

The Guide to Business Capability Modeling



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The Guide to Business Capability Modeling

Business capability modeling (or mapping) is the act of breaking down an organization's activities into a set of capabilities, which together represent everything the business can do.

In order to understand how a business needs to change, it needs to understand itself. In modern enterprises, with thousands of employees, hundreds of locations, and dozens of functions, this is no simple task. Business capability modeling transforms the organization into an easily understood set of capabilities, which represent all the different things a business does. This can be used as the basis to understand how people, processes, information, and technology support the business.



What are Business Capabilities?

“The things a business does” is a somewhat vague definition that could encompass hundreds of thousands of different functions or activities. Orbus has previously defined business capabilities as such:

“Business capabilities belong to the business layer of an enterprise architecture, and are high-level concepts. This means they are fundamental building blocks and, as such, may incorporate people, processes, applications, and technology components.”

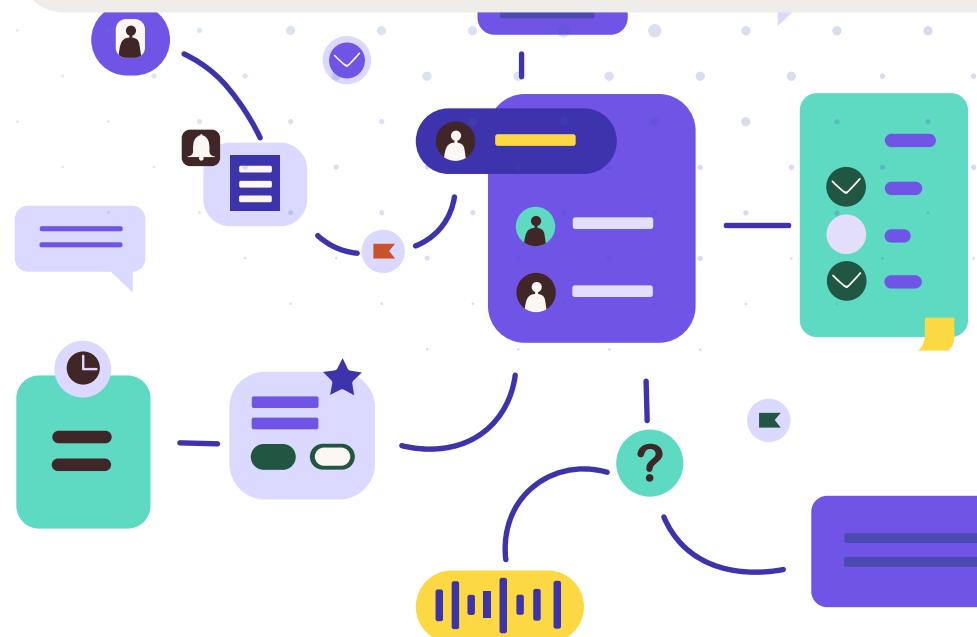
Within academic literature, we can find the following from a paper by Khosroshahi et al.

“

A business capability describes a skill or ability that an organization uses to perform its core function. A business capability encompasses and describes all applications, roles, and skills used to provide a business function. It illustrates a loosely coupled group within the organization that aims to provide a specific capability.”

For an enterprise architecture meta-model such as TOGAF, their usage would be as follows: business capabilities are the top layer of the business architecture. They belong to a business domain and are governed by the business principles and outcomes of the organization. The capabilities are realized by a combination of business process, people, and technology and is, therefore, at a higher level than a business process and sits in the conceptual layer. Business capabilities are then the connection between the business strategy and business execution.

Inevitably, there will be some subjectivity to determining what is and isn't a business capability, but the ultimate aim should be fairly clear: to state in clear terms what a business can do.

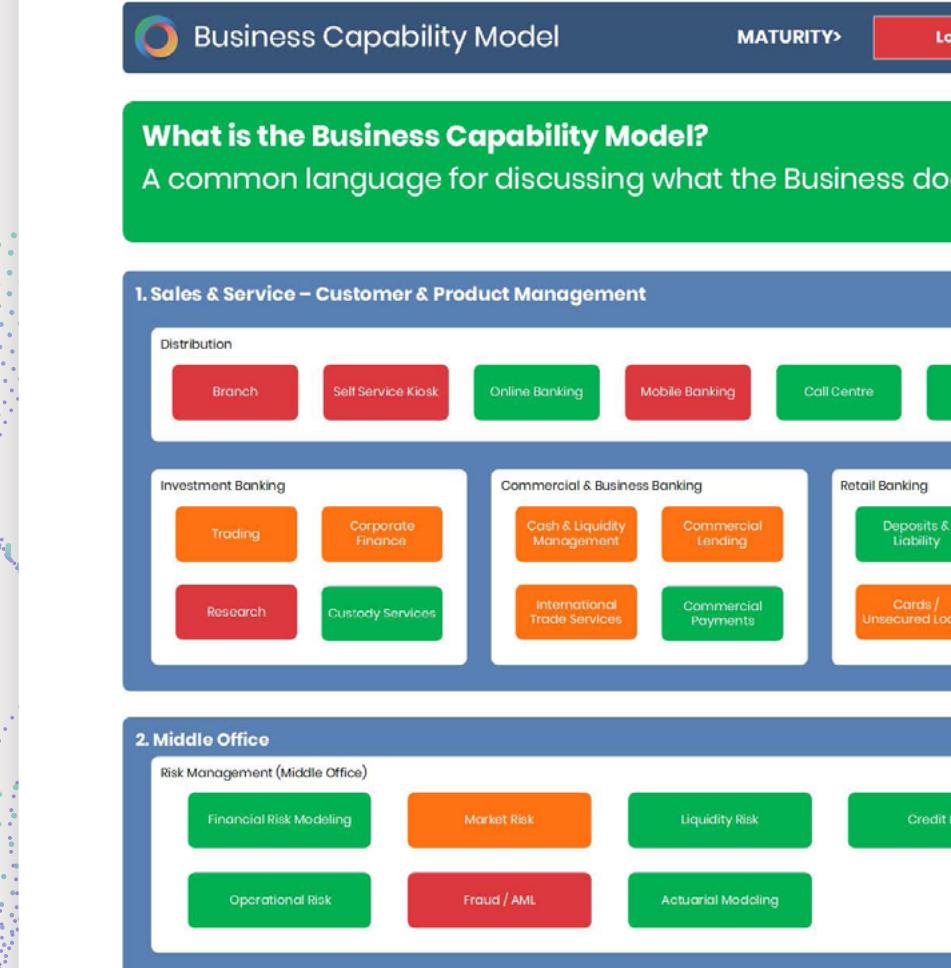


What is Business Capability Modeling and Business Capability Mapping?

The modeling or mapping of business capabilities is a fairly typical task for enterprise or business architects, as they attempt to layout and categorize business capabilities in an easy-to-understand way. The terms 'business capability map' and 'business capability model' tend to be used interchangeably, with no functional difference between the two.

An example of a business capability map is shown to the right:

As you can probably guess, this is a capability map for a bank or financial institution. Capabilities are categorized first by their position in the front, back, or middle offices, and then further broken down by function. For example, insurance has both front- and back-office elements. It is easy to see from the color coding in this model that their insurance offering is not a major part of the business; none of their insurance products are highly mature and their back office is in a similar position.



The Advantages of Business Capability Modeling

We now know what a business capability model is, but what is the purpose of creating one? What does it bring to an enterprise?

A common language

A capability model provides a common, shared definition for both business and technology professionals to discuss information- and systems-related issues. With everyone on the same page, enterprises can align business objectives with processes that are then enabled via Information Technology.

Accurately depicting a program's scope

Mapping program objectives to capabilities produces a more complete and accurate picture of the true scope and allows us to trace how these initiatives influence other key elements of the business.

Highlight capability gaps

Having a stable model of the capabilities of the business will allow us to identify gaps. A capability gap occurs when a business cannot meet its objectives due to a missing or weak business capability, which can be quickly identified with a capability model.

Help to focus improvement opportunities

Helps to prioritize process and system improvement efforts by linking them to the capabilities that need the most improvement or greatest strategic impact.

Organizationally neutral

Changes in the organization do not impact prior analysis, saving time and effort.

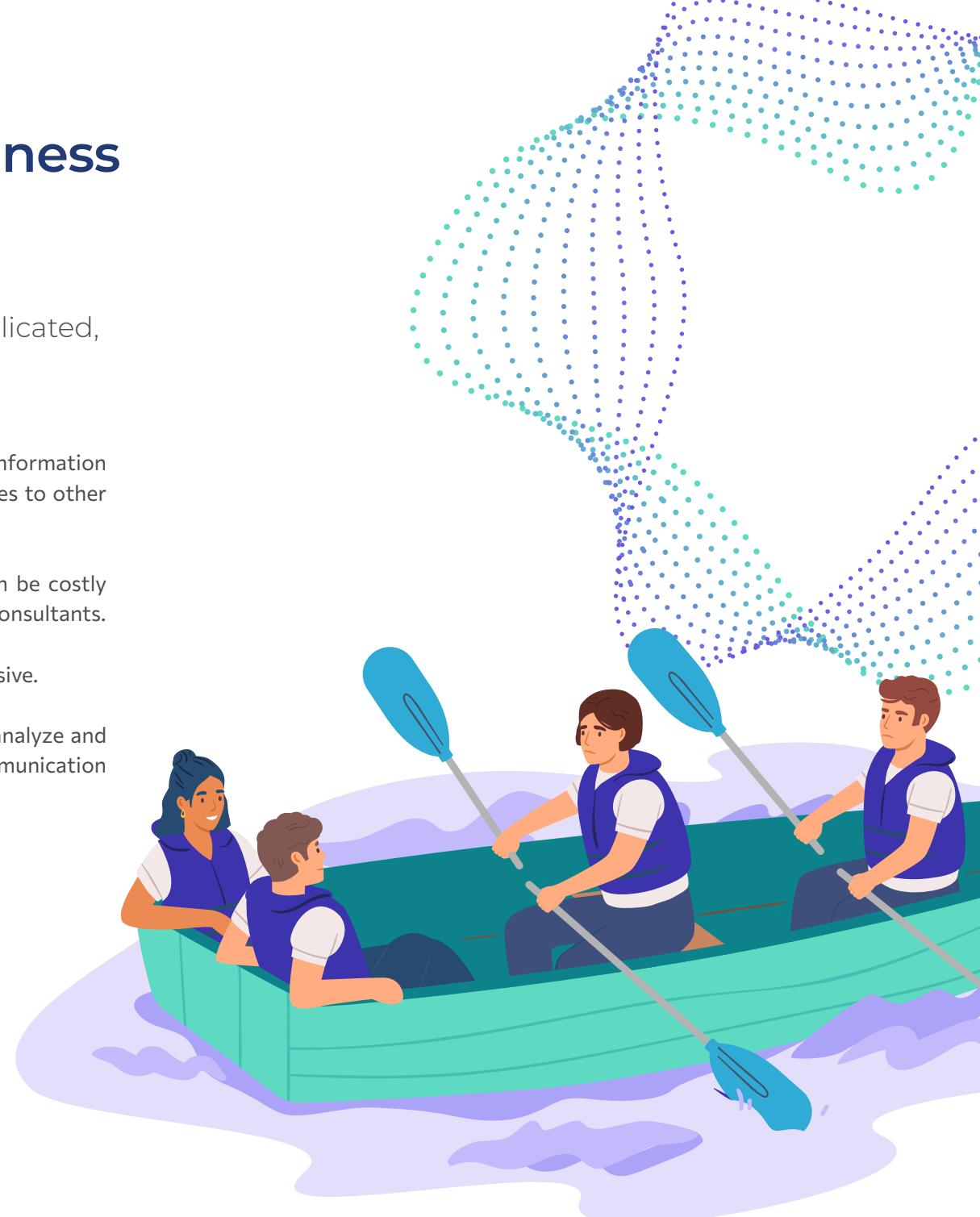
Identify what's strategically important

Strategic themes and performance metrics can be 'heat-mapped' against capabilities, providing a powerful visual tool to help facilitate decision-making.

The Challenges of Business Capability Modeling

Business capability modeling can be complicated, though. For example:

- Effective collaboration may be difficult, with relevant information stored in disparate files and locations. Linking capabilities to other enterprise building blocks is manual and error-prone.
- Conducting capability maturity scoring assessments can be costly and labor-intensive, with firms often relying on external consultants.
- Capability impact analysis is also difficult and labor-intensive.
- Organizations commonly lack the tools to dynamically analyze and visualize their capability landscape, which hinders communication and slows strategic decision-making.



How to Create a Business Capability Model

Developing a business capability model can be as simple as a loose positioning of business units or an involved process of business stakeholder engagement to discuss and understand what capabilities the business delivers. The architecture concepts of leveling, layering, and language are critical to ensure you don't end up with a large number of level 1/2 capabilities – both of which can create too much complexity.

Architects should look to define around 12-20 'level 1' capabilities, which will enable executives to see how key capabilities should be organized to tell and deliver an organizational story. This simplifies stakeholder understanding and communication and also enables an effective ownership model to be established across the senior team. Executives can also discuss priorities using one simple capability model, leading to business and IT alignment through use of one reference and a common language.

Understand your business like never before

Interested in learning how undergoing exercises such as business capability modeling can set your organization up for long-term success?

Book your introduction call with our team to learn more.

To support development of the business capability model, you can position capabilities as front-office customer-facing (the what) and back-office support capabilities (the how), or use one of the many other layering techniques to nest or position business capabilities.

Because it is externally oriented, it focuses attention not only on the structure of business capabilities but also on the representation of the external inputs and outcomes generated by the firm. A critical first step is to gain executive agreement on the business outcomes to be achieved. This provides a strong hook for measuring contributions to the business outcomes.



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