

Chapter 4

A Theory for Enterprise Coherence Governance

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ABSTRACT

In this chapter, the authors pose a theory for the governance of enterprise coherence. The proposed theory consists of three key ingredients: an Enterprise Coherence-governance Assessment (ECA), an Enterprise Coherence Framework (ECF), and an Enterprise Coherence Governance (ECG) approach. The ECA provides an explicit indication of the degree at which an organisation governs its coherence, while also providing a base to achieve a shared understanding of the level of coherence, and actions needed to improve it. The ECF is a practice-based framework that enables enterprises to make the coherence between key aspects, such as business, finance, culture, IT, etc. explicit. The ECG approach offers the instruments to guard/improve the level of coherence in enterprises during transformations. An important trigger to develop this new theory was the observation that many transformation projects fail. These failures even included projects that used an explicit enterprise architecture to steer the transformation. The theory was developed as part of the GEA (General Enterprise Architecting) research programme, involving twenty client organizations. Based on a survey of the possible causes for the project failures, the requirements for the research programme are identified. In developing the theory on enterprise coherence, the following hypothesis is used as a starting point: the overall performance of an enterprise is positively influenced by a strong coherence among the key aspects of the enterprise, including business processes, organizational culture, product portfolio, human resources, information systems, IT support, etc. The research programme uses a combination of design science-based iterations and case study-based research to develop and iterate the theory for enterprise coherence governance. In this chapter, the authors also discuss one of the conducted (real world) case studies, showing the application of the enterprise coherence theory.

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1. INTRODUCTION

Developments in the last two decades, such as the globalisation of trade, the fusion of business and IT, the introduction of new technologies, the emergence of novel business models, etc., pose many challenges to modern day enterprises (Op't Land, Proper, Waage, Cloo & Steghuis, 2008). More recently, the economic crises, the growing pains of the Eurozone, also drive companies to find new competitive advantages. As a result, enterprises need to cope with a rapidly changing environment. This means that enterprises need the ability to transform themselves (at least) as quickly as their environment does. Such enterprise transformations may range from changes in value propositions and business processes, via changes to the information systems used to support the business processes, to changes of the underlying IT infrastructures. They may be the result of a 'premeditated' top-down (strategy driven) desire to change, but they can also be the outcome of numerous 'spontaneous' bottom-up changes as a result of locally needed changes. Finally, the required/desired transformations will typically touch upon several additional aspects of the enterprise, such as human resourcing, finance, organisational structures, reporting structures, etc.

To make large enterprise transformations feasible and manageable, they are typically managed as a portfolio of transformation programmes, where these programmes are split further into projects. Even more, the portfolio of programmes and projects that make up an enterprise transformation need to be mutually coordinated, as well as being aligned with the enterprise's strategy. Therefore, a coordination mechanism is needed that connects the strategic considerations at the strategy level to the execution of the different programmes and projects involved in the transformation as a whole. This coordination generally also requires a further elaboration of the enterprise's strategy, since these tend to be too unspecific to indeed steer the programmes and projects within

the transformation (Op't Land, Proper, Waage, Cloo & Steghuis, 2008). In addition, the needed coordination mechanism must allow the coherence between the different aspects of an enterprise to be guarded across the programmes and projects transforming the enterprise (Op't Land, Proper, Waage, Cloo & Steghuis, 2008; Wagter, Berg van den, Luijpers & Steenbergen van, 2005).

Already in 1957, Drucker argued for an integral and complete approach as a pre-requisite to success. Traditionally, project management and programme management are put forward as being responsible for these coordination tasks (The Stationary Office, 2009; The Project Management Institute, 2001). However, these approaches focus primarily on the management of typical project parameters such as budgets, resource use, deadlines, etc. When indeed only considering the typical project parameters, one runs the risk of conducting only local and/or partial improvements at the level of specific projects. For example, when making design decisions that have an impact which transcend a specific project, projects are likely to aim for solutions that provide the best cost/benefits trade-off within the scope of that specific project, while not looking at the overall picture. Regretfully, however, in practice such local optimisations do not just remain a potential risk. The risk actually materializes, and consequently damages the overall quality of the result of the transformation (Op't Land, Proper, Waage, Cloo & Steghuis, 2008). This type of risk generally occurs when interests regarding general infrastructural elements of an enterprise collide with local short-term needs. This especially endangers the needed coherence and alignment between different aspects within an enterprise (such as human resources, services, customers, processes, marketing, finance, physical infrastructures, IT, etc.). As a result, more often than not, enterprises fail to actually realise the desired transformation even though it might be the case that all projects are finished on time and within budget. In addition, Bower (2000, p. 83-95) acknowledges the

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