A Framework to view your Business
What it Is, What it Could Be,
What it Should Be.

A fresh look at Modeling your Business

WORKBOOK

Level 4 Frameworks

A good deal of the corporate planning I have observed is like a ritual rain dance; it has no effect on the weather that follows, but those who engage in it think it does.

Moreover, it seems to me that much of the advice and instruction related to corporate planning is directed at improving the dancing, not the weather.

Russell L. Ackoff

Level 4 Frameworks Workbook

Building Business Frameworks

Business frameworks generally describe the organization or management structure an organization might develop to achieve a particular goal or innovation. Level 4 Frameworks provide a business framework in which people and business partners can work efficiently and effectively, both individually and collectively, and succeed for mutual benefit.

Business (be it the business of commerce or government) is about process, typically starting with a customer request and then proceeding through a sequence of tasks and activities, ending with the delivery of some value.

Business processes exist within a business framework – implicit or explicit. All businesses have such a framework – this book is about constructing or working with frameworks, which for the most part, are based on standard management practice. Much of what is taught at business schools is about business processes based on this standard management practice – a standard that has existed militarily for thousands of years and practiced commercially for hundreds of years.

Level 1 - Normative

Elegant in its Simplicity - Understanding the essence of your Business

Level 2 - Logical

Logical Business Systems - Business Efficiency

Level 3 - Rational

Business is not Logical - Strategy and Innovation

Level 4 - Intelligent

It's all in what it means for you - Content for your Context

Contributors to 30 years of business analysis

This book results from many years of working with and being inspired by many creative and experienced individuals. Space restricts the number of named individuals listed as there are very many who have been a positive influence over me and the work incorporated in this book.

Of note are:

- Much missed business partner George Henderson.

- Great champion of Business Frameworks, Kim Sienkiewicz.

- Maverick information technologist, consultant and business leader from maverick New Zealand, Brian Clark.

- I have shamelessly attempted to copy the wit, wisdom, and style of Russell L. Ackoff as being the most appropriate for this book.

- Intellectual thought provoker and idea catalyst Malcolm Ryder.

- Heiko Beier and Christoph Schmidt of moresophy, whose guidance on knowledge management and semantic analysis is the reason for the book's section Level 4 Frameworks (intelligent).

- Don Burnstine and David Soknacki of BIAIT International Inc.

W. M. Carlson, and the original catalyst "Business Information Analysis and Integration Technique (BIAIT) -

The new horizon," Data Base 10, No.4, 3-9 (Spring 1979).

APCF - Industry Process Classification Framework jointly developed by APQC and IBM to facilitate improvement through process management and bench-marking. ©2018 APQC and IBM. ALL RIGHTS RESERVED.

Your Business

what it is, what it could be, and what it should be.

Preface

Investors have a low tolerance for failure within organizations, resulting in risk-averse decision-making and requirements for rigid strategic plans. Consequently, companies typically drift through years of incremental competitive advantages without being agile or risk-taking.

Who can blame them as innovating or being entrepreneurial is the opposite of what most businesses do every day? Companies are formed to strategize and then operationalize routine: customers want predictable product quality, dependable service, and consistent experience every time they encounter a business.

Businesses would like to believe that their markets will remain stable – knowing that this is not accurate means that they look for areas around their edges hoping to get some strategic advantage; finding something unique in their marketplace, they can then use marketing to push a supposed edge while avoiding risk and searching for cost-reduction.

Most businesses do not know how to be innovative and entrepreneurial or adapt to the necessary changes, let alone changes that will invariably happen because of biotech, robotics, the Internet, artificial intelligence, or machine automation.   Despite exhortations to be more innovative or entrepreneurial, most will opt to stay incremental. True innovative or entrepreneurial behavior means that, at the very least, we must have an excellent understanding of our current business and an ability to examine and analyze options that might be open to us.

It used to be that we looked at specific areas within an organization without understanding the full impact on an entire structure. Today we realize that the total needs of an organization must be understood, evaluated, and considered in their development. However, correct and complete business requirements are frequently challenging to obtain. There are four main reasons for this:

1. There is a significant lack of entrepreneurial thinking and innovation - at least there appear to be few ways to achieve this without adverse risk.
2. The complexity of eliciting information requirements to support significant changes.
3. The complex nature of effective communication among stakeholders trying to define requirements.
4. The limits on us to be effective information processors.
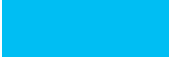
So, how can we "frame" an entire structure in an objective, honest, and meaningful way?

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This chapter is not yet published as a complete chapter

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Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value.

Michael Porter

WELCOME

Level 4 Frameworks Workbook

Welcome to the Level 4 Frameworks workbook. This workbook has been written based on many years of creating business structures that can help you both get started using Level 4 Frameworks, and help you find ways to re-invent and re-imagine your existing business environment.

"The parts of workbook cannot be read easily. It requires study. We hope that you will have the patience and inclination to do so."

In this introductory section, learn more about us and how to get the most out of your experience with Business Frameworks.

FRAMEWORKS

An Effective Business Management Tool

A tool for:
Analysis
Planning
Implementation
Management

Needs

Frameworks create the tools necessary to analyze your business in the most powerful way so that your planned changes have the effect you intend them to have.

Frameworks provide a normative model that entirely and concisely represents your organization and gives you the information you need to make correct business decisions.

Frameworks determine the intellectual structure by which an enterprise effects its business plans. The framework gives opportunities to change activities within a business.

A toolset that will provide timely information to you, as you need it...now and in the future.

Frameworks can analyze your business thoroughly and in a structured way so that you can make informed and well-prepared decisions about the strategic direction of your business.

Benefits

It focuses on business issues rather than technological issues. The Framework helps ensure that the information systems and the business processes reflect the management's priorities.

Provides an objective framework

Based on a normative model rather than individual's perceptions, Frameworks provide an objective subject for analysis that is largely independent of both current systems and organizational biases.

Reduces demands on valuable personnel

Interviews are only needed to validate and modify the normative model and so require less time and manpower than other approaches.

Improves communication

Frameworks model the enterprise in terms of management processes so it can be readily understood and used by executives. Because it focuses on business requirements a deep understanding of information systems technologies is not needed.

Frameworks allow you to examine what and through whom information travels within your organization. By understanding your information needs as well as the structure into which they must fit. it lets you identify critical information paths, as well as any "bottle necks" or "hot spots" that may be affecting your business.

Assists your business plan

Frameworks allow you to align your business planning with your business strategies.

Description

The fundamental concept embodied in Frameworks is that a normative model, based on general management theory, can be used to describe the activities and information flows that do (or should) exist in any enterprise. The normative model can then be tailored to describe the enterprise's unique characteristics.

Because Frameworks models the enterprise in management processes, executives can readily understand and use them. Frameworks also provide an information flow model that helps translate the business model into a form meaningful to information systems.

Completeness

The Framework provides a complete list of functional areas, functions and activities that constitute your enterprise. It allows for strategic, tactical and control issues as well as operational issues and considers:

- The markets your enterprise is in.
- The products and services delivered.
- Resources used.
- Expectations for the results of the work done.

The Framework considers all of the above and provides lists of functions or activities necessary to support your business.

Appropriateness

The model is a reasonable and valuable way to understand your enterprise. It is expressed in terms acceptable to the management and so is descriptive and uses the terminology of your enterprise.

Permanence

The Framework is independent of the organization and should survive management changes and re-organization.

Description - Contd.

Assists in decision making

Business decisions can be made quickly and accurately utilizing the information structure provided. Frameworks ensure you have detailed company knowledge at your fingertips in a constantly changing business environment with continual advances in new technology.

Helps analyze and tune your information

The flow of information is the heart of any business. The key people must get the information, but when they get it can be of critical importance.

Provides tools for ease of analysis

Key personnel do not have the time to analyze the structure and processes of their organization from the"grass roots" level. Frameworks provide the "tools" that accurately represent the business decision-maker.

Summary

Creates:

A "tool" for your business to analyze and integrate information. A structured viewpoint through an objective working model of your enterprise.

A consistent analysis by using the normative approach so all aspects of your business remain consistent in their structure and detail.

Using:

A set of structured and close-form questions to build its models. Data gathering is over a short time frame creating minimum disruption.
The Frameworks process has been applied in a multitude of different areas and industries at all levels of organizations.

ABOUT LEVEL 4 FRAMEWORKS

Imagined by Business Analysts - the future

Level 4 Frameworks is the current status of an effort by various business analysts who have
sought ways to define a business in terms appropriate for a variety of audiences for over thirty years.

Originally this was somewhat predatory as a means to sell more computer products to computer hardware customers
and then, later, to better understand (in a more general way) the information necessary to communicate between
various business entities. As this progressed, we found that this could also be used to define the data elements that
constituted those entities in real-world situations. Thus we could design computer systems based on the necessary
support of those data elements. This was far better than the "great data hunt" that many followed; find all the data a
company had in its files, thereby defining the business.

Unfortunately, like organization charts, this data was a reflection of the historical business rather than what it needed.
Further reflection enabled us to expose the normative essence of a business and use other logical methods tocreate a picture
(or model) that could be used to quickly and easily experiment with various options.

Today's semantic/intelligent software goes much further in removing our limited perspectives to search for and find alternative
content appropriate for our individual and collective contexts.

Designed for re-imagining your Business Structures

The framework standardizes terminology uses, highlighting issues and activities that already exist butthat need to be
re-examined and re-specified. By tracing the business view through its enabling processes, all areas of managed entities
can be aligned for inclusion and completeness in covering issues that make something a "solution".

A Solution Framework provides a standing reference for recognizing when and how something qualifies
unambiguously as a solution.

Requirements for a common view - the future

All successful systems allow their stakeholders to view the system from their perspective. However, before building any system, there are usually as many sets of data used to define the system as there are people trying to explain it.

Each level of an organization and every division have their perspectives and mus be allowed to view any definition of a business unit from all other expressed needs and interests.

To properly communicate and understand each perspective, there has to be a common vehicle through which each stakeholder can view their concerns and those of others.

The principles behind the methodology used in the workbook are based on an approach that provides a common framework to look at aspects of the proposed business processes and generates a plan to allow for the successfulimplementation of such entities. This is known as the Level 4 Framework Methodology and has been used successfully in both government and business for the past thirty years.

No plan can meet all eventualities, but we can plan to build a sufficiently comprehensive and flexible structure to maximize the chance of success.

HOW TO FRAME AN ENTIRE BUSINESS STRUCTURE

Current approaches suggest the way we should start is to "model" our organizations. We tend tend to use this misnomer of "m*odel"* for what we do, but in an increasingly dynamic and uncertain business environment, we need "Business Structures" through which we can **Understand, Communicate, Change, Measure and Simulate.**

So why the word "structure" rather than a model? Simply because, for innovation and strategy, we need a *framework* to satisfy the left brain so that the right hemisphere has some boundaries. We are not looking for the impossible – an exact model of our business – but rather to analyze opportunities for expansion or change through which we can improve our business. "Modeling" typically descends into a hierarchical exercise where we try to define every last procedure to ensure we have everything covered to run the business. If created by a "big name", this becomes the "best practice" we are expected to follow. If that were correct, we would not have the North American scenarios of Ford, GM, and Chrysler versus Honda and Toyota versus BMW and Mercedes – we would have only a one size fits all model for the automobile industry.

What is the right structure - a value proposition model? By definition a promise of value to be delivered, communicated, and acknowledged. A belief from the *customer perspective* about how value (benefit) will be delivered, experienced and acquired.

But what is the right structure and value for you, the business owner!

My experience of structures is that they should be created to allow business acceptance of an interface between the main modules necessary to examine a general picture suitable for further analysis. That is all it should be –a conceptual framework for iteration towards viable business options, generating options, and making a real picture.I am concerned that some of the "models" referenced are no more than techniques adopted for implementing a strategy once a "modeling" exercise defines them**.**   Strategy is defined more by capabilities (one's own combined with partners) required to meet a market segment, a resource restriction, a product portfolio needs, or some financial restrictions rather than one dictated by a customer - a strategy for what you can actually (or will be able to) deliver to run a successful business. More than anything else, your capability will determine what strategy you will have to follow both now and as the business matures and changes. *A model* does not therefore exist – rather only a framework through which you can, and should, continuously examine options and their effect on other aspects of the business.

Key Business Structure characteristics

In my experience, objective, honest, and meaningful business structures are:

a)   Organizationally independent – don't build based on organization charts as they are both historical and political and rarely reflect what truly happens on the ground.

b)   Fractal in nature – there is no way you will accommodate a business on a one level chart   Areas will have to be broken down into a lower level of detail. If they have the same structure, no matter the depth you go to, the reader will better understand them.

c)   I have found that even in situations where I do not speak the client's language and some team members do not speak mine – once a group has established a gestalt of what represents a business building block it is much easier to engage in effective collaboration. In my experience, once a left brain reference is established, everybody knows what part of the framework I am talking about, and it enables right brain thinking. No one is hung up on the semantics of the words in that building block. e.g. What changes do I need to make now that I have added a new relationship to a process?

d)   Capable of clear definition - WHAT needs to be done, HOW it should be done (innovative strategy), and the WHAT and HOW should reflect the CONTEXT of both. This means that there are likely multiple versions of each structure depending on the business context. A value proposition of efficiency, as opposed to innovative, as opposed to consultative, has different characteristics and, therefore, will alter the contents of all building blocks.

There are no "rules" as to what elements comprise a good business model.

"Business Modeling" is not easy, and the sooner you, the reader, comprehend the inherently iterative nature of utilizing a structure rather than something that pretends to be definitive, then real success becomes achievable.

BEFORE YOU GET STARTED

A Workbook not a Cook book

This is not the sort of guidebook, where we are going to tell you what your business should be. For all his narrow-minded self-opinionated years of creating models/frameworks, this author does not presume to tell you how to run your business or those of your client. One-size-fits-all "programs" and "methodologies" are often ways for consultants to gouge clients and book buyers. Instead, this workbook simply describes ways to describe business both as it is, and as it should become, or could become. The purpose of this book is to exercise your options with a new set of eyes for redirecting your opinion of your (or your client's) company and how you might go about rehabilitating your business according to its unique circumstances.

The **Level 4 Framework** is a reference model or abstract framework. It is a non domain-specific ontology consisting of an interlinked set of clearly defined concepts and produced by a real-world proven normative history of business entities to encourage clear communication. It strives to be reference model representing the parts of a consistent idea, from business functions to system components. This reference model can then be used to communicate ideas clearly among members of the business model building community.

Chicken or egg?

When we first started creating business models it was quite often by request from Information Technology (I.T.) Managers.   They were required to create and submit to corporate management a strategic plan and budget for I.T. to the corporation. The fact that corporate management had no business plan (or to be charitable, they did have a plan but were not prepared to share it) meant that I.T. were faced with an almost impossible task.

To come up with a strategic plan for I.T. we had to quickly create a corporate strategic business plan based on the existing or proposed business direction. Then, and only then, was it possible to create an appropriate technology plan.

In today's world it may well be the converse. Someone has an idea about how they would like to exploit technology and need to understand what an appropriate business model should look like. Technology alone is not enough to generate the sustained growth necessary to transform the business. Adding new technology to a business may improve it and make it more profitable, but the business model that goes with that technology will dictate its success or failure. Whatever the starting point it is best answered by going through **Level 1 and Level 2 Frameworks** with rational decisions made at a **Level 3 Framework.**