
Is lack of Enterprise Architecture partly to blame for the Finance Industry collapsing quite so spectacularly?

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Abstract

*I have predicted for some time (although not brave enough to do so publicly^[**]) that the manner in which the finance and other industries conduct their business operational processes, both Architecturally at all levels and from a Software Development perspective, would cause spectacular business failure in some form or another at some point. As it turns out that amongst other things it was a lack of understanding and communication about the Business Architecture and Business Models that have appeared to cause this failure.*

This paper explores some of the potential causes, and why people don't speak up too loudly... (and can't be too explicit). Obviously it has become easier now that we have the evidence and proof, but will anyone listen and more importantly act on improving their Enterprise Architecture – specifically the Business Architecture?

Why have the banks and others failed so spectacularly?

From my experiences of working in the financial investment and banking industry within which I have worked over the past eleven years, I have always predicted they would collectively fail somehow; I wasn't quite sure how it would play out though and certainly did not foresee the sheer dramatic sums of money that would be involved either once it occurred, although I had my suspicions.

These failures are not only due to some of the poorest business decisions and business practices I've ever witnessed, but also due to the lack of control over Architecture and poor discipline in general. Information Systems and Technology Architectures that are being utilized to support the Business Architectures all still have some seriously questionable and risky elements, which have not yet gone away.

I've dedicated the last ten years to improving Software Development process and Enterprise Architecture processes in these organisations. Even to the point of giving it away for free in the <http://process.AgileEA.com> Open Source form, and blogging about things on the site, in the hopes that others might be able to benefit where my personal marketing attempts have failed.

We have now seen these financial organisations fail spectacularly in the last six months, which as I've said was always my prediction, but it turns out not for the Information Technology and Systems Architecture failing (yet), but more because in my view of **the lack of Business Architecture and Business Models that have failed to communicate the understanding of what was being implemented to all stakeholders**. I contend that if more people in each organisation knew and understood what products were being sold, there would have been more chance of a general consensus against some of these products making it to market.

I said "Yet" about the Information and Technology Systems Architectures, because I still predict failures - as this domain aspect is still totally unregulated - and that is a fundamental part of supporting the Business Models and enabling them to work. This is the subject of whole separate paper on that particular subject (should I ever be brave enough to publish it).

That the lack of Business Architecture caused this failure is of course not surprising to Architects, since Business Architecture of all of the EA layers is the least understood and least practiced in any organisation from my personal experience, and as it turns out now the most significant due to the sheer size of the financial failures internationally.

So if you had an idea about all this, why didn't you do or say anything?

One question you may be thinking is why didn't you or others say or do anything? Why did nobody warn anyone? Well I've been asking myself that philosophical question increasingly for the last five years and again a lot more recently.

I have tried to subtly influence things by talking at conferences on Process and why we should do certain Architectural things better in relation to finance, etc. but never saying it as it is in reality, mainly because I was not allowed to say what was going on inside these organisations due to strict NDAs, also because until recently there was no real proof. How could you prove it would happen? Especially if you weren't sure exactly how it would play out. Of course we now have ample empirical proof.

The culture of the Finance industry

The truth is that the culture within the finance and other industries within large organisations are very top down autocratic and un-collaborative. This has been confirmed and exposed in a very high profile case in the press recently of ex-HBOS employee **Paul Moore full statement to UK parliament** [1] is that, as he put's it:

“Being an internal risk and compliance manager at the time felt a bit like being a man in a rowing boat trying to slow down an oil tanker.” If we could turn that man in the rowing boat into a man with a tug boat or even the Pilot required to navigate big ships into port, I feel confident that things would have turned out quite differently.“

This article is an excellent read and I would strongly recommend you read it if you have not already done so.

The culture of Contracting

As an Enterprise Architect – I feel exactly that same way in my position within all of the organisations I've been fortunate to have worked within as Paul Moore above.

The unspoken culture for Contractors, certainly in the UK, is “come in, sit down and do what we tell you to do. Just shut up and do it, don't question it and you'll be Ok.” You are viewed as a more expensive bum on seat, than the usual permanent employee, slightly less expensive bum on seat. I've always been amazed at how much we are paid, but just how little our experience and knowledge is used and valued. Every contract I have walked away from I've always felt that if they had taken more time out to listen, they would have gained a lot more value.

In my personal experience anyway, there is very little room for open discussion and collaboration, very little room or even the forums and workshops to be able to collectively contribute to any solution or plan. People work in an insular fashion, and drive things through using “fait accompli” mechanisms, whereby it is too late to change them significantly once in full flow; more filling in of documents that are never read, than face to face discussion.

Initially when you come in as a contractor, you are an unknown entity and therefore have little sway, then as one builds up credibility, which takes time, your influence is felt but not to the levels it ought to be based upon your context. Typically in contracting you run out of time before your true value can be realized and applied.

Also as a contractor having signed various non-disclosure agreements about the organisation, you are placing yourself at a legal risk of being fired and then sued, or at best just losing your job or not having your contract renewed.

Finally it's also a career limiting move particularly as a contractor to shout too loudly about the extremely poor state of any organisations status quo, as you are immediately seen to be negative, a non-team player and frankly a trouble maker upsetting the office tranquillity, with everyone else hiding behind their screens – some actually working.

Occasionally some companies employ a regular (annual) Ipsos MORI office survey [2], but they do not really ask pertinent questions about Architecture, and are not really anonymous either so again you can't get too vocal without risking your livelihood or being a martyr.

Enterprise Architecture culture

In fact because of the symptom of Enterprise Architecture (EA) being an IT centric discipline (which clearly it is not) one seldom even gets to mingle or pitch to the right audience (i.e. the Chairman, CEO, CFO, etc.) In some cases you are lucky to be able to chat to the CIO in any meaningful manner, depending upon the size of the organisation and EA's position in it.

Worse, doing so as a contractor Enterprise Architect role and therefore as stated above less culturally accepted as part of any organisation one works within, one has even less say or voice in any of these internal debates than the already low input from internal staff in the know. Admittedly of course, it does occasionally work the other way round, if you do happen to get the ear of an exec at an opportune moment, it can sometimes help to be an external influence rather than a sub-ordinate. Advice can be listened to occasionally on a rare lucky chance, but in my experience this is not the norm.

I've recently seen an excellent idea or concept called "**Technical Debt**" [5] taken from work by Ward Cunningham on software development. This concept states that for every poor Technical or Architectural decision the enterprise makes, it incurs some debt. This is fine if rectified or "paid-off" quickly, but otherwise it incurs "interest". As we all know the bigger the interest grows the more of a burden it is to remove and begins costing so much until at some tipping point you can never recover.

This concept can be extended into the concept of "Enterprise Architecture Debt" or some such similar term, whereby the "Debt" not just relevant to one software system, but to the whole Enterprise system-of-systems including the logical Business Models. See more on Governance and Enterprise Debt here [6] and more on Big Balls of Mud here [7]

This simple logic above should in my view be the formal justification of why we do Enterprise Architecture, let alone many of the other good reasons.

The culture of Business Innovation and change

Getting the chance and opportunity to get in front of the correct people and sell the relatively newish concept of Enterprise Architecture, the implications of which mean cultural and organisational change, is often very difficult. Innovation itself is one of the factors that EA recommends, but you need to be innovative already to embrace new ideas in the first place, so it becomes a chicken and egg situation.

So unless some astute CEO or one of the senior executive level members have understood and attended a few conferences and been sold or bought into the concepts of Business Architecture then Enterprise Architecture is difficult to promote internally. Even externally it is not an easy subject to promote and convey.

The Business Architecture culture

Business Architecture even the Enterprise Architecture community have not yet fully agreed on but have many good ideas, which of course if is another issue that needs to be resolved within the EA community.

Some excellent fresh concepts are now emerging in the space of VPEC-T [3], Simple Iterative Partitions (SIP) [4], Semper and Score [8] and various others, but these still need to gather a lot more momentum internally.

Summary and Suggestions

The Paul Moore article [1] is as I've already said an excellent read. Read it again thinking about improving the situation by making use of **Enterprise Architecture** and specifically using **Business Architecture** techniques and models.

Moreover, and very importantly if you do embrace EA within your organisation, ensure the Enterprise Architecture team are a small independent team under the CEO as a sort of mini-internal regulator and governor over-looking all Architecture in the Enterprise, Business and Technical; as opposed to the IS/IT centric team's that they usually are, if they exist at all.

IS/IT simply cannot regulate itself with their engagements and deliveries to the Business community, and vice versa. No matter if it's the Financial Industry or any other industry.

References

[**] All views expressed are totally personal and in no way are meant to offend or criticise and particular employer – past present or future. This is an attempt at facing reality and improving the current situation by positive criticism so that we may all learn and have a better future.

[1] Paul Moore's statement -

<http://www.telegraph.co.uk/finance/newsbysector/banksandfinance/4590996/HBOS-whistleblower-Paul-Moore-Evidence-to-House-of-Commons-Banking-Crisis-hearing.html>

[2] Ipsos Mori Surveys - <http://www.ipsos-mori.com/researchtechniques/researchingspecificgroups/kar/clientlist.ashx>

[3] VPEC-T - <http://www.lithandbook.com/?p=36>

[4] Simple Iterative Partitions - <http://www.objectwatch.com/sip.htm>

[5] Technical Debt - http://en.wikipedia.org/wiki/Technical_debt

[6] EA Governance and Enterprise Debt - <http://www.pragmaticea.com/docs/peaf-governance-process.pdf>

[7] Big Balls of Mud - http://en.wikipedia.org/wiki/Big_ball_of_mud (More detail: <http://www.laputan.org/mud/>)

[8] Semper and Score - <http://tetradianbooks.com/2008/07/semper-ebook/>

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