Andrew Swindell

Andrew is an Enterprise Architect for Inpex based in Perth, Australia and is supporting the Inpex multi-year, multi billion dollar program of work providing enterprise and solutions architecture across all enterprise domains. Andrew has over 20 years' experience in the field of Information Technology and Architecture and has been involved in a number of countrywide initiatives in Australia and New Zealand. Andrew has extensive experience in the Financial Services, Utilities, Health Insurance, Mining and Tourism industries.

In my first white paper, I discussed the need to level your Architecture outputs to ensure you prioritize key issues for your stakeholders. In my second white paper, I provided insight on why all planning, scoping and design activities must address, end-to-end, all four enterprise architecture domains to avoid nasty surprises during the project delivery phase.

In this third white paper, I will explore practical examples for developing and applying a Business Capability Model and answer questions such as:

- What is a Business Capability Model?
- What are Business Capabilities and how are they enabled?
- Misconceptions about Business Capabilities
- How are they developed and why use them?
- What strategic questions do they help to answer?

Delivering Architecture value to your stakeholders can take many forms and one key outcome is simplicity and the ability to tell the organizational story. The Business Capability Model transcends political agendas, Divisional boundaries, misunderstood Business Strategy, lack of skills, Program and Project duplication and enables the Architect to position all organizational inputs in context.

Business Capabilities are modeled in the Business Conceptual layer and represent what the business does (or needs to do) in order to fulfil its objectives and responsibilities. Below is the TOGAF Meta Model which positions Business Capabilities as an over-arching representation of the business.
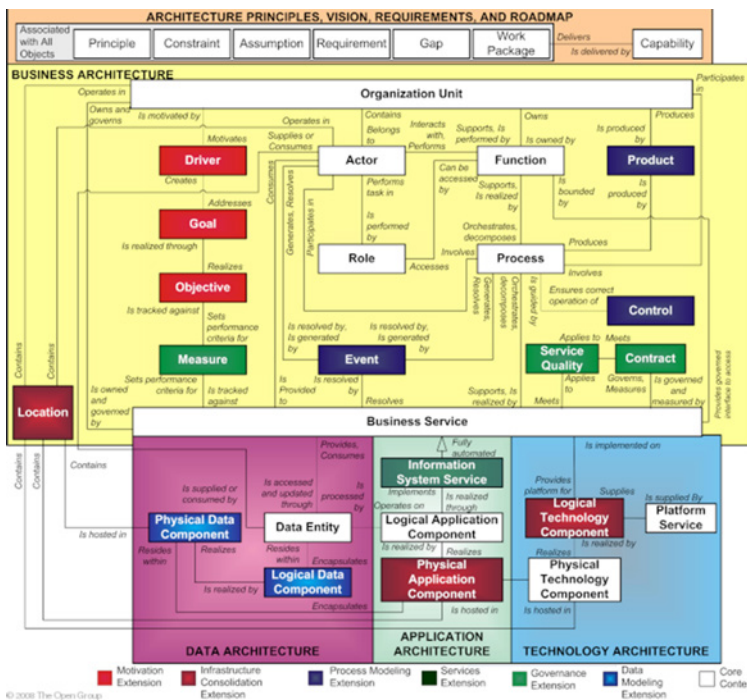
Figure 1: TOGAF Meta Model

Note – This model outlines the "What" and "How" architectural objects and enables a clear positioning of architecture inputs and their relationship to the business.

The 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.

Some accepted definitions are applicable as follows:

- **Capability** represents what the organization can do,
- **Function** represents what the organization is doing with that capability,
- **Process** identifies how the organization is performing the function, and
- **Organization Unit** identifies the Department responsible for performing the process.

Much as a "City Plan" seeks to describe how a city will look, a Business Capability Model seeks to describe how an enterprise will ideally operate through its constituent parts. All enterprises, both large and small, function using a series of inter-operating business capabilities. In modern enterprises, these business capabilities are numerous and complex, and are becoming increasingly integrated and automated through the use of technology.

Business Capability models provide a stable, overarching view of what is important to the business providing the following benefits:

A common language
Used to align business objectives with processes that are then enabled via Information Technology.

Organizationally neutral
Changes in the organization do not impact prior analysis.

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

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.

Accurately depicting a program's scope

Mapping program objectives to capabilities produces a more complete and accurate picture of the true scope.

Business Capability Model development

Developing your Business Capability Model can be as simple as a loose positioning of dependent Organizational business units or Programs of work or a solid course of business stakeholder engagement to discuss and understand what capability the business is really delivering. The Architecture concepts of Leveling, Layering and Language are critical to ensuring you don't end up with a large number of level 1 / 2 capabilities – both of which can create way too much complexity in telling the organizational story.

An ideal rule of thumb is that there should be no more than 12-20 level 1 Business capabilities to enable Business and Technology Executives to see how key business capability should be organized to tell and deliver the organizational story. This simplifies Executive understanding and communication and also enables an effective ownership model to be established across the Executive team. Lo and behold Business and Technology Executives can also discuss business and technology priorities using one simple model of business capability, leading to business and IT alignment through use of one reference and a common language.
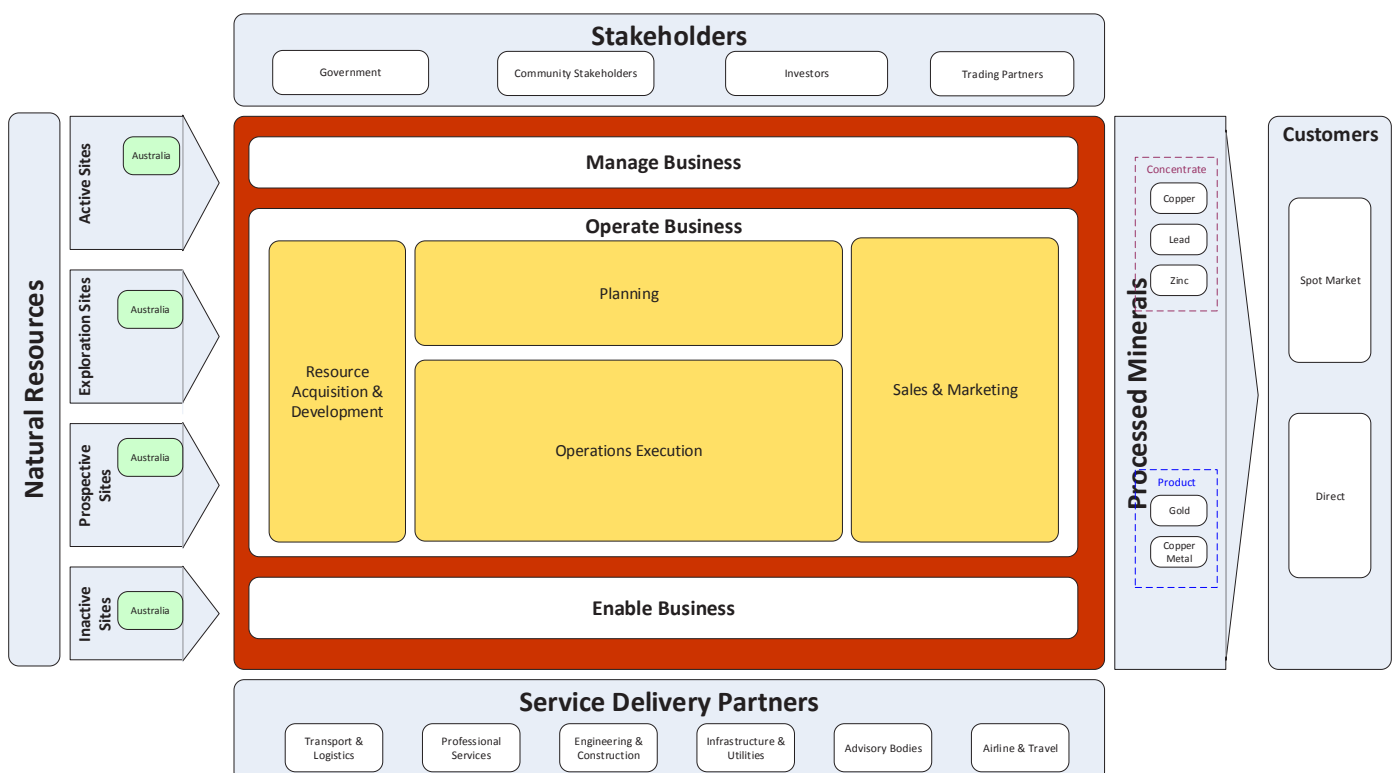

Figure 2: Business Capability Model – Mining Company

Importantly, the Business Capability model can also be used to highlight capability gaps, current application support (coverage and quality) and future solution options, amongst other uses. The Business Capability Model essentially provides a common, shared definition for both business and technology professionals in order to discuss information and systems related issues, including investment priorities and ICT applications / systems enablement of the organization's strategic direction.

To support development of the Business Capability model, you can position capabilities as Front Office customer facing and Back Office support capabilities or use one of the many other layering techniques to nest or position business capability i.e Manage, Operate and Enable the Business. An agreed business capability model with an external orientation provides a consistent reference point and a wide range of data can be mapped against the model to support stakeholder engagement.

Because it is externally oriented, it focuses Executive attention not only on the makeup of business capabilities but also representation of the external inputs and external outcomes generated by the company. 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.

Figure 2 on the previous page is a sample of an externally oriented Business Capability Model for a Mining company that outlines "What" inputs are coming into the business, "What" Business Capabilities are required and "What" outcomes are being generated by the business.

The case study above outlines how deploying the Business Capability model can be used to support Merger and Acquisition activities for a company.

In summary, deploying a Business Capability Model at this level captures the CEO attention and reinforces the value of Architecture to achieving the organizational goals.
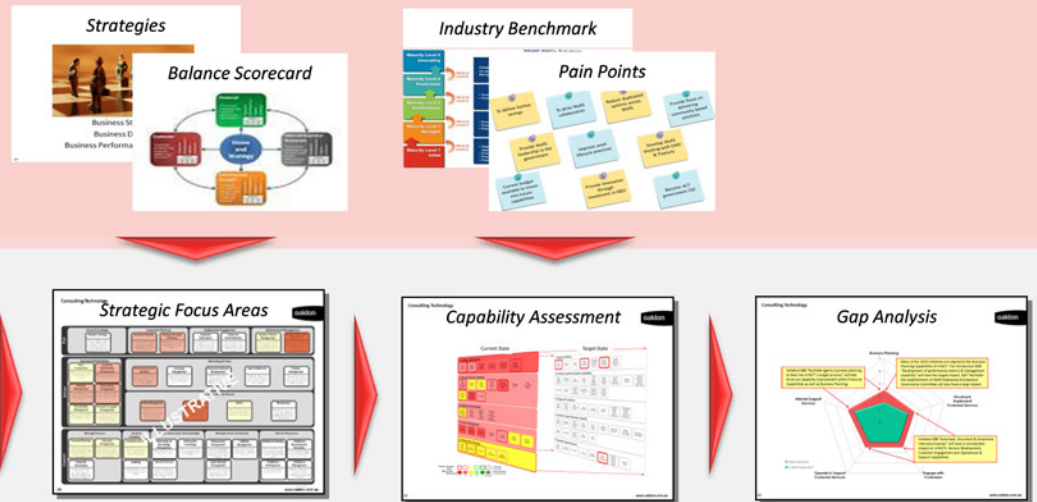
Figure 3: Strategic Inputs mapped to a Business Capability Model

Using a Business Capability Model to confirm if strategic focus is aligned with current performance/maturity level?

The Capability Model can be utilized to identify strategic focus areas by mapping strategies, scorecards, and/or Executive priorities to the business capabilities. Current capability performance/maturity level can be assessed through industry benchmarking or by assessing pain points/improvement opportunities.

By assessing each of these responses the different levels of investment and value is aligned to address specific problems.

In summary, simplifying your environment through applying logical filters to your data against the backdrop of your company strategy and existing business capability enables many questions to be raised on the scoping, validity and value of the investment choices to be made.
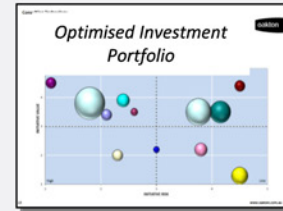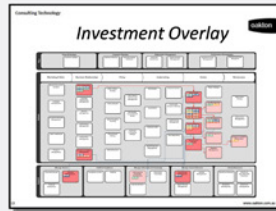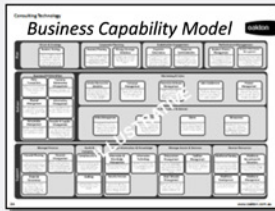
Figure 4: Program level inputs mapped to the Business Capability Model

Using a Business Capability Model to confirm if we are investing in the right areas of the business?

Mapping planned program/projects and costs to capabilities will highlight where investment is taking place and confirm if the amount invested is appropriate. This can be overlayed on the capability "heat map" to understand the alignment between investment and strategic priority areas.

A clear line of site between investments made, business challenges and divisional contributions to the organizational strategy on a page is the best way of engaging and winning the hearts and minds of Executive teams. It also encourages and drives debate from a single reference point on the potential decisions and funding options available.

Conclusion

Key conclusions to draw from this white paper are that Architects primarily support Projects and Programs with specific solution architectures that show a project team how projects will be delivered and show business stakeholders what they will be getting. Whilst this confirms delivery strength, the real architecture value at the CEO / CxO level is in developing and applying the Business Capability Model to answer the major strategic questions being asked.

Development of your firm's architecture library of artefacts is critical and starting top down with a business capability model sets the agenda for developing all other architecture artefacts and positioning the company story.

I have been involved in many Architecture Governance environments and models and know that good governance doesn't always ensure success, but bad governance ensures failure. In my next white paper, I will explore some of the different Governance models for Architecture including the pros and cons and how they are a critical enabler and voice for delivering architecture value.