

**Assignment 2 – Business model foundations for execution**

Due before 10:00pm CT, Sunday, February 2, 2014

**Directions:**

- **Provide your results/answers in a PDF document** generated from your favorite word processing program. Number your answers!
- Email your results in a single ZIP file to [mtg@utulsa.edu](mailto:mtg@utulsa.edu) by the due date and time.

**Questions:**

1. Short answer: Provide two examples of new services that UPS introduced during its corporate history that likely required changes to its enterprise architecture (EA). Describe each service, the likely EA changes, and your rationale behind them. If you find documented cases of EA changes resulting from the new services, you may use those, but as always quote and cite your sources accurately. [12 points]
2. Short answer: Provide two examples where external market conditions or events have had an impact on UPS's business. Speculate on how these market conditions may have highlighted EA concerns within UPS. Describe each example, identify the possible impacts to UPS' business, and identify the EA concerns involved. Again, you may find documented examples. If you use them, provide citations and write your answers in your own words. [12 points]
3. Short answer: UPS would eventually move away from a pure Unification operating model. What forces caused this move and why? Was UPS' situation the same or different than Schneider National (see the whitepaper "Enterprise Architecture: Depicting a Vision of the Firm")? Explain your answers and include examples that support your opinion. Be prepared to discuss in class as well. [12 points]
4. Redraw and update the UPS core diagram (from the attached excerpt) to address more recent developments in UPS' business (rely on your earlier answers). Use your imagination here as these are hypothetical updates, but be prepared to present and defend your changes during class discussion. Use a presentation tool (such as Microsoft PowerPoint or LibreOffice Impress). Draw the updated diagram as a single picture. Include speaker notes explaining each change you make. Turn in the presentation file as a PDF part of your consolidated assignment results. Be prepared to discuss in class as well. [10 points]

5. Debate topic: *UPS' tightly controlled approach to managing IT leads to reliable package delivery and customer information, but it will limit innovation and growth long-term.* Do you agree or disagree? Either side may be argued successfully. You may consider the topic in the context of when the case was written as well as from then until present day. Submit 4 bullets with debate points that you can use during class. A debate point should be two to three complete sentences that state a defensible assertion (i.e., backed up by facts and reasoned argument) to support your position. You will likely have derived this many points from your work on prior questions, so spend effort here making the points crisp and convincing. Be prepared to argue your views in class. [8 points].
6. Bonus: Watch the McKinsey Global Institute video, “Why every leader should care about digitization and disruptive innovation”. Based on the viewpoints in this video, make one prediction about how UPS will change in the near future due to digitization. Write 1 to 2 paragraphs here explaining your prediction and be prepared to tell the class about it when we next meet. [5 points]

*A note on grading for this assignment: The points do not add to 100. They will be weighted when grading to make this assignment count the same as other assignments.*

## EXCERPT from “Enterprise Architecture as Strategy” by Ross, et. al.

### UPS: Building New Services on a Solid Foundation\*

Around 1986 senior management at UPS became concerned about the company’s inability to respond to competitors’ technology-based market initiatives. UPS had dominated the U.S. package delivery market for much of its eighty years, but management recognized that the company would need a strong IT capability to compete in the future. Over the next ten years, UPS built a foundation for execution that has permitted it to seize global market opportunities not only in package delivery but also in a variety of related areas.

Although its immediate concern was package tracking (i.e., reporting on the whereabouts of a package in transit), UPS set out to build a foundation for execution embodying its industrial-engineering tradition (figure 1-3). The company has long employed a large staff of industrial engineers who study efficiency and design optimal business processes. Industrial engineers have specified efficient processes for a wide range of tasks at UPS, including which foot a driver should put into the truck first. The company implements these processes as global standards. Thus, when the company was debating the requirements of an IT capability, it was clear to all key decision makers that systems would have to support UPS’s global process standards. In addition, management agreed that the nature of package delivery demanded highly integrated systems, so that a package could not be lost en route.

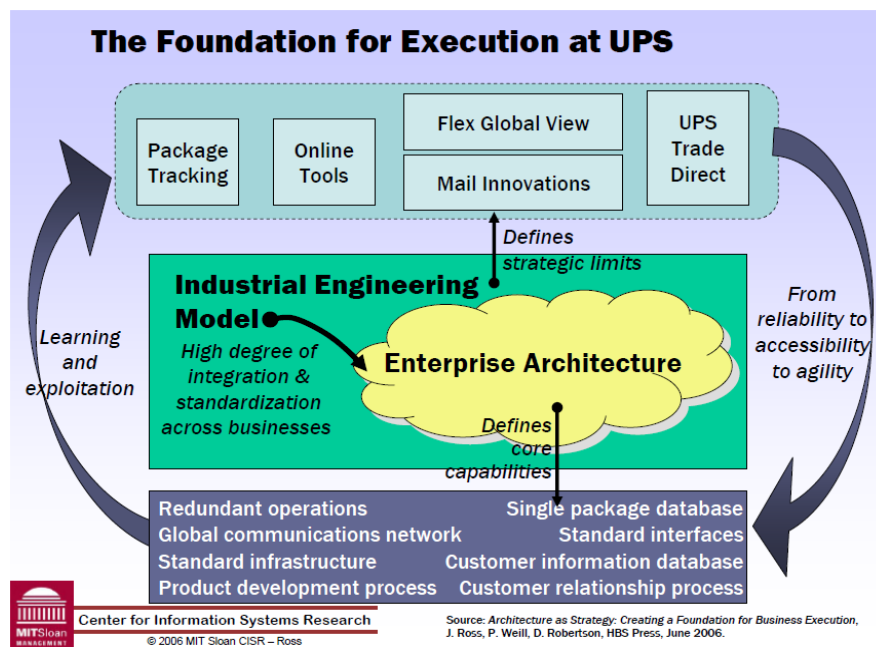


FIGURE 1-3 UPS’s foundation for execution Source: Researcher interpretation.

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UPS's new CIO and his staff developed an enterprise architecture to reflect the company's goals. A key characteristic of the enterprise architecture was the specification for a single package database. The CIO did not want multiple package databases, which would risk the integrity of the data. The CIO's team also emphasized the need for a global telecommunications capability so that the package data could be captured and accessed from anywhere a package might be picked up or delivered. The company developed strict rules about architectural standards, and IT was authorized to enforce the rules whenever a breach could compromise reliability or efficiency.

On the business process side, senior management defined four core processes: package delivery, product development, customer relationship management, and customer information management. UPS standardized tasks within these processes as appropriate so that new initiatives could leverage existing capabilities. Starting from package tracking and related core processes, UPS leveraged its systems and process capabilities first by adding channels, such as the Internet. Then UPS expanded into new services. For example, Flex Global View allowed customers to receive advance notification of incoming packages and to track packages traveling with freight forwarders or other UPS partners. Flex Global View also notified customers if any packages would arrive late. Building on these capabilities, UPS grew from a package delivery company into a global commerce company. UPS Trade Direct, one of the company's newer offerings, provides integrated door-to-door service for international packages, including consolidated billing, customs brokerage and clearance, and international package tracking.

UPS's innovations build on or leverage its existing foundation for execution and create new opportunities. Because of the strategic importance of IT at UPS, IT leaders are consistently involved in strategy discussions and propose new products and services based on existing capabilities. Regarding the IT unit's input to strategy discussions, Mike Eskew, UPS's CEO comments, "I get that kind of happy surprise from IT all the time."<sup>12</sup> Happy surprises from IT—that's what a foundation for execution has done for UPS.

*\* SOURCE: Ross, Jeanne W.; Weill, Peter; Robertson, David (2006-08-08). Enterprise Architecture As Strategy: Creating a Foundation for Business Execution (Kindle Locations 445-452). Perseus Distribution-A. Kindle Edition.*