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The TOGAF® Standard, 10th Edition

Business Architecture

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The TOGAF® Standard, 10th Edition — Business Architecture

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Preface

The Open Group

The Open Group is a global consortium that enables the achievement of business objectives through technology standards. With more than 870 member organizations, we have a diverse membership that spans all sectors of the technology community – customers, systems and solutions suppliers, tool vendors, integrators and consultants, as well as academics and researchers.

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The TOGAF Standard is a proven enterprise methodology and framework used by the world's leading organizations to improve business efficiency.

This Document

This document is a compilation of TOGAF® Series Guides addressing Business Architecture. It has been developed and approved by The Open Group.

It consists of the following documents:

TOGAF® Series Guide: Business Models	This document provides a basis for Enterprise Architects to understand and utilize business models, which describe the rationale of how an organization creates, delivers, and captures value. It covers the concept and purpose of business models and highlights the Business Model Canvas™ technique.
TOGAF® Series Guide: Business Capabilities, Version 2	This document answers key questions about what a business capability is, and how it is used to enhance business analysis and planning. It addresses how to provide the architect with a means to create a capability map and align it with other Business Architecture viewpoints in support of business planning processes.
TOGAF® Series Guide: Value Streams	Value streams are one of the core elements of a Business Architecture. This document provides an architected approach to developing a business value model. It addresses how to identify, define, model, and map a value stream to other key components of an enterprise's Business Architecture.
TOGAF® Series Guide: Information Mapping	This document describes how to develop an Information Map that articulates, characterizes, and visually represents information that is critical to the business. It provides architects with a framework to help understand what information matters most to a business before developing or proposing solutions.
TOGAF® Series Guide: Organization Mapping	This document shows how organization mapping provides the organizational context to an Enterprise Architecture. While capability mapping exposes what a business does and value stream mapping exposes how it delivers value to specific stakeholders, the organization map identifies the business units or third parties that possess or use those capabilities, and which participate in the value streams.
TOGAF® Series Guide: Business Scenarios	This document describes the Business Scenarios technique, which provides a mechanism to fully understand the requirements of information technology and align it with business needs. It shows how Business Scenarios can be used to develop resonating business requirements and how they support and enable the enterprise to achieve its business objectives.

More information is available, along with a number of tools, guides, and other resources, at www.opengroup.org/architecture.

About the TOGAF® Series Guides

The TOGAF® Series Guides contain guidance on how to use the TOGAF Standard and how to adapt it to fulfill specific needs.

The TOGAF® Series Guides are expected to be the most rapidly developing part of the TOGAF Standard and are positioned as the guidance part of the standard. While the TOGAF Fundamental Content is expected to be long-lived and stable, guidance on the use of the TOGAF Standard can be industry, architectural style, purpose, and problem-specific. For example, the stakeholders, concerns, views, and supporting models required to support the transformation of an extended enterprise may be significantly different than those used to support the transition of an in-house IT environment to the cloud; both will use the Architecture Development Method (ADM), start with an Architecture Vision, and develop a Target Architecture on the way to an Implementation and Migration Plan. The TOGAF Fundamental Content remains the essential scaffolding across industry, domain, and style.

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Referenced Documents

The following documents are referenced in this TOGAF® Series Guide Set:

- A Business-Oriented Foundation for Service Orientation, Ulrich Homann, White Paper, February 2006, published by Microsoft, February 2006
- A Guide to the Business Architecture Body of Knowledge® (BIZBOK® Guide), Version 6.5, Business Architecture Guild®, 2018
- A Guide to the Business Architecture Body of Knowledge® (BIZBOK® Guide), Version 7.5, Business Architecture Guild®, 2018
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- Capability-Based Planning Supporting Project/Portfolio and Digital Capabilities Mapping Using the TOGAF® and ArchiMate® Standards, The Open Group Guide (G193), published by The Open Group, July 2019; refer to: www.opengroup.org/library/g193
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- Defining the IT Operating Model, White Paper (W17B), published by The Open Group, September 2017; refer to: www.opengroup.org/library/w17b
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- The TOGAF® Standard, 10th Edition, a standard of The Open Group (C220), published by The Open Group, April 2022; refer to: www.opengroup.org/library/c220
- TOGAF® Series Guide: Business Capabilities (G189), published by The Open Group, June 2018; refer to: www.opengroup.org/library/g189
- TOGAF® Series Guide: Business Capabilities, Version 2 (G211), published by The Open Group, April 2022; refer to: www.opengroup.org/library/g211
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- TOGAF® Series Guide: Value Streams (G178), published by The Open Group, April 2022; refer to: www.opengroup.org/library/g178
- Value Stream Mapping: How to Visualize Work and Align Leadership for Organizational Transformation, Karen Martin, Mike Osterling, published by McGraw Hill, January 2014
- What is Business Design?, Rotman DesignWorks, Rotman School of Management, University of Toronto, 2015

PART 1: Business Models

Prepared by The Open Group Architecture Forum

1 Introduction

This TOGAF® Series Guide to Business Models provides a basis for Enterprise Architects to understand and utilize business models, which describe the rationale of how an organization creates, delivers, and captures value.¹ Business models provide a powerful construct to help focus and align an organization around its strategic vision and execution. In this Guide we cover different forms of business models and approaches to modeling, from the conceptual down to a practical example.

There is a direct relationship between the business innovation captured in these models and the approach to implementing that innovation through Enterprise Architecture. We explore that relation through Business Architecture methods such as value streams and business capabilities, then provide a specific example based on a generic retail company undertaking a Digital Transformation. An appendix delves deeper into the structure of one of the most commonly used business model frameworks for architects interested in working with business leaders to execute their strategy.

1.1 Overview

The world's top C-suite leaders know that the effective management and exploitation of information is a key factor for business success, and is critical to developing and maintaining competitive advantage. An Enterprise Architecture supports this objective by providing a strategic context for the evolution of technologies in response to the constantly changing needs of the business environment.

As stated in the TOGAF Standard – Introduction and Core Concepts, a key goal of Enterprise Architecture is to create or enable the alignment of the business operations with the overall business direction (vision and strategy). Furthermore:

“... a good Enterprise Architecture enables you to achieve the right balance between business transformation and continuous operational efficiency. It allows individual business units to innovate safely in their pursuit of evolving business goals and competitive advantage. At the same time, the Enterprise Architecture enables the needs of the organization to be met with an integrated strategy which permits the closest possible synergies across the enterprise and beyond.”

To achieve this alignment, the architect must develop a fundamental understanding of the core elements that make up a business and how they relate to the ways in which it creates, captures, and delivers value. However, it is not always clear what the business direction is, or how the business intends to create, capture, and deliver value to customers and stakeholders. If we don't fully understand what a business does or what it intends to do; why it exists; or how it works to produce something of value to stakeholders (while making money in the process), then how can architects devise an appropriate target-state environment that realizes the business objectives?

¹ See the referenced Business Model Generation, p.14.

One effective way to achieve alignment between an organization's strategic objectives and the target-state architecture is to employ the concept of the business model. Business model artifacts are used to:

- Provide a common understanding of what the organization is, or looks like, today
- Portray what it intends to become in the future
- Create a critical link between the business strategy and the required blueprints of the Enterprise Architecture that define what the business needs to transform to, along with the plans that describe how to do it

The rest of this Guide describes what business models are and how business model artifacts are constructed; their purpose and benefits; how to use modeling frameworks to create a business model artifact and perform business model innovation; and where to apply them within the realms of Enterprise Architecture and the TOGAF Architecture Development Method (ADM).

1.2 Objectives

The objectives of this Guide are to:

- Familiarize architects with the concept and purpose of business models
- Illustrate the concept and purpose by looking in some detail at one particular technique for creating and leveraging business model artifacts: the Business Model Canvas™
- Explain how business models relate to and influence the TOGAF ADM

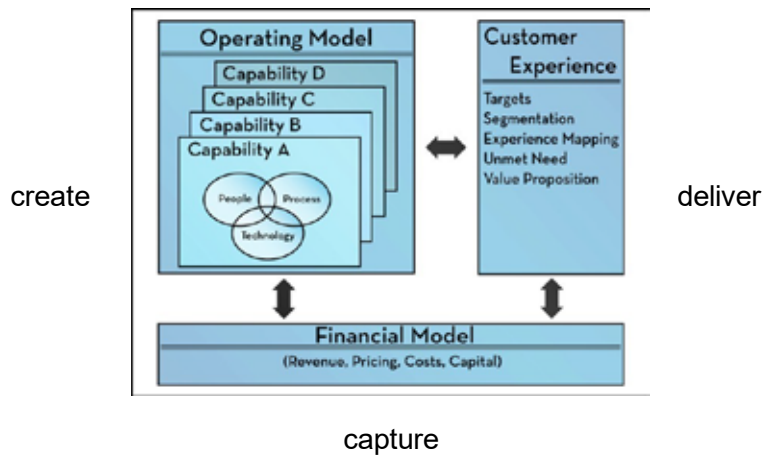
The goal is for practitioners to be able to use business models to frame, scope, and define the boundaries of their architecture work, particularly in relation to creating current and target states for the Phase B: Business Architecture part of the ADM process. A key practice we apply to help achieve this goal is to follow Business Architecture principles from the best practices in the Business Architecture Guild®, such as the Guild White Paper that provided the basis for this Guide.²

² Linking Business Models with Business Architecture to Drive Innovation, A Business Architecture Guild White Paper, August 2015.

2 What is a Business Model?

A business model describes the rationale for how an organization creates, delivers, and captures value. This may refer only to an abstract concept that may exist in a leader's mind. Or it may be more concrete, whereby business model artifacts provide specific views of an instance of a business model, defining the structural elements of the business model as well as the relationships between each element.

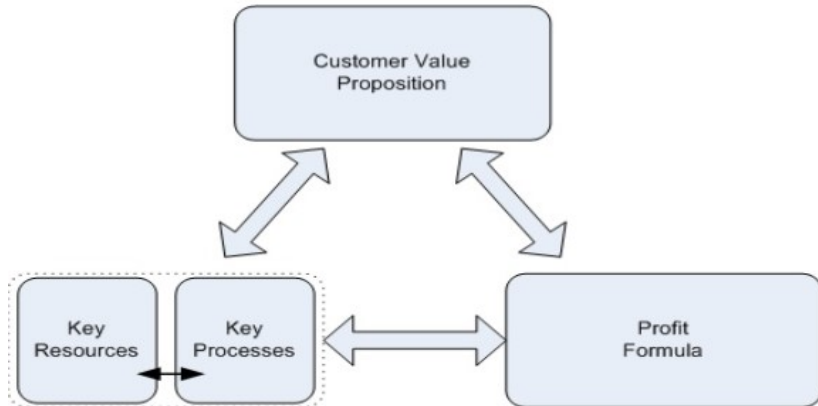
Business models can be represented in different ways. The three-element framework shown in Figure 1 describes the structure of a business model in its most abstract form.



(Source: The Business Model Innovation Factory, Saul Kaplan, 2012)

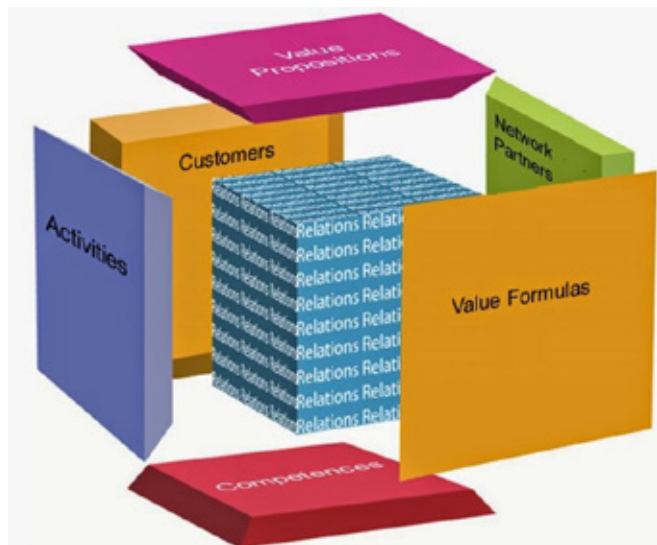
Figure 1: Abstract View of a Business Model

Other well-known framework examples include the Four-Box Framework (Figure 2) and the Business Model Cube (Figure 3).



(Source: Seizing the White Space, Mark W. Johnson, 2010)

Figure 2: Four-Box Framework

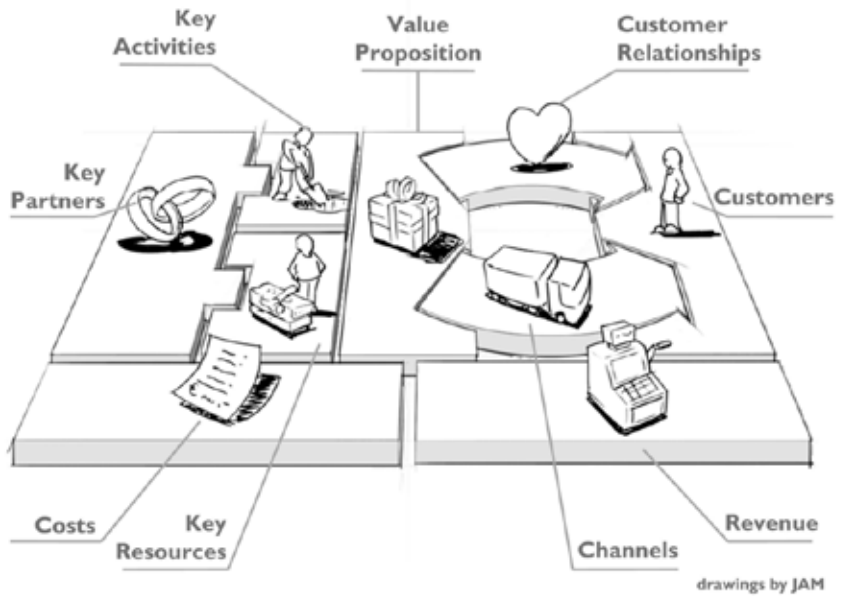


(Source: The Business Model Cube, Peter Lindgren, Ole Horn Rasmussen, 2013)

Figure 3: Business Model Cube

The theoretical arguments supporting different representations of business models have been in play for many years, yet it was Alexander Osterwalder and Yves Pigneur’s simple-to-use methods and tools described in their book Business Model Generation that popularized the Business Model Canvas (see Figure 4) and established it as the baseline for business model innovation. We use this form to show business model alignment between strategy and Business

Architecture, followed by a deeper look in Appendix A. Note this type of business model has been introduced in earlier work of The Open Group through the IT4IT Forum.³



(Source: Business Model Generation, Alexander Osterwalder, Yves Pigneur, 2010)

Figure 4: The Business Model Canvas

³ Defining the IT Operating Model, White Paper published by The Open Group, September 2017 (see Referenced Documents).