

Contents

Preface	xv
Learning Objectives	xix

Part I: Basic Concepts

1. Introduction	3
1.1 Our Central Themes.....	3
1.1.1 A World of Problems	3
1.1.2 Enterprises as Organized Complexities: Enterprise Governance and Enterprise Engineering as Crucial Concepts	4
1.1.3 Enterprise Engineering.....	7
1.2 Growing Attention to Governance.....	9
1.2.1 Three Governance Themes.....	9
1.2.2 The Difference Between Governance and Management	12
1.3 Relationships Between Governance Perspectives.....	13
1.3.1 Corporate Governance and IT Governance Relationship	14
1.3.2 Corporate Governance and Enterprise Governance Relationship.....	15
1.3.3 IT Governance and Enterprise Governance Relationship	16
1.4 Design- and Competence-Oriented Governance	17
1.4.1 The Focus on Enterprise Design	17
1.4.2 Enterprise Governance Competence	19
1.5 Outline of Further Chapters.....	21
2. Mechanistic and Organismic Perspectives on Governance.....	25
2.1 Mechanistic Thinking.....	25
2.1.1 Characteristics of Western Thought.....	25
2.1.2 The Mechanistic World View	27
2.1.3 Mechanistic Thinking Manifest in Enterprises	29
2.1.4 Elements of Eastern Thought	35
2.2 Limits to Mechanistic Thinking	39
2.2.1 Uncertainty and Interconnectedness.....	40
2.2.2 Complexity, Dynamics and Uncertainty	42
2.3 The Myth of Traditional Control.....	46
2.3.1 Planning and Performance Targets	46
2.3.2 Managing People Rather than Process Capabilities.....	48
2.3.3 Management Accounting	49
2.3.4 Strategy Evolution	52
2.3.5 Emergence	55

2.4 The Organismic Perspective.....	57
2.4.1 The Human-Centered Approach: Employee Involvement.....	58
2.4.2 Productivity	59
2.4.3 Quality	61
2.4.4 Service	62
2.4.5 Enterprise Learning and Innovation.....	63
2.4.6 Self-Organization: Addressing Complexity, Dynamics and Uncertainty	66
2.4.7 Human Resources Engagement.....	68
2.5 The Fundamental Choice.....	71
2.5.1 The Mechanistic and Organismic Perspectives Summarized	71
2.5.2 From Mechanistic to Organismic Ways of Organizing	73
2.5.3 Our Own Position	75
3. Enterprise Essentials.....	79
3.1 Core Aspects of an Enterprise.....	79
3.1.1 What is an Enterprise?.....	79
3.1.2 The Industrial Revolution: The Birth of Enterprises.....	81
3.1.3 Functionalization and Coordination; Differentiation and Integration.....	83
3.1.4 Are General Theories Possible about Enterprises?	85
3.2 Enterprise Development.....	87
3.2.1 The Modern Enterprise Context.....	87
3.2.2 Strategy Development	94
3.2.3 Important Strategic Choices: Position and Perspective	97
3.2.4 Conditions for Implementing Strategic Choices Successfully.....	98
3.2.5 Central Governance and Local Freedom.....	101
3.2.6 Enterprise Alignment and Enterprise Enablement	104
3.3 Employee Behavior and the Behavioral Context.....	105
3.3.1 Characteristics of Employee Behavior	105
3.3.2 Behavioral Context.....	107
3.4 Paradigm Shifts.....	114
4. System Thinking	117
4.1 Core Aspects of System Thinking	117
4.1.1 Organized Complexity Recalled	117
4.1.2 What is a system?	118
4.1.3 Structural-Functionalistic and Interpretative System Views.....	119
4.1.4 System Dynamics	122
4.1.5 Closed, Open and Adaptive Systems	124
4.1.6 Unity and Integration: Coherence and Consistency	125
4.2 Architecture and Architecturing.....	125
4.2.1 Fundamental System Perspectives: Function and Construction	125
4.2.2 Architecture as a Normative Concept	127

4.2.3 The Phases of System Realization	129
4.2.4 Architecturing.....	130
4.2.5 Areas of Concern and Design Domains	132
4.2.6 Generic System Design Concept and Process.....	136
4.2.7 The Architecturing Process	138
4.2.8 Publication of Architecture Principles	139
4.2.9 Architecture Framework.....	141
4.3 System Thinking and Emerging Enterprise Developments	143
4.3.1 System Thinking Criticized.....	143
4.3.2 In Defense of the System View.....	147

Part II: Governance Themes

5. Corporate Governance.....	153
5.1 Introduction	153
5.2 The Emergence of the Corporate Governance Theme	155
5.2.1 Public Enterprises and Shareholders	155
5.2.2 The ‘Agency Problem’: The First Crisis in Corporate Governance.....	156
5.2.3 Financial Scandals: The Second Crisis in Corporate Governance.....	158
5.3 Corporate Governance Basic Elements.....	160
5.3.1 The Corporate Governance Structure.....	160
5.3.2 Forms of Ownership.....	162
5.4 Corporate Governance Reform.....	163
5.4.1 The Primary Focus of Reform.....	163
5.4.2 Core Elements of the Proposed Reform.....	164
5.4.3 The Sarbanes-Oxley Legislation	167
5.5 Comments on the Proposed Reform.....	168
5.5.1 The One-Sidedness of the Shareholder Perspective.....	168
5.5.2 The Economic Value Criterion is Unsuitable for Governance...	169
5.5.3 Sarbanes-Oxley Legislation: Bureaucracy and Juridicalization	171
5.5.4 External Auditing: High Costs and Questionable Value.....	172
5.5.5 Rules and Procedures: Back to the Machine Bureaucracy.....	174
5.5.6 Stringent Legislation: Risk-Avoidant Behavior	174
5.5.7 Rules and Legislation: Will they Work?	175
5.5.8 The Limitations of the Financial/Economic Corporate Governance Focus and the Necessity for Enterprise Governance.....	177
5.6 Frameworks for Corporate Governance.....	178
5.6.1 The COSO Initiative.....	178
5.6.2 The COSO Framework.....	179
5.6.3 Is the COSO Approach Adequate?	180
5.6.4 Other Governance Frameworks	182

5.7 Corporate Governance: How to Arrange it?	184
5.7.1 Compliance: Financial Reporting.....	184
5.7.2 Compliance: Internal Control.....	185
5.7.3 Design Principles for Compliance.....	187
6. IT Governance	189
 6.1 Introduction	189
6.1.1 Definition of Terms	189
6.1.2 Why IT Governance?	191
 6.2 IT Dynamics and the Governance Paradox	192
6.2.1 IT Dynamics	193
6.2.2 Coordination, Cooperation and Collaboration	194
6.2.3 IT Governance Paradox	195
 6.3 IT Governance Perspectives	198
6.3.1 IT Alignment	198
6.3.2 IT Enablement	202
6.3.3 Information Economics	204
 6.4 The Mechanistic IT Governance Approach.....	206
6.4.1 Core Aspects of the Structural, Management-Oriented View on IT Governance	206
6.4.2 The Focus on Form Rather than Content	210
6.4.3 IT Performance in Terms of Enterprise Value?	212
 6.5 The Necessary Focus on Design.....	213
6.5.1 Limitations of Structural, Management-Oriented IT Governance.....	213
6.5.2 Alignment, Enablement and the Value of IT Resulting from Design	215
6.5.3 Contextual Conditions for Effective Governance	219
 6.6 IT Governance Competencies	220
6.6.1 Core Competencies of IT Governance	221
6.6.2 IT Strategy and Architecture Competence	222
6.6.3 IT Architecture Management	228
6.6.4 IT Project Portfolio Management Competence.....	229
6.6.5 IT Program Management Competence	232
6.6.6 Design Domains and IT Architecture.....	232
6.6.7 The Collaborative, Iterative and Concurrent Character of Activities	234
6.6.8 IT Governance Process and Formal Meetings	237
6.6.9 Support Competencies.....	241
 6.7 Organizing: Central Governance.....	242
6.7.1 Demand-Supply Interface	242
6.7.2 The Necessary Shift to Central Governance	244
6.7.3 Implementing the Three Core Competencies.....	245
6.7.4 The (Economic) Importance of IT Architecture and Central Governance.....	246

6.8 Reducing IT Legacy Complexity.....	247
6.8.1 Defining IT Legacy Complexity	247
6.8.2 IT Governance and Legacy Complexity	248
6.8.3 Financials: The Legacy Trap.....	249
6.8.4 Business Considerations.....	249
6.8.5 The Transition to IT Commodity Infrastructure and Services ...	251
6.8.6 Summary: Guiding Principles	252
6.9 IT Governance Framework and Maturity Levels	253
6.9.1 The CobiT Framework.....	254
6.9.2 CMM Maturity Levels.....	256
6.9.3 Is the CobiT Framework Adequate?	256
6.9.4 Our Own Perspective on IT Governance Maturity	258
7. Enterprise Governance	261
7.1 Introduction	261
7.1.1 Why Enterprise Governance?.....	261
7.1.2 Enterprise Challenges.....	262
7.1.3 Enterprise Governance: Competence and Design Focus	263
7.1.4 Enterprise Engineering: Answering the Need for a New Approach	265
7.2 Enterprise Ontology	266
7.2.1 Theory	267
7.2.2 Methodology	276
7.2.3 Business Rules.....	288
7.2.4 Enterprise Design Process and the Role of Architecture	292
7.2.5 Benefits of the Enterprise Engineering Approach	295
7.3 Enterprise Architecture and Design Domains.....	296
7.3.1 Different Perspectives on Enterprise Architecture.....	296
7.3.2 Architecturing.....	297
7.3.3 Main Enterprise Design Domains	299
7.3.4 Business Design Domains and Business Architecture	302
7.3.5 Organization Design Domains and Organization Architecture .	305
7.3.6 Information Design Domains and Information Architecture	309
7.3.7 Technology Design Domains and Technology Architecture	311
7.3.8 Two Hypothetical Firms: The Importance of Unity and Integration Illustrated	311
7.4 Enterprise Governance Competencies	314
7.4.1 The Competence-Oriented Governance Approach	314
7.4.2 Core Competencies of Enterprise Governance	315
7.4.3 Enterprise Strategy and Architecture Development, High-Level Design	317
7.4.4 Enterprise Architecture Management.....	320
7.4.5 Enterprise Project Portfolio and Program Management	321

7.4.6 Enterprise Development: The Role of the Governance Competence Illustrated.....	323
7.4.7 Enterprise Governance Process and Formal Meetings.....	325
7.4.8 Enterprise Governance Maturity	329
7.5 Service-oriented Architecture and Enterprise Governance.....	331
7.5.1 The Service-Oriented Concept	331
7.5.2 Service-Oriented Architecture and Enterprise Process Execution.....	333
7.5.3 Service-Oriented Architecture and Enterprise Governance.....	335
7.6 Competencies at the Personal Level	337
7.6.1 Dimensions of Personal Competencies	337
7.6.2 Competencies of the Enterprise Architect.....	339
8 The Praxis Illustrated.....	343
8.1 Open Energy Market Challenges for EnerServe.....	343
8.1.1 Core Activity Domains and the Fundamental Design Principle	343
8.1.2 EnerServe's Transformation	344
8.1.3 The Switching Process	345
8.1.4 New Perspectives	346
8.1.5 Strategic Choices	349
8.1.6 Areas of Concern	350
8.2 EnerServe's New Requirements.....	353
8.2.1 Functional and Constructional Requirements	353
8.2.2 Requirements Management.....	355
8.2.3 IT Development and Operational Management Requirements..	356
8.2.4 New EnerServe Arrangements: Its New Design.....	356
8.3 EnerServe's Ontology.....	358
8.3.1 Interaction Model and Process Models	358
8.3.2 State Model.....	362
8.3.3 Additional Transactions	363
8.3.4 Interstriction Model.....	364
8.3.5 Action Model and Business Rules	365
8.3.6 Process Models and the Definition of Services.....	366
8.3.7 Actor Roles and Functional Entities.....	367
8.4 Enterprise Architecture for EnerServe	368
8.4.1 From Enterprise Ontology to Implementation	368
8.4.2 Requirements and Architecture.....	369
8.4.3 Architecture Definition and Publication	370
8.4.4 Business Architecture.....	372
8.4.5 Organization Architecture	374
8.4.6 Information Architecture	378
8.4.7 IT Architecture	380
8.4.8 Architecture Principles and Areas of Concern.....	385
8.4.9 EnerServe's 'legacy' IT Systems Complexity and Service Oriented Architecture	388

8.5 EnerServe's Commodity Infrastructure and Services.....	387
8.6 High-level Construction Models.....	392
8.7 Reflection	394
References	397
Index	415
About the Author.....	429