

> Building and Putting Your Business Capability Model to Work

The Journey to Efficient Business Capability
Enablement

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25 October 2012

A FRAMEWORK FOR MEMBER CONVERSATIONS

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ROADMAP FOR THE PRESENTATION



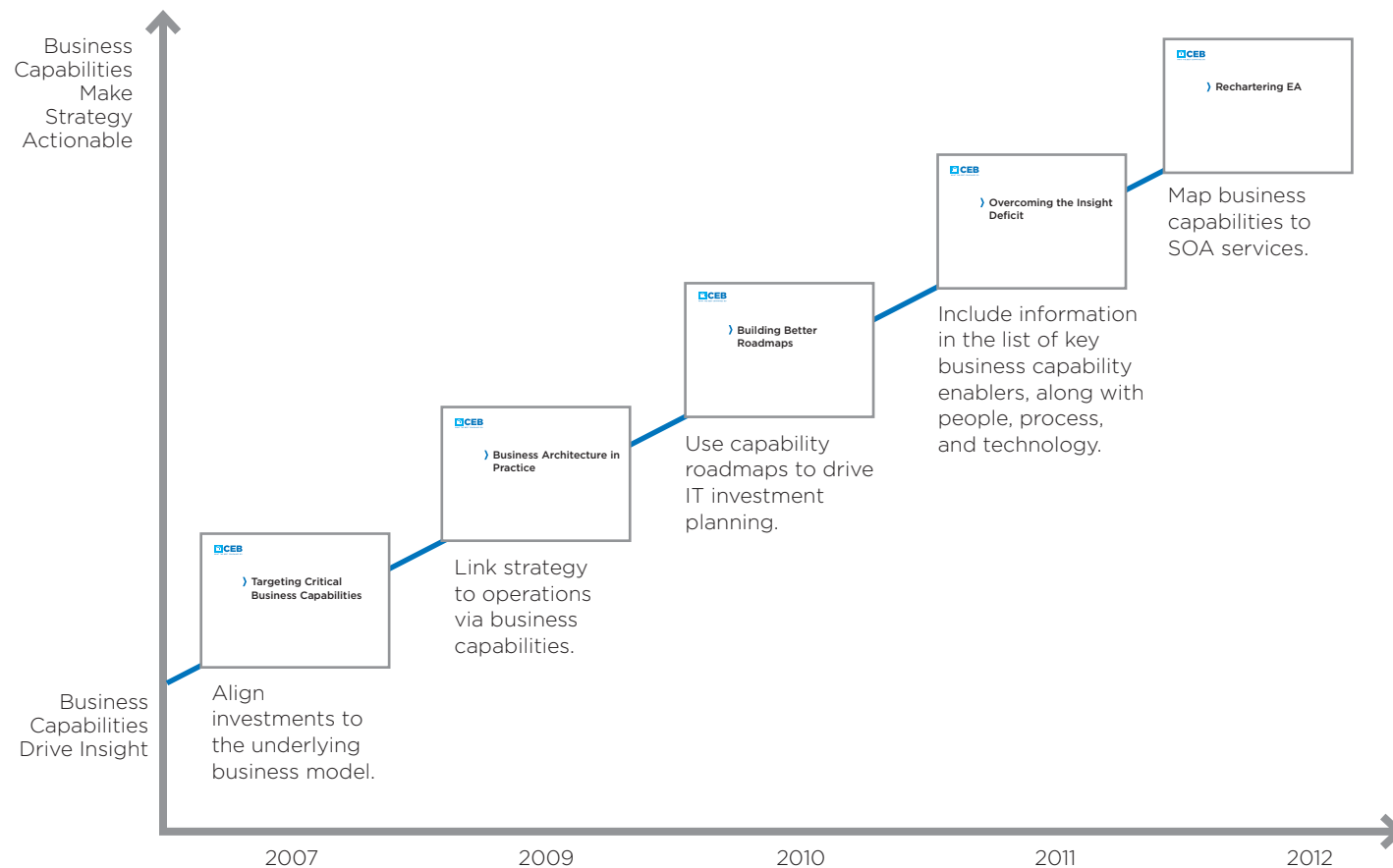
Business capabilities are the critical currency for aligning IT to the business.

- Use business capabilities to drive consensus across a multiyear time horizon, while maintaining a clear line of sight to IT investments.
- Organize the capability model to surface common organizational objectives at the logical level by avoiding a structure that resembles the organizational structure or its processes.

Business Capability Definition

The organization's desired or existing capacity to achieve a specific effect, goal, or objective; enterprises consist of a portfolio or matrix of capabilities that are used in various combinations to achieve outcomes. A business capability can be disaggregated into people, process, technology, and information components.

USE BUSINESS CAPABILITIES TO SHARPEN FOCUS ON STRATEGY EXECUTION



CORNING

RBC
RBC Financial Group

MERCK

Gryphon Bank¹

Pitney Bowes

Use business capabilities to ensure that service coverage is complete.

- Business capabilities are elevated above IT silos; they ignore distinctions between infrastructure, applications, and other functional towers within IT.
- Business capabilities are much more stable than technologies or business processes.

LINK STRATEGY TO EXECUTION WITH BUSINESS CAPABILITIES

	IT Objectives				Benefits and Drawbacks
	Enables Business Transparency	Ensures Common Goals	Cuts Across IT Silos	Allows Cost Aggregation	
Business Strategy					Owned by business partners; changes frequently; difficult to align to specific IT investments.
Business Capability					Business capabilities are the key activities needed to deliver strategic goals. They are easy for business stakeholders to understand, but retain direct links to IT investments.
Business Process					Business processes offer a shortcut to defining business capabilities, but they are not stable, transparent, or cross-cutting enough to underpin end-to-end IT services directly
Application					Not comprehensive; rarely fully aligned to daily business partner activities.
Infrastructure					Not well aligned to business partner activities.



Business capabilities are finding utility for long range planning as well as execution.

BUSINESS CAPABILITY MODELING IS A KEY TOOL FOR SUPPORTING TRANSFORMATION

Conventional Mapping Methods Don't Work for Long

- IT leaders are realizing that mapping IT applications to business processes does not enable an adaptive organization
- Applications are monolithic, and not amenable to change
- There are too many applications for a mapping to processes to form a meaningful or actionable system

Business Capabilities are a Better Alternative

- Business capabilities function at a level above organizational silos, making common capabilities easier to identify
- Business capabilities are more stable and durable than processes, technologies, or applications
- Business capabilities enable greater transparency and drive common goals

The Shift to End-to-End IT Services is Creating Urgency

- To make an organization-wide shift as large-scale as the one to end-to-end IT services, IT leaders are realizing that they need a comprehensive and logical taxonomy
- IT leaders are realizing that business capabilities are the most appropriate bridge for supporting IT's transition to an end-to-end services organization



An inability to validate business capabilities with the business early and often is a failure path.

LONG-TERM SUCCESS DEPENDS ON BUSINESS OWNERSHIP AND EA STEWARDSHIP

Before	After
Business demand is expressed in terms of technology solutions	Demand is expressed in terms of business capabilities
Technologies are unchecked and frequently divorced from business strategies	There is a clear line of sight between business capabilities and their technology enablers
Conversations between IT and the business focus on processes, technologies, and solutions	Conversations between IT and the business focus on business needs and strategies
Confusion around vocabulary and definitions on both the part of IT and the business; each side viewing the other as speaking a different language	Clarity on vocabulary and definitions on both the part of IT and the business; transparent conversations with plain talk
Business partners frequently circumvent IT	Business partners less frequently circumvent IT

ROADMAP FOR THE PRESENTATION

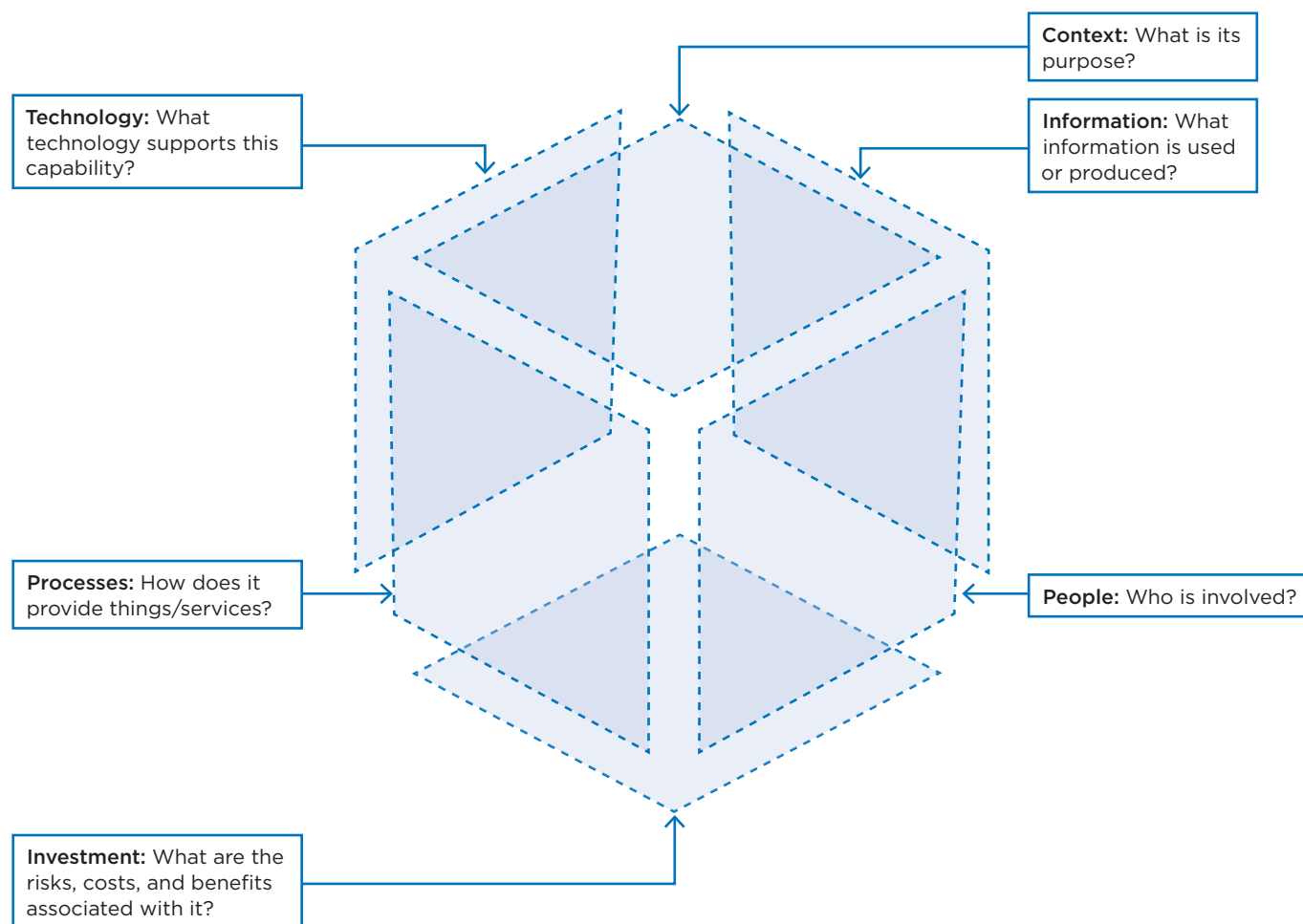


When defining capabilities, don't just think in terms of people, process, technology, and information, but also include the context and the investment rationale.

- Context brings a capability into organizational perspective to better appreciate its purpose.
- Investment details the capability's maturity level to date, the expected return, and how much to continue to invest.

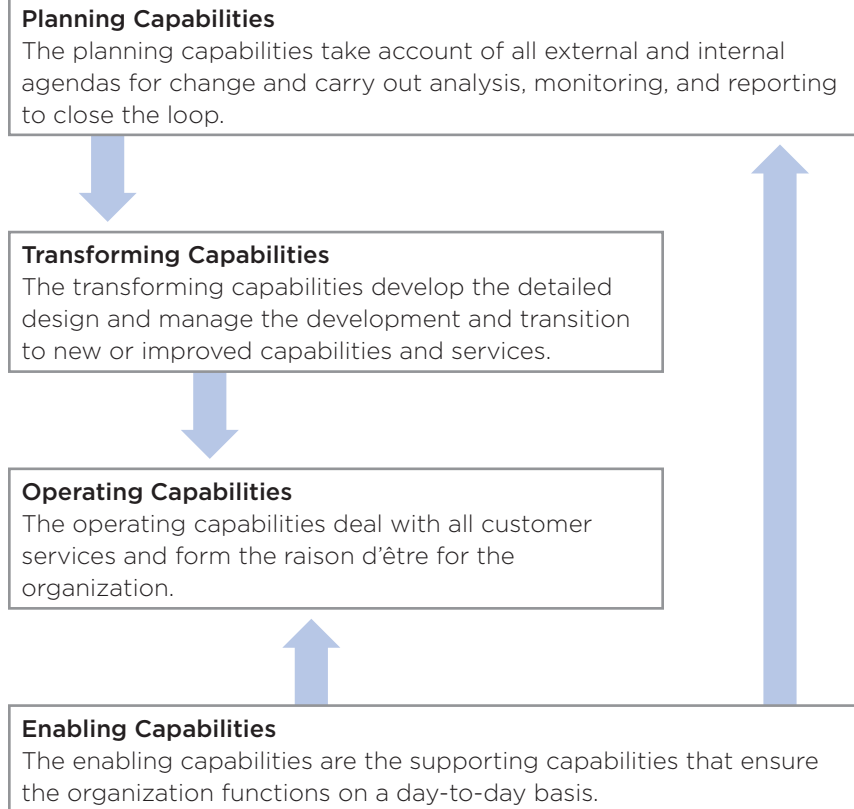
CONSIDER ALL CAPABILITY DIMENSIONS


The "Capability Cube"



Build out capabilities at the logical level, based on capability types, so they are not tied to current organizational structures or business functions.

INFORM THE MODEL STRUCTURE USING CAPABILITY TYPES



 “Business capabilities are the ‘primary key’ into an understanding of the organization. With them you can relate all aspects of the organization logically.”

Krista Kerr
Director of Strategic Architecture
Department of Human Services

DHS AUSTRALIA

RBC

MERCK

GRYPHON BANK

PITNEY BOWES

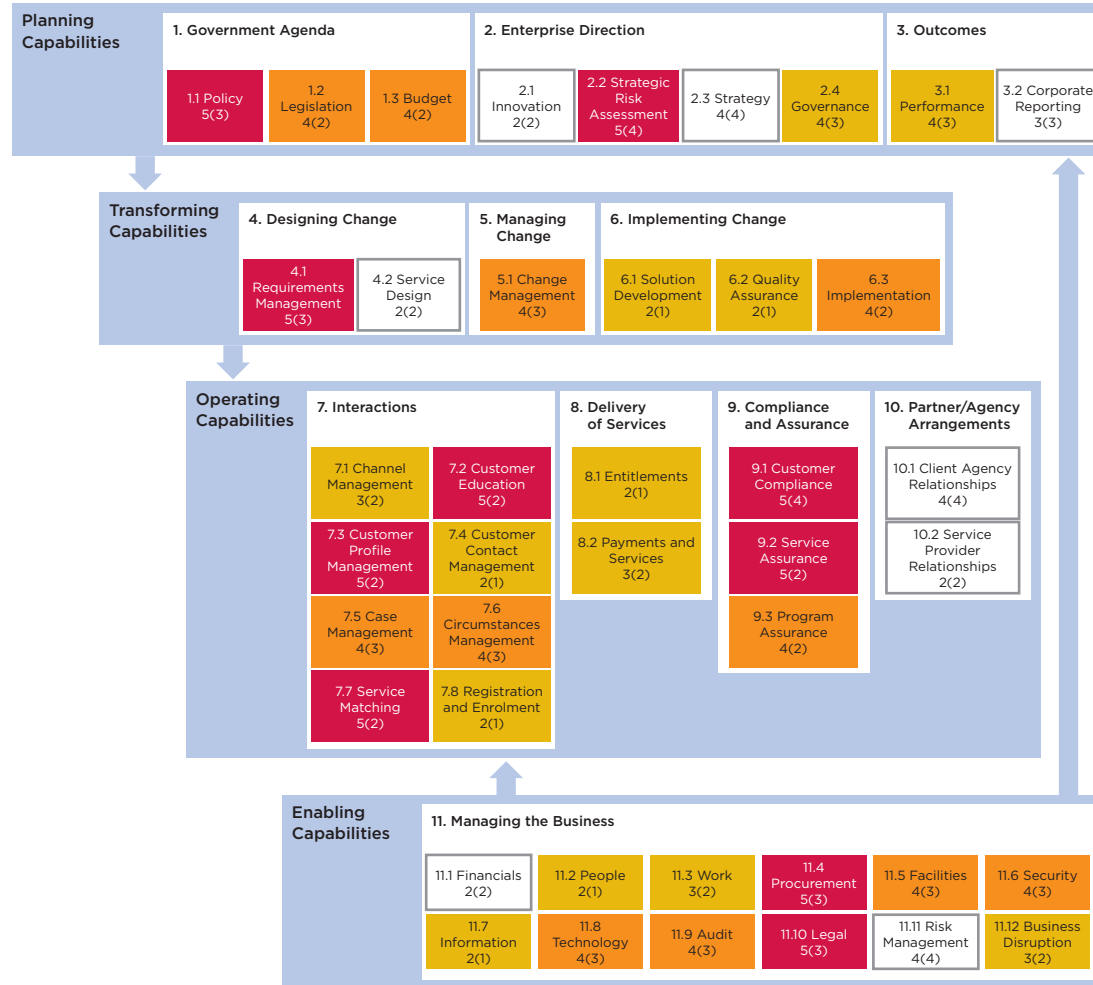
METLIFE

Prioritize capability investments based on their strategic impact and gap to capability goal.

ADD RIGOR TO EXECUTION WITH CAPABILITY HEATMAPPING

The Business Capability Model Heatmap

Illustrative¹



Change Required

- Operational Only
- Low (Capability changes required for < 20% of strategic priorities)
- Medium (Capability changes required for 20-40% strategic priorities)
- Critical (Capability changes required for > 40% of strategic priorities)

Capability Maturity Score

- 0 Incomplete
- 1 Initial
- 2 Repeatable
- 3 Defined
- 4 Quantitatively Managed
- 5 Optimizing

Capability Maturity Gap

Future Maturity (Current Maturity)

“Strategies, initiatives, and activities can now be evaluated using the capability work. These evaluations are a quick and effective response to the need for guidance.”

Krista Kerr
Director of Strategic Architecture
Department of Human Services





Business scenarios help surface the capabilities needed to solve particular pain points.

- Business scenarios describe current and future states using real life events, processes, and functionalities.
- Scenarios guide the development and evaluation of the capabilities necessary to carry out a business activity.

“Capabilities can be a pretty abstract concept for many of our business partners. Scenarios help them come to life.”

David Furlong
Managing Director, Business Architecture

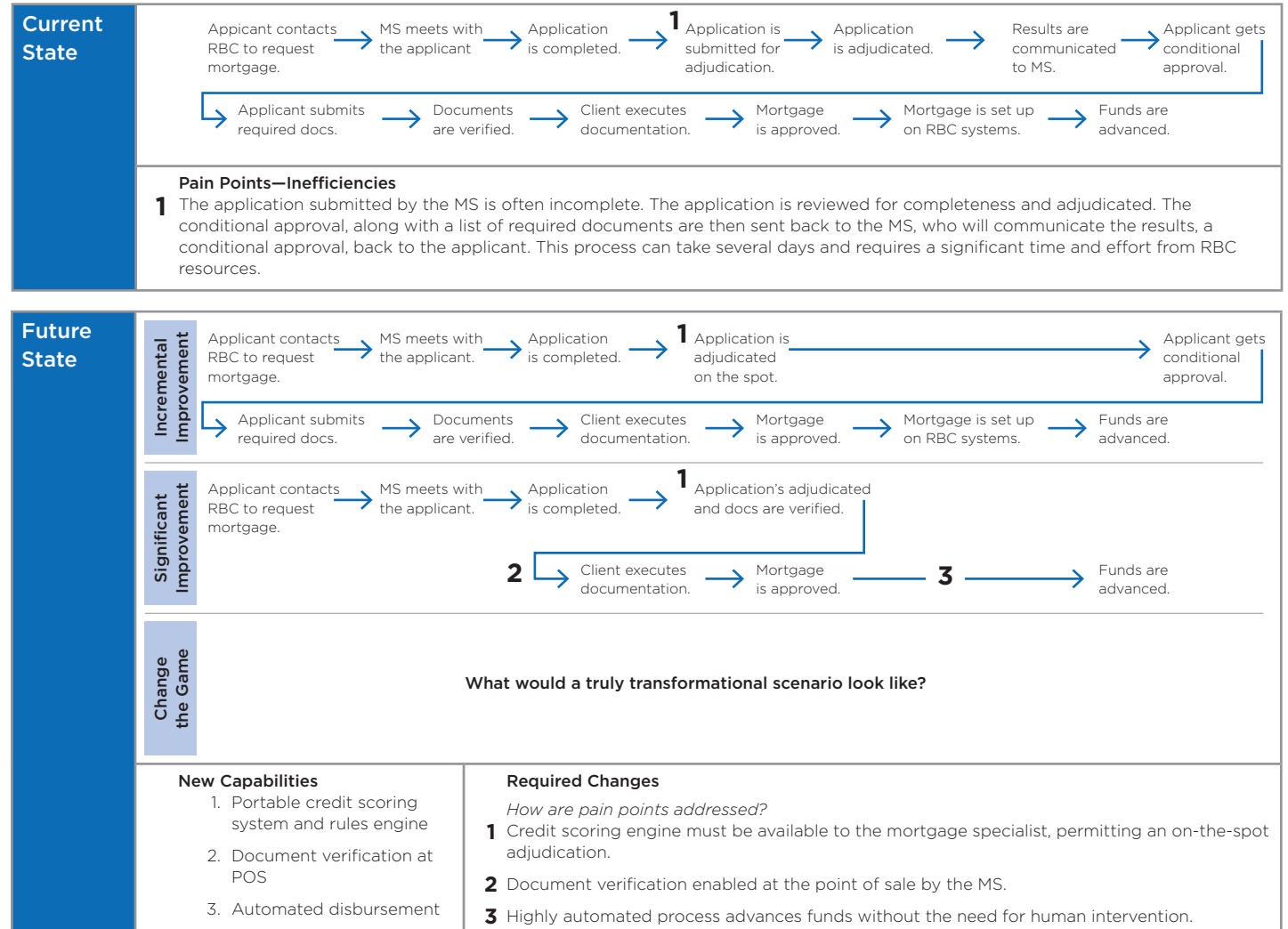
DO facilitate scenario creation to avoid results that focus on fixing immediate problems.

DON'T let the number of identified capabilities exceed a reasonable upper limit (12-15).

SCENARIO-BASED CAPABILITY IDENTIFICATION

Scenario: Individual Meets a Mortgage Specialist and Applies for a Mortgage

Pain Point: The Individual Must Often Wait Several Days Before Receiving an Answer (Illustrative)





BUSINESS ARCHITECTURE BASE CAPABILITY MODEL

Plan	Change	Run		
Analytics	Accessibility Management	Adjudication (Underwriting)	Origination	Servicing
Business Intelligence	Execution Management	Credit Assessment	Account Renewal	Account Servicing
Campaign Reporting Analytics	Change Management	Credit Decisioning	Application Data Capture	Assisted Servicing
Client Analysis Management	Delivery Management	Credit Scoring	Deal Shaping	Claims Processing
Competitive Intelligence	Program Management	Aggregation	Pricing Optimization	Client Portfolio Management
Measures and Metrics Analytics	Project Management	Aggregation, Building, and Deal Management	Product and Service Fit/Next Best Fit	Client Servicing
Performance Analytics	Strategy Execution	Customer Pricing	Product Optimization	Fees Management
Profitability Analytics		Product/Service Configuration	Quote Generation	Funds Transfer Management
Root-Cause Analysis and Trending		Fulfillment	Payments	Funds Transfer Scheduling
Assess and Design		Account Fulfillment	Billing Services	Overdraft Management
Process		Disbursement	Payee Management	Pooling
Technology		Product Fulfillment	Payment Management	Product Accounting
Benchmarking		Service Fulfillment	Pre-Sales (Distribution)	Product Servicing
Standards Management		Transaction Fulfillment	Client Education	Sweeping
Strategy Development			Marketing	Tax Management
			Opportunity Management	Transaction and Balance Management
			Product/Service Management	Transaction Servicing
			Sales Planning	
			Sales	
			Needs Assessment	
			Sales Effectiveness Management	
			Selling/Merchandising	

Common				
Business Rules Management	Client Experience Management	Enterprise Portfolio Management	Finance Management	Knowledge Management
Reconciliation Rules Management	Client Preferences Management	Approval Conditions Management	Expense Control	Outsourcing
Rule Composition	Client Profile Management	Collateral Assessment	FA Management	Performance Management
Rule Execution	Customer Loyalty/Retention Management	Collections	Financial Analysis Management	HR Performance Management
Rule Orchestration	Communication Management	Corporate Treasury Management	Financial Data Modeling Analytics	Problem Management
Rule Traceability	External Communication	Demarking	Financial Data Transaction Management	Exception Management
Business Process Management	Internal Communication	Float Management	Financial Data Validation	Procurement
Modelling and Simulation	Notification	Internal Audit Management	GL Management	Quality Assurance
Process Configuration Management	Enterprise Content Management	Monitoring	HR Management	Relationship Management
Process Engineering	Document Presentment	Policy Management	Benefits and Compensation Management	Advice
Process Governance	Indexing	Portfolio Quality Management	Recruiting and Talent Management	Client Relationship Management
Process Methodology	Information/Document Management	Profitability	Roles Management	Negotiation
Process Repository	Process Management	Reconciliation Management	Skills Assessment and Training	Partner Relationship Management
Workflow Analytics	Workflow Management	Reinsurance	Train, Mentor, and Development Management	Service-Level Management
		Reporting	Workforce Management	
		Risk Management	Integration Management	
		Securitization	Third-Party, Govt., and Reg. Data Integration	
		Special Assets Management	Business Data Integration	
		Syndication and Participation	Channel Integration Management	
			Client Data Integration	
			Operational Data Integration	

Level 1 Capability Level 2 Capability

Information Technology Capabilities

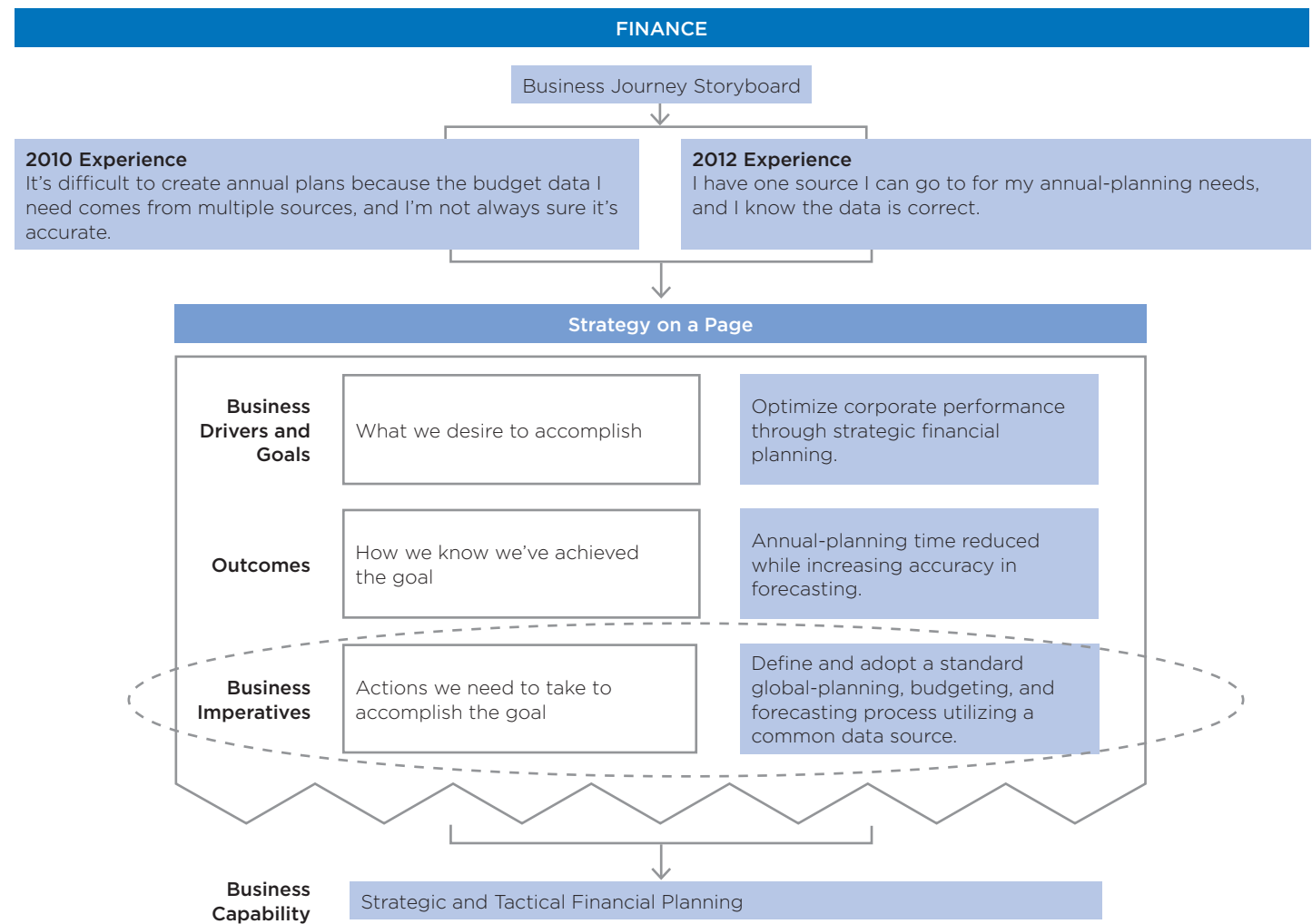


Shift the dialogue between the IT liaison and business owner away from projects and toward long-term plans.

- Merck’s EA group uses the Business Journey Storyboard to surface pain points.
- The Strategy on a Page Template articulates a set of business imperatives that EA can map to relevant capabilities.

LINKING BUSINESS STRATEGY TO CAPABILITIES

Illustrative



DO frame business goals in key stakeholder experiences to help business partners articulate pain points.

DON'T let the absence of documented strategy serve as a barrier to capability roadmapping.



Put capability target choices into financial terms to help business partners make better investment trade-off decisions.

- Merck’s EA group researches industry capability models and standards to help business partners assess current maturity and identify targets.
- Rely on business partners’ internal assessments and maturity goals when industry benchmarking is not warranted.

“Business partners always want more than budgets allow. It’s our job to help them assess where they need to be industry leaders and where it’s okay to meet the industry standard by illustrating the business costs and technical costs.”

Paula Kowalczyk
Senior Director, Business and Solutions Architecture
Merck & Co., Inc.

ESTABLISHING CAPABILITY TARGETS

Finance Capability Realization (Total Budget \$9 M)
Illustrative

Capability	Below Industry Standard (IS-)	Industry Standard (IS)	Industry Leader (IL)	Distinctive Leader (DL)
Strategic and Tactical Financial Planning			\$5 M	
Accounting to Reporting			\$1.5 M	\$3 M
Treasury and Capital Management			\$2.5 M	\$4 M

- Current Range of Capability Maturity
- Average Capability Maturity
- Initial Capability Target
- Reset Capability Target

Capability Target Assessment Criteria

Merck’s EAs work with business partners to force trade-offs between cost and capability targets across the following four dimensions:

- 1. People:** Skills needed to support new capabilities and/or process improvements
- 2. Process:** Level of process maturity and standardization required
- 3. Information:** Quality and completeness of data required
- 4. Technology:** Availability of tools that provide end-to-end support



Help business partners understand the business and technology implications of different paths to the target state.

- Create implementation scenarios that enable certain capabilities before the target state is reached.

SETTING CAPABILITY REALIZATION HORIZONS

Implementation Scenarios

Illustrative

	Year 0	Year 1	Year 2	Year 3	Feasibility Assessment		
	Current State	Interim State	Interim State	Target State	L	M	H
Scenario A	<ul style="list-style-type: none"> ■ Current state evaluation 	_____	_____	<ul style="list-style-type: none"> ■ 100% of capabilities realized ■ New applications rolled out ■ Legacy applications decommissioned 	✓		
Scenario B	<ul style="list-style-type: none"> ■ Current state evaluation ■ Capability 1 urgency: low ■ Capability 2 urgency: moderate 	_____	<ul style="list-style-type: none"> ■ Capability 2 realized 	<ul style="list-style-type: none"> ■ 100% of capabilities realized ■ Legacy applications decommissioned 		✓	
Scenario C	<ul style="list-style-type: none"> ■ Current state evaluation ■ Capability 1 urgency: high ■ Capability 2 urgency: moderate ■ Capability 3 urgency: low 	<ul style="list-style-type: none"> ■ Capability 1 realized 	<ul style="list-style-type: none"> ■ Capability 2 realized 	<ul style="list-style-type: none"> ■ 100% of capabilities realized ■ Legacy applications decommissioned 		✓	✓
					✓		
						✓	
							✓
							✓
					✓		

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DO present business partners with alternative paths to reaching the target state that they can choose from.

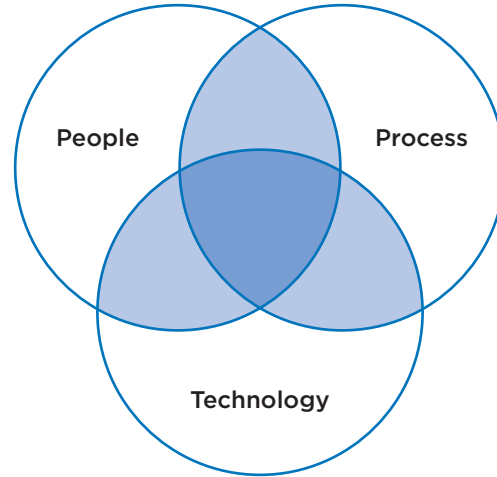
DON'T assume there's only one right path to the target state.

Traditional capability models don't separate out information's specific contributions to a business capability.

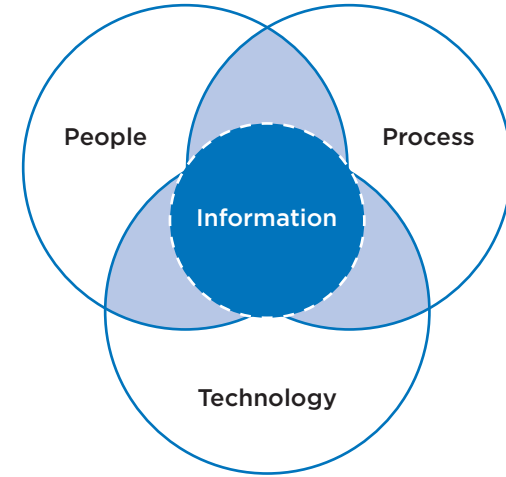
PUTTING INFORMATION AT THE CENTER




Traditional Business Capability Model



Information-Centric Business Capability Model



 "We are trying to put information at the center of our capability analysis. We look at people, process, and technology from an information-centric perspective to emphasize the importance of information as an enabler of strategy."

Head of Data Standards
Gryphon Bank

¹ Pseudonym.

By focusing on the most critical business capabilities, executive-level buy-in for related information investments becomes easier to obtain.

- Gryphon Bank looks at six factors to determine business value, each of which is given a weight.
- Those capabilities that score above 2.5 are prioritized for further analysis and information remediation.
- Through this process, Gryphon reduces the number of business capabilities on which it will focus from 66 to 25.

DO adjust the business value weights based on shifting firm priorities.

DON'T analyze below the capability level as the number of processes and tasks is too numerous.

BUSINESS CAPABILITY ASSESSMENT



Business Capability Scorecard
Illustrative

Credit Risk Administration Capabilities	Business Value Drivers						Total Score (Weighted Average)
	Regulatory Assurance (Weight = 6)	Capital Efficiency (Weight = 5)	Loss Minimization (Weight = 4)	Competitive Enhancement (Weight = 3)	Productivity Improvement (Weight = 2)	Cost Reduction (Weight = 1)	
Maintain Documentation	High	None	Medium	Low	Medium	None	2.28
Assess, Investigate, and Remediate Data	Medium	Medium	High	None	High	Low	3.05
Approve and Control Disbursement	Medium	Medium	Medium	Medium	None	High	3.76
Detect Fraud	Low	None	Medium	Medium	Low	Medium	1.52

Business Value Contribution

○ None ◐ Low ◑ Medium ● High

25 business capabilities out of 66 are prioritized.

¹ Pseudonym.






Use the data heat map to provide visual clarity on the information assets most critical to the business.

- Data subject areas become Information Assets if they do the following:
 - Impact at least 10 of the 25 capabilities.
 - Have a maturity gap of two colors for at least five of those capabilities.

DO review the heat map on an annual basis when the roadmap gets updated.

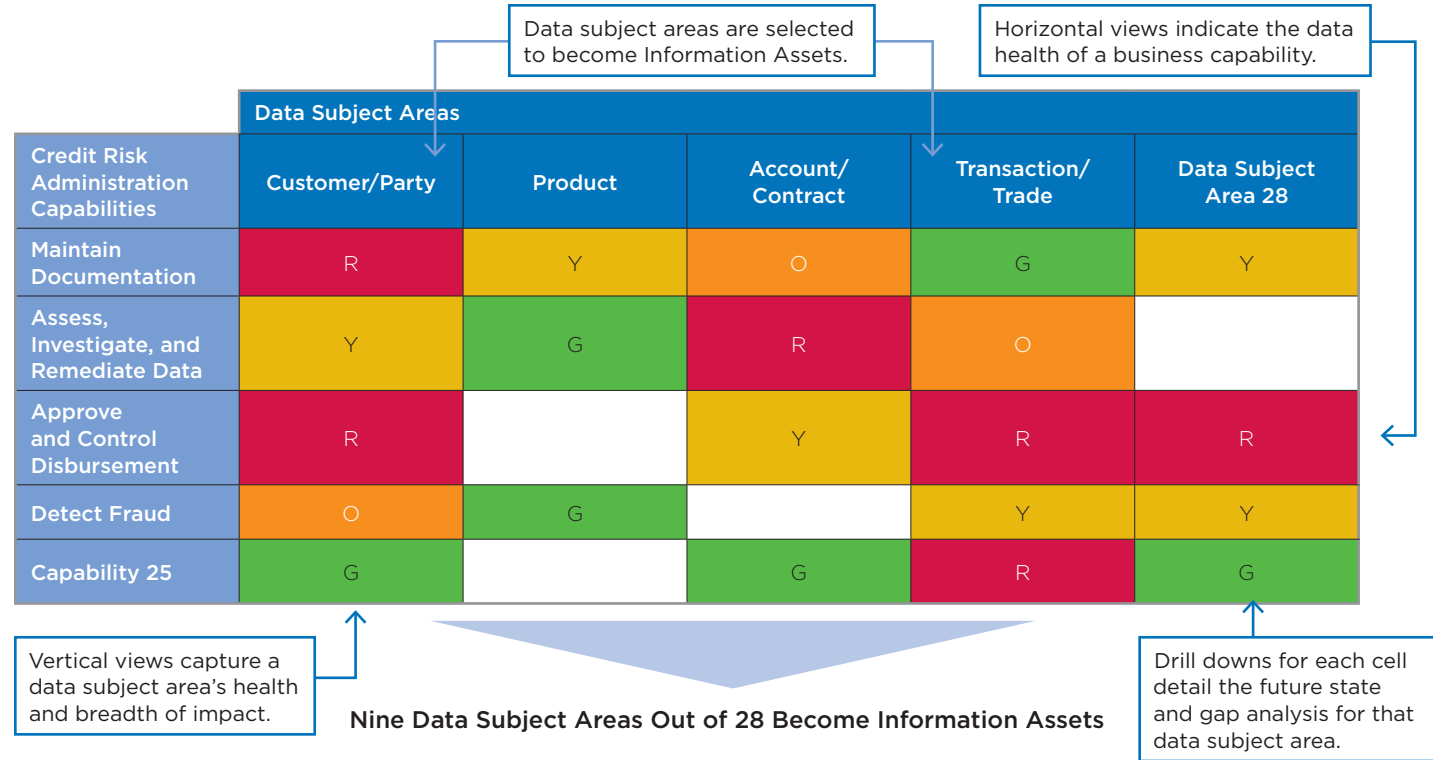
DON'T try to turn every cell in the heat map green, but only raise maturity to the level required to enable the capability.

 "We needed a way to distinguish the data subject areas that were most important to us. We wanted to think of them as assets, treat them as assets, and govern them as assets."

Head of Data Standards
Gryphon Bank

FROM DATA TO INFORMATION

Data Heat Map
Illustrative



Data Subject Area Maturity Ratings

- R** Fragmented: Information Is Unavailable, Unreliable, and of Insufficient Granularity
- Y** Controlled: Information Is Available and Controlled, but Not Fully Automated
- O** Remediated: Information Is Available but Uncontrolled at the Source
- G** Intelligent: Information Is Available, Controlled, Highly Automated, Centralized, and Managed
- Data Subject Not Relevant to Function

DEFINITION

Information Assets—Data subject areas that are set aside for active governance and investments given their enterprise-wide importance and data maturity gaps

¹ Pseudonym.

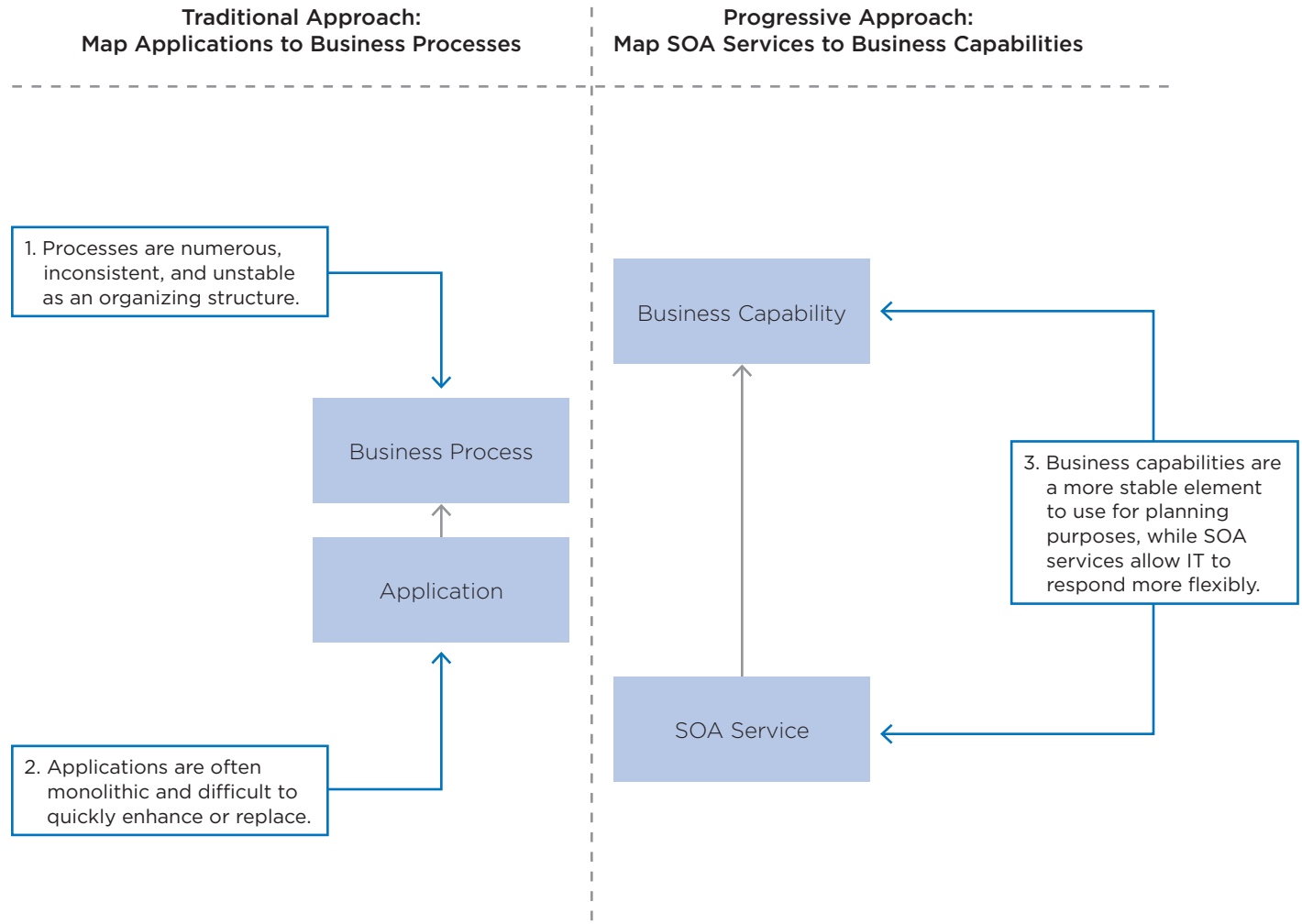


Mapping SOA services to business capabilities provides more agile business enablement.

- To effectively bridge the gap between business capabilities and SOA services, map level 3 capabilities to composite services.
- Anchoring to business processes becomes problematic as more new development shifts away from process automation and toward information.

MAP SOA SERVICES TO BUSINESS CAPABILITIES TO CREATE FLEXIBILITY

Approaches to IT-Business Alignment



To be an effective conduit, EA speaks the language of capabilities to the business and the language of SOA services to IT.

- To satisfy emerging business needs, EA traces business capabilities to the SOA services that comprise potential solutions.
- Pitney Bowes finds that level 3 capabilities and composite services provide the right altitude for effective mapping.

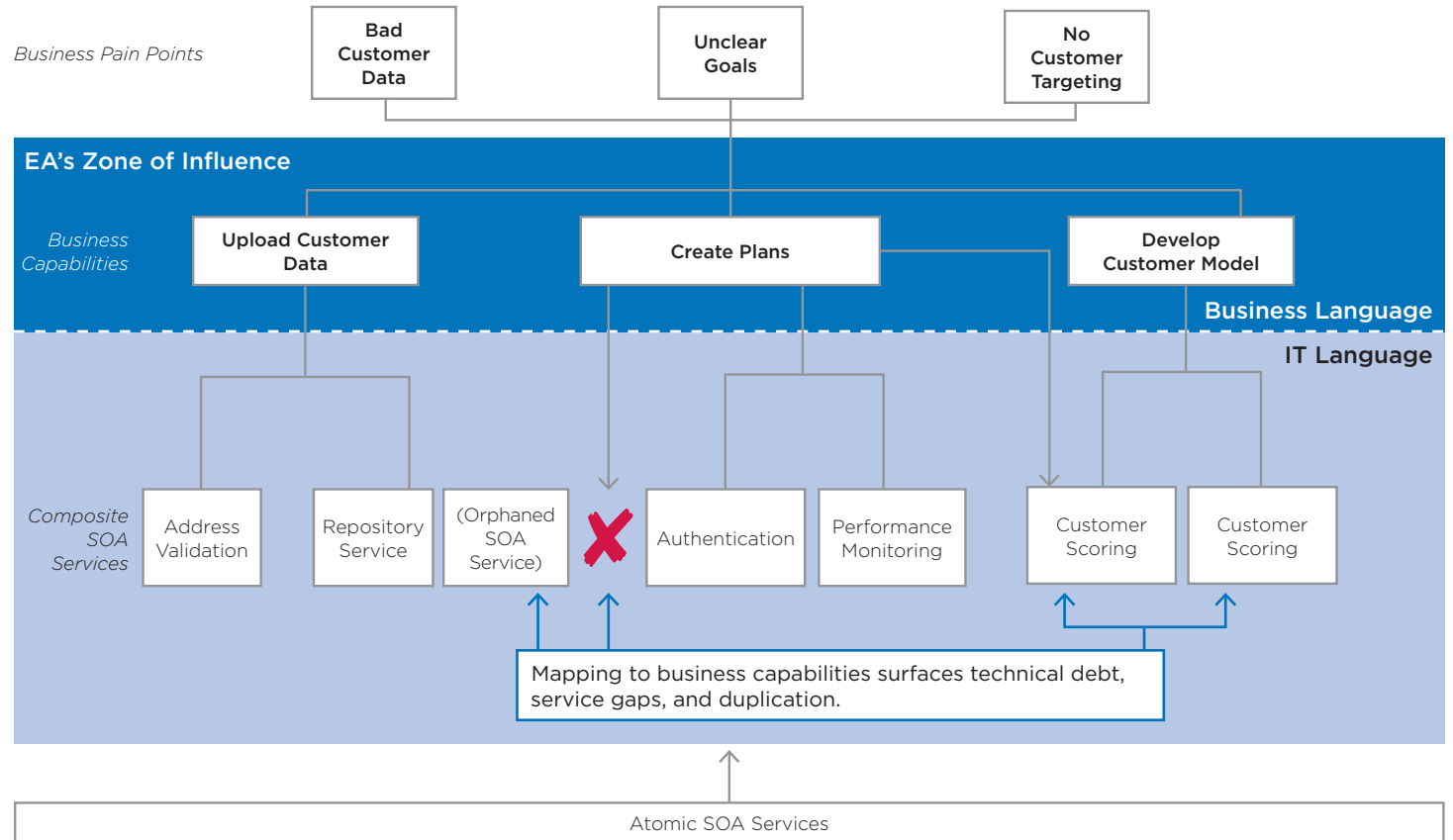
“EA’s role is to ensure that the consumer need is covered via technical services. Above the line, we talk capabilities in plain business English. Within IT, below the line, we talk technical services.”

Kevin Cattell
Vice President, Chief Architect
Pitney Bowes Inc.

MAP THE LANGUAGE OF THE BUSINESS TO THAT OF IT



Illustrative



Business capabilities have many characteristics that make them comparable to end-to-end IT services.

- The process for identifying business capabilities also requires the examination of which customers and products depend on each capability, an exercise that is not common to most service definition processes.
- Identifying business capabilities requires equal input from business partners and IT, ensuring that business perspectives form a significant share of the outputs.

THE SIMILARITIES BETWEEN SERVICES AND CAPABILITIES

AN END-TO-END IT SERVICE SHOULD

- ✓ Use business-relevant language.
- ✓ Include the value proposition for end users.
- ✓ Describe resources/assets bundled as service.
- ✓ Align to business activity important to business partners.

AN END-TO-END IT SERVICE SHOULD NOT

- ✗ Use technical jargon.
- ✗ Be an inventory of resources/assets offered.
- ✗ Be too business-focused.
- ✗ Be too technology (asset)-focused.

A BUSINESS CAPABILITY SHOULD

- ✓ Use business-relevant language.
- ✓ Include the enterprise value of the capability.
- ✓ Map to processes and systems.
- ✓ Align to business activity important to business partners.

A BUSINESS CAPABILITY SHOULD NOT

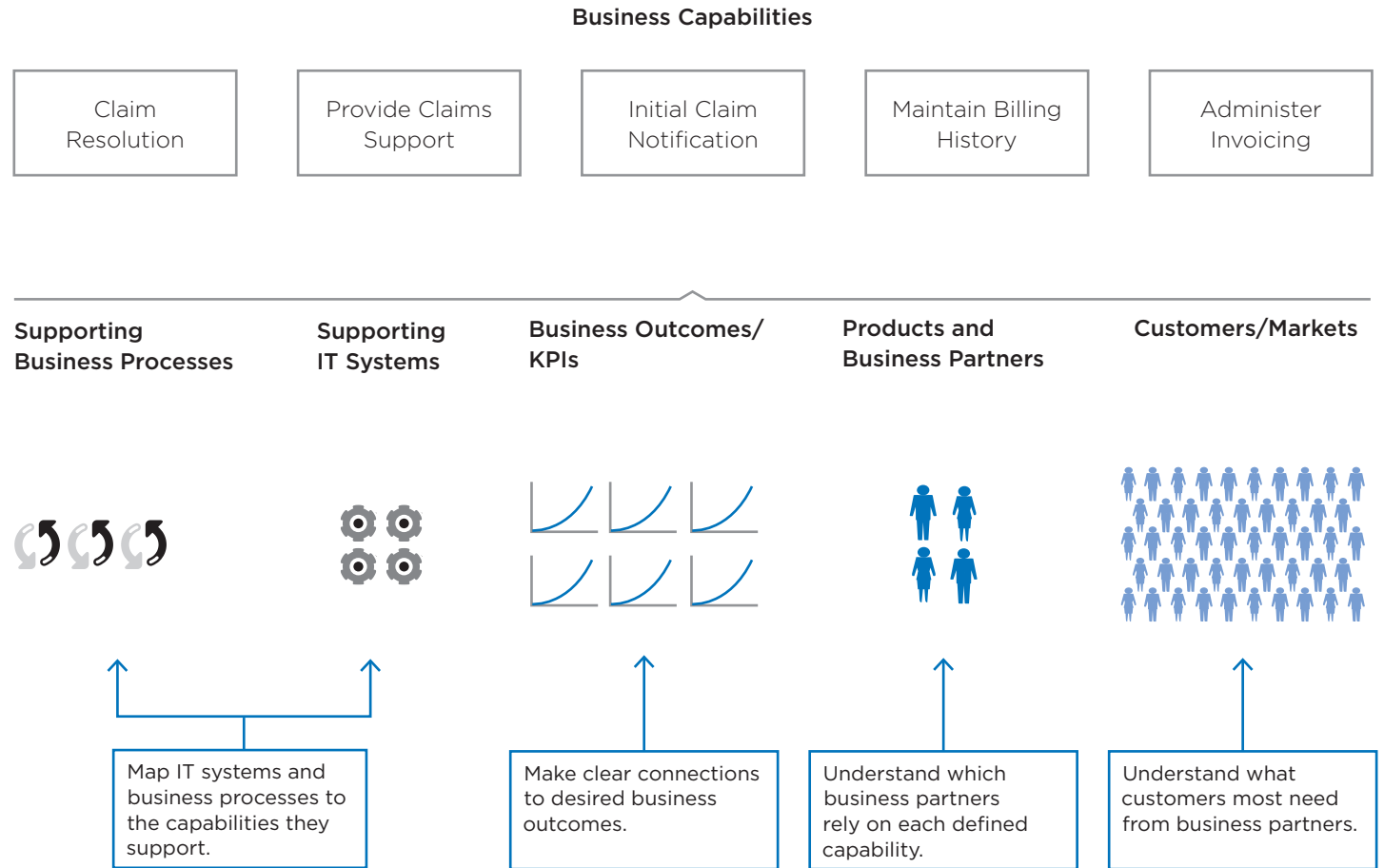
- ✗ Use technical jargon.
- ✗ Be an inventory of processes.
- ✗ Be focused on business strategy.
- ✗ Be technology-focused.

Map business capabilities to their underlying processes, technologies, customers, and outcomes to gather the insight needed to aggregate capabilities into services.

- MetLife maps where the components of a capability could impact overall service performance.
- Information on supporting processes and systems helps guide pricing decisions and build service-level performance metrics that are meaningful given the underlying assets and processes.
- MetLife uses a standard architecture framework to map systems and processes to each capability (TOGAF).

LINK SYSTEMS TO CAPABILITIES

Business Capability Alignment
Illustrative for Several Capabilities



Define services by grouping business capabilities that are mutually important to achieving a single business outcome.

- Service definitions should aggregate two to four capabilities that are closely aligned to a distinct business services or business activity.
- Grouping capabilities allows MetLife to define services using a consistent framework understood across the entire organization.
- MetLife focuses its analysis on level three (business service) capabilities. (See page 29 for examples.)

"Where you really want to get to is having a business capabilities service catalog that says 'Here's what it takes to support sales or here's what it takes to quote a customer.' This lets us pick the right SLAs, the right metrics, and make the right investments."

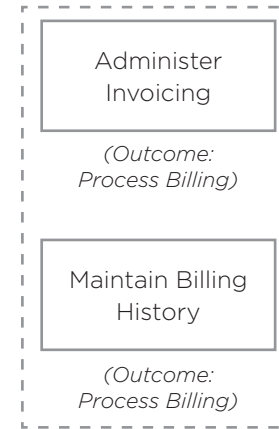
Larry Blakeman
SVP and CIO of US Businesses
MetLife

GROUP CAPABILITIES TO DEFINE SERVICES

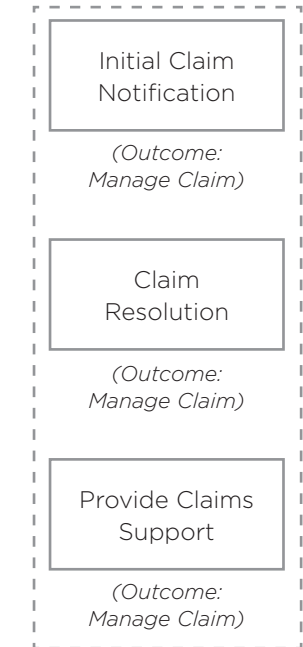
Business Capabilities



Billing Management Service

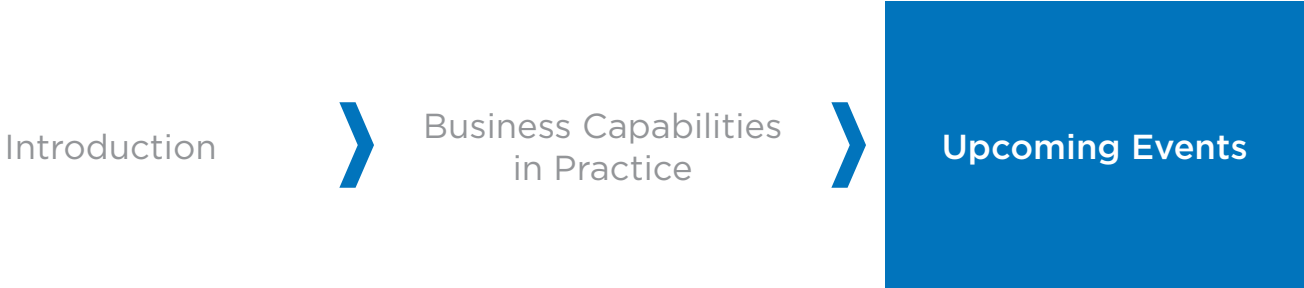


Claims Management Service *Implementing*



- Capabilities composing a service must be at the same level.
- Capabilities composing a service must align to already defined business activities.
- Capabilities must have business outcome metrics that reflect the performance of all the capabilities that constitute the service.




ROADMAP FOR THE PRESENTATION



UPCOMING EVENTS

Upcoming EAEC Events and Webinars

Webinars

-  [High-Impact Leadership Transitions: A Transformative Approach](#)
26 October 2012
-  [Using Your Business Capability Model to Drive Efficient IT Development](#)
6 December 2012
-  [The Modern ARB Handbook](#)
8 November 2012



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