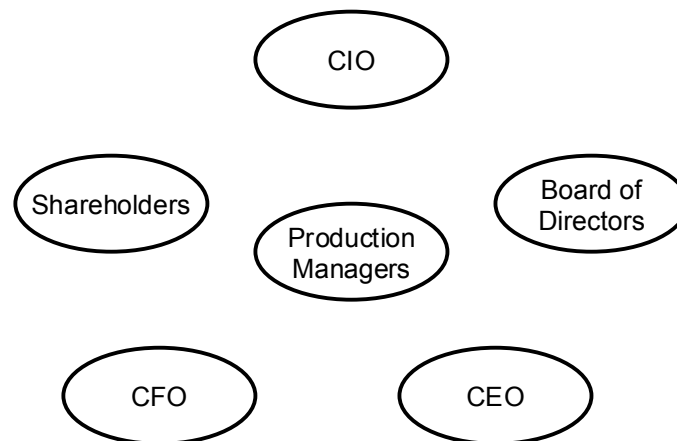


Illustration 1: Brainstorm on Stakeholders!

Then the stakeholders have to be categorized into their influence on the EA transformation program (Transition Plan) and how likely it is that they will make use of their influence to support (and implement) the transformation program or sabotage the transformation program.

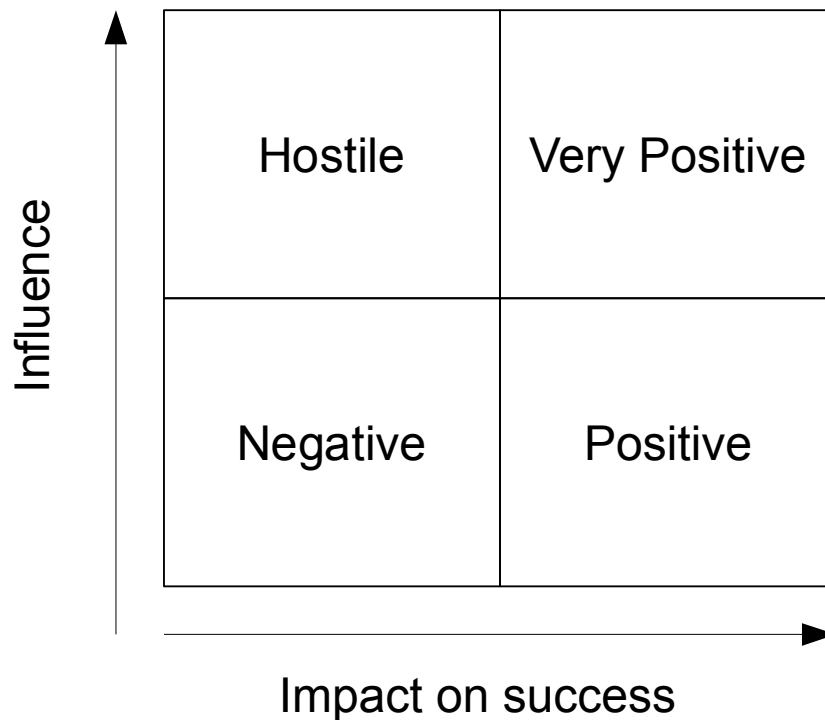


Illustration 1: Stakeholder matrix.

When the segmentation of the stakeholders is done then the *Coherency Architect* can identify what kind of Key Performance Indicators that can be applied. The KPIs should be used to communicate the value of the Enterprise Architecture and the Enterprise Architecture Program.

Questions the Coherency Architect Need to Deal with Before Evaluating the Economic Perspective of the Enterprise Architecture

First of all the economic benefits of an Enterprise Architecture be measured? In many cases the measurement of value of an organization's enterprise architecture is like measuring the value of the Human Resources Department; the primary difference is that most industries the orthodoxy is that a HR department is needed. However how do you measure the benefits of an Enterprise Architecture and an Enterprise Architecture program.

Jaap Schekkerman has written the book “The Economic Benefits of Enterprise Architecture” and as far as I understand the message of the book then focus should be to measure efficiency (before the establishment of the EA program and of course after to evaluate the effect), the impact on the strategy e.g., has the EA program enabled the organization to come closer to fulfill the mission / vision? And finally measurement should be focusing on potential cost reduction the organization can benefit from.

I am a bit unsure if this is the right approach to measure the economic benefits of Enterprise Architecture; however if you (the readers) have any ideas on how to do it better then please don't hesitate to comment this blog post (or contacting me).

Never the less I have tried to organize the three ways main perspectives on how to measure the economic benefits of Enterprise Architecture.

Efficiency

One of the primary economic reason for working to improve (maturing) the Enterprise Architecture is to gain efficiency and secondly to lower operational costs and thirdly to gain strategic advantages.

To gain efficiency the *Coherency Architect* needs to use tools and methods within the Business Process Management and Business Process Improvements.

When the *Coherency Architect* is working with Business Process Improvements then it might become efficiently to work with two concepts. The first concept deals with an in depth investigation of the business processes. This approach might prove to become rather comprehensive and rather expensive.

The second approach deals with business processes that have a great impact on the business, the so called “core processes”.

The core processes are in many ways better to identify and better to work with from the point of view that the analysis work isn't as comprehensive as the full analysis.

The core processes are easier and often more profitable to work with before the change process is initiated.

When the processes are altered then it is important that the *Coherency Architect* doesn't focus too much on just keeping the same design of the processes and adding the technology to the processes. When the core processes are altered then it will lead to a change of strategy; otherwise the realization of benefits will not be crystallized.

Tools the Enterprise Architect can make use of to investigate the “business architecture” is the BPMN, BPML, OBASHI flowchart and the ordinary flowchart

This leads to the section of strategy section.

Strategy

Jaap Schekkerman introduces the Enterprise Architecture Value model (Schekkerman 2005, p. 66) that introduces the four concepts that an Enterprise Architecture can contribute with in relation to the strategic approach the organization makes use of.

The model introduces four perspectives such as the Technology Effectiveness approach, Business effectiveness, Technology Enabling and the Business Innovation approach.

The Business effectiveness deals with improving the business processes to achieve the corporate strategy of the organization. Typically is the Enterprise Architecture program used to define how the processes (AS IS) is designed and how they should be to gain competitive advantage (TO BE).

The Business Innovation approach deals with the creation of new services and products and not to mention on how to define new business value. This particular approach is often used to identify how the “business side” of an enterprise can be aligned with the “IT side”. In my opinion it is up to discussion if you really can differ IT and Business since they are components in the *Enterprise Architecture*.

The Technology Efficiency approach deals with keeping the costs down e.g., the Total Cost of Ownership. The focus as before mentioned is to lower the costs of using technology within the organization. The focus of the *Enterprise Architecture Program* is to give the organization a view on how to organize their information architecture and their technology architecture to gain this advantages.

The Technology Enabling approach deals with how the technology can add value to the organization e.g., by obliterating business processes and then redefine them so the usage of technology can lower the cost, improve the efficiency and improve the quality of the processes. The *Enterprise Architecture Program* is used to give top management an idea on how to the business processes can be enabled by the usage of existing and new technology.

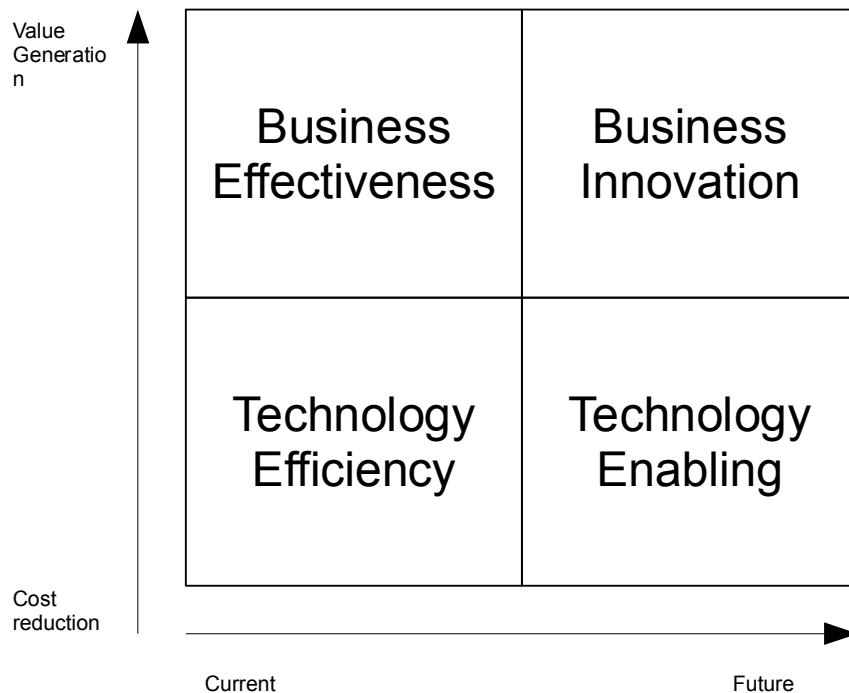


Illustration 2: Enterprise Architecture Value Model (Schekkerman 2005, p.66)

This leads to the section that deals with the concept of cost reduction.

Cost Reduction

The third perspective that Jaap Schekkerman introduces in his book is what I assume is the cost reduction perspective. It is presented as the focus on Advanced Management Accounting concept and how to calculate the “Cost Benefit Analysis”.

However this is an interpretation I have done of what Jaap Schekkerman has written in his book. Which leads me to my conclusion of how to measure the economic benefits of Enterprise Architecture.

The Conclusion

As I see it the most important issue with measuring the economic benefits of the Enterprise Architecture is to identify the stakeholders and use the tools they expect to be used to identify potential and to evaluate each potential.

If the stakeholders are cost minded then the *Coherency Architect* should choose an approach that focuses on how to measure cost reduction or if the stakeholders are focusing on improvements and innovation then the focus should be on how to enable this in the proper approaches.

All in all the focus is stakeholder communication. As mentioned in the blog post then I am unsure on how to identify the full potential of measuring the economic benefits of the Enterprise

Architecture since it is an issue that is up for interpretation. If there are any one out there who knows of better ways to interpret Jaap Schekkerman's book on measuring value or knows of better ways to measure value of Enterprise Architecture then please do not hesitate to reply to this blog post or to contact me.

Sources

Schekkerman, J., 2005. *The Economic Benefits of Enterprise Architecture*, Trafford Publishing.