



What Does it Mean to Manage Business Capabilities?

Understanding the latest developments in Business Capability Modeling, and the case for Business Capability Management

Business Capability Modeling is a relatively recent concept, yet it is a crucial tool for enterprise architects seeking to guide their overall strategy. Nonetheless, given the youth of the concept, there is still a lot of room for both confusion and further development. This eBook will explore the current state of Business Capability, including the definitions of the concept, its uses for enterprise architecture, and its benefits. In addition, we will illustrate how firms can move beyond modeling towards a more holistic approach based on management of capabilities, and how this can enhance the performance of firms.



What are Business Capabilities?

Business capabilities serve as a key component of any business architecture, but before we dive deep into the current state of business capability modeling, we should clarify what exactly we are discussing. A literature review by Offerman et al. (2017) declared that there was not yet an accepted definition of business capabilities, though in the course of their review they came to define business capabilities as:



A particular ability that a business may possessor exchange to achieve a specific corporate goal.

The Open Group (TOGAF) define business capability as:



An ability that an organization, person, or system possesses.

These are both perhaps too broad for our purposes, shedding little light on how an enterprise architect may think about business capabilities.





A recent paper by Khosroshahi et al. (2018) is more focused, using the following to describe business capabilities:

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.

Meanwhile at Orbus Software, we use the following definition:



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.

At its core then, a business capability is quite a tautological description: simply a thing that a business can do. For enterprise architects, business capabilities tend to be kept fairly abstract; the number of things that a large firm can do is impossible to quantify, but we are more interested in broad descriptors. For example, an IT department can design a new page on a company website, change images and copy or increase loading speed; but for an architect they could simply place all this under a general “website management” capability. The act of creating these categorizations and placing them in context is what we mean when we discuss a business capability model.

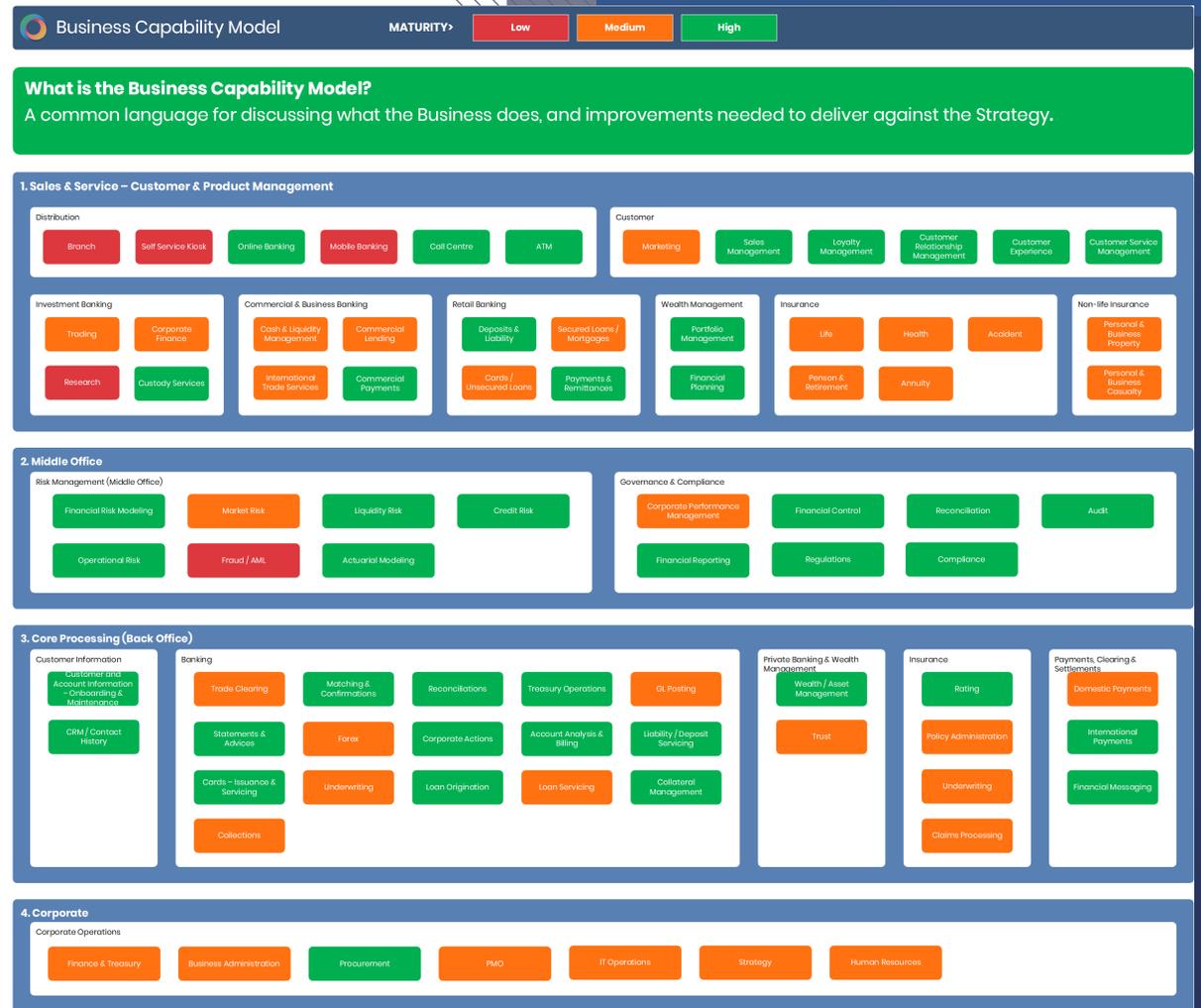


Business Capability Models

In order for enterprise architects to identify and categorize the many business capabilities that a firm is likely to have, they will turn to business capability maps or business capability models. There might be some confusion here as to what the difference is between maps and models, but in general these two terms are used interchangeably. Both refer to the visualization of a firm's capabilities – we'll use modeling from here onwards.

An example Capability Model is shown to the right.

As you can see, capabilities are kept fairly high level and abstract, forming a top-level view for a full business architecture from which an enterprise architect will work.



In general, business capability modeling is seen as an opportunity for determining the focus of resources; where to invest and divest.

The link between strategy and capability is an important one. This shouldn't be surprising, as businesses will in general focus their strategies on the things that they are good at doing – it would be strange for a restaurant to start focusing on software development, for example.

Another good way of thinking about this is that a business capability model is an extension of the concept of core competencies: various people, processes and resources combine together to produce the core competencies of a firm.



Creating a business capability model is not the focus here, but we can offer some advice; Gartner suggests 4 steps in their business capability handbook:

- 1. Create a lightweight, usable model with business partner involvement.***
- 2. Analyze business capabilities to determine enterprise priorities.***
- 3. Derive plans based on the results of the capability analysis.***
- 4. Build capability roadmaps to provide focus on strategic objectives and clarity on the specific sequence of activities and time frames for execution.***

While Orbus Software's own guidance includes a four week plan. For a more detailed dive into business capability models, our previous white paper on the topic may also be enlightening.

Enterprise Architects and Business Capability Models

Business Capability is a relatively recent entrant to some of the major frameworks used by enterprise architects. Both of The Open Group's standards (TOGAF and ArchiMate) and the Business Architecture Guild's BIZBOK now feature business capability, though it is a fairly recent addition. In fact, the ArchiMate framework only introduced business capability in 2016, with the release of ArchiMate 3.0. This is a reflection of both the youth of the concept, and its rising popularity with enterprise architects.

Business Capability Models are built by enterprise architects, in conjunction with key stakeholders. What are the main aims of an EA department when it comes to a business capability model?

Tools such as the iServer Suite provide out of the box reports and dashboards that make visualization and communication simple, while the repository approach means that any model will be centrally governed and a universal point of truth.

1. Strategic Alignment: *As already demonstrated, a model is key for linking business strategy to what the firm can actually do*

2. Visualization: *Furthermore, a model provides an approachable, easy to understand method to communicate the strategic alignment to stakeholders*

3. Interlinks: *Building a model can reveal linkages between capabilities that weren't previously visible.*

4. Highlight capability gaps, application support issues and provide a base to discuss future solutions.

Business Capability Management

Despite the relevance of business capability models for enterprise architects, there is much to suggest that the current practice is not maximizing outcomes. Research by Forrester has found that focusing on business capability has failed to produce business outcomes. They suggest that 30 – 38% of firms utilizing business capabilities in their enterprise architecture are still in this position. Only 2% – 3% of firms have advanced to what they term “the third wave”, which is based around outcome architectures. Gartner, meanwhile, offer the following statement on business capability modeling:

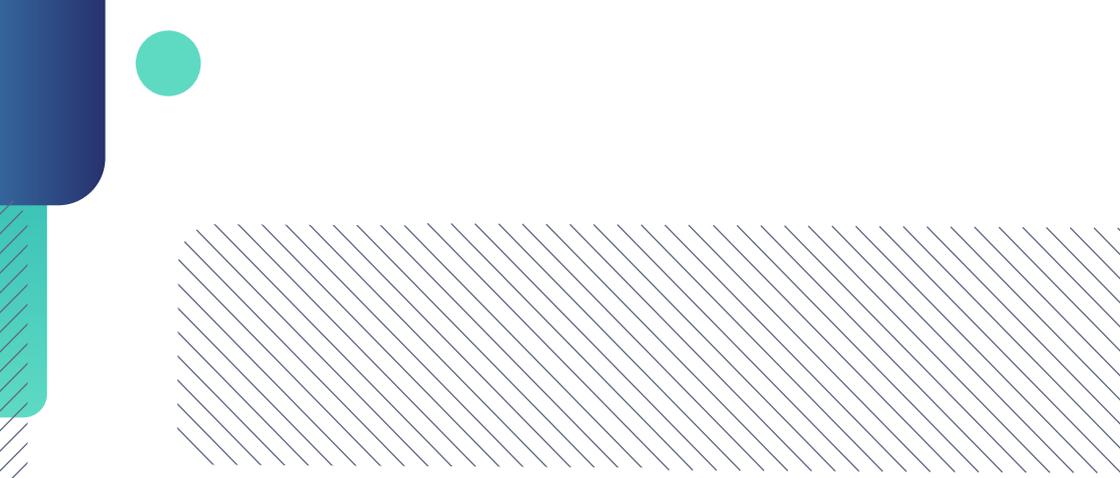
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Too many EA groups emphasize perfection over usability and thus never see their work appreciated outside EA. Other groups hire consultants, spend vast sums, and end up with a tool only EA uses—or worse, shelfware.

This is in part due to the slow spread of capability modeling. Infact, even aside from the recent moves by The Open Group, Khoroshahi et al. (2018) found that most firms have only used business capability models for 2 years. However, amongst more experienced businesses, they discovered a push for capabilities to have an operational role as well as a strategic role.

A particular flaw in current iterations of business capability modeling is the failure consider customer views, according to research by Teece (2017). Customers are arguably the most important stakeholder for any firm, yet too many fail to utilize stakeholder views for anything beyond the internal. Teece’s findings suggest that identifying customer segments to focus on is vital for success. What is more, many enterprise architects fail to self-reflect and consider their own capabilities. Research by Offerman (2017) indicates that very few EA departments have considered EA as a capability in and of itself. The ability to model accurately, and to engage with business capabilities will vary with experience and skill, yet too few architects seem aware that this is an area that should be measured.



As our understanding of business capabilities grows, what is becoming clear is that mere modeling is perhaps insufficient to cover the range of tasks an EA department needs to perform when it comes to capabilities. Modeling is ultimately a passive action, looking backwards in time. EA departments need to be more proactive, which is where management comes in. Business Capability Management will not just reflect where the firm is, but where it needs to be. As Forrester notes, the focus needs to shift towards outcomes. With that in mind, we can define the new practice of business capability management as an outcome driven approach towards business capabilities.

Moving towards outcomes also means quantifying the impacts of an EA department. Additional work by Khoroshahi (2017) demonstrates that you can have robust, impactful KPIs for business capability models that are used to aid application portfolio management. An outcome based approach means easier communication with key stakeholders, ability to measure impact and a more active role for enterprise architects in the organization.



Conclusion

Business Capability Modeling is still an immature discipline. This means that enterprise architects still have a lot of room to explore the concept and how it can help an organization. In this article we have outlined the possibility of business capability management. Business Capability Management means taking an active, forward thinking role based that targets outcomes, rather than measuring existing states.

This presents opportunities for fast movers. Many firms have not yet taken the step to even start including business capabilities in their enterprise architecture operations, despite the benefits from its traditional application being well known. As frameworks adapt and knowledge spreads, this will likely change, which only increases the importance of staying one step ahead in your implementation.

Furthermore, the move towards business capability management should be part of a broader push towards a strategic EA department. Being seen as a technology driver or transformation manager are good first steps but will not reflect the full possibilities of enterprise architecture as outlined.

Nonetheless, business capabilities and our understanding are still evolving. How firms approach business capability management will vary, and there is not a one-size-fits-all approach. Smaller enterprises with immature enterprise architectures cannot move straight into capability management without having a strong understanding of the basics, while not every enterprise architecture department will be equipped to take on capability management even if stakeholders agree to its importance.

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