Chapter 6

The Corporate Architecture Dimension

ABSTRACT

The main purpose of this chapter is to develop further the treatment of the concept of architecture by dealing with what is called the corporate dimension of the enterprise architecture. It presents a way to employ this concept (the corporate or business dimension is used here interchangeably) through a methodology that defines what is called the market architecture, and how to design, operate, and sustain the enterprise architecture aligned to its specific market architecture.

1. INTRODUCTION

In Chapter 5 of this book it is argued that although one can use the lens of economists, the lens of managers, and the lens of information systems professionals to understand the enterprise, it seems that something is missing, and this thing is a concrete analytical tool which could help one to describe what are the main components of the contemporary digital (or digitalized) enterprise, and how do they interact and function.

Along that chapter it is also argued that the most valuable tool to perform this task is the concept of enterprise architecture. That chapter is then comprised of three sections: one showing the origins of the use of the concept of architecture in the information systems academic and professional literature; one briefly describing how we have moved from the use of the concept of information systems architecture towards the use of the enterprise architecture concept; and, the final section argues that we should consider the concept of market architecture in order to proper understand not only the relation of the enterprise with its market, but the possibility of this enterprise to deal with plural forms of organization of the economic production.

The main purpose of this chapter is to develop further the treatment of the concept of architecture by dealing with what is called here the corporate dimension of the enterprise architecture (Chapter 7 deals with the information technology dimension of the enterprise architecture).

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2. BACKGROUND

In the introduction of the ‘Handbook of New Institutional Economics’ (published in 2008), Ménard & Shirley (2008) remind us that Ronald Coase’s query (firstly shown in Coase, 1937) as to why some transactions are done in markets and other in firms/enterprises seems deceptively simple. They argue that an important achievement of the New Institutional Economics- NIE in the years since Coase asked that question is to show how complex both question and answer really are. After that, these authors present a brief summary of Claude Ménard’s chapter in that handbook as follows:

_Claude Menard’s chapter explores how command, control and cooperation might give firms an advantage over markets and argues that we must understand the internal costs of firms as well as transaction costs if we want to explain when they have an advantage over markets. Menard explores the many different ways of organizing activities that fall between the polar choices of vertically integrating the transaction into a firm or conducting trades on the spot market. NIE differs from traditional economics not just by peering into the black box of the firms; it also opens the black box of markets. Menard points out that to a new institutionalist markets are not costless, identical, or immediate; they are diverse in their costs because they vary in how they are organized, the rules that support them, and how those rules are enforced._

This brief summary can be considered an adequate starting point for this chapter. First, because it shows there are a variety of ways of organizing economic activities; second, because it reveals that markets are diverse, and vary in how they are organized and supported; and, finally, because it gives a reason to believe that for enterprises to deal with such heterogeneous business environments they should have flexible tools to emerge, operate and sustain its activities in such diverse conditions.

And that is why the concept of enterprise architecture (as a flexible organizing tool) fits adequately in such conditions. So, this chapter presents a way to employ this concept (the corporate or business dimension is used here interchangeably) through a methodology that defines what is being called here as the market architecture, and how to design, operate and sustain enterprise architecture aligned to its specific market architecture.

3. MARKET ARCHITECTURE

This chapter begins with a proposition related to the use of the enterprise architecture and market architecture concepts in this book:

_To be properly designed, to function adequately, and to sustain its activities, an enterprise’s architecture should be aligned to the market architecture of its main business environment, and also to the market architectures of its subsidiary business environments._

In order to give support to this proposition, this chapter departs (and builds part of its argument) from an approach that has gained attention in the political economy literature of comparative capitalism. This approach, called ‘varieties of capitalism’, has as its main reference the book entitled ‘Varieties of Capitalism: The Institutional Foundations of Comparative Advantage’, published by Peter Hall & David Soskice in 2001.

The approach to comparative capitalism developed in such a book offers an account of how the institutions structuring the political economy confer comparative advantages on a nation, especially in the sphere of innovation. According to the authors, the book casts the fundamental problems facing economic policy-makers in a new light, suggesting that their principal task is not to identify endeavors in which enterprises can excel.
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