

› **The Architect's Business Capabilities Handbook**

EA's Role in Getting Business Capabilities Right



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TABLE OF CONTENTS

EXECUTIVE SUMMARY • v

OCCASION FOR THE RESEARCH • 1

BUSINESS CAPABILITY MODEL DEVELOPMENT • 19

Identify Business Capabilities • 23

Vet Capabilities with Stakeholders • 25

CAPABILITY ANALYSIS • 33

Evaluate Individual Capabilities • 35

Clarify IT and Vendor Responsibilities • 44

CAPABILITY-BASED PLANNING • 51

Set Strategic Targets • 55

Draft Executive Plans • 65

CAPABILITY ROADMAPPING • 77

Create an Effective Roadmapping Framework • 80

Sample Capability Roadmaps • 81

APPENDIX • 87

Sample Business Capability Models • 88

WITH SINCERE APPRECIATION

The practices and tools presented in this handbook were drawn from the following CEB Enterprise Architecture Leadership Council case profiles. Click on the links to access the full case studies.



Business Capability
Model Development



Integrated Technology
Planning



Capability-Based Planning



Mapping Business Capabilities
to Technical Services



Business Architecture
Development and Applications



Business Capability
Investment Mode



High-Impact Capability
Roadmapping

The following case profiles are available to members of the CEB CIO Leadership Council:



Strategic Pillar Investment
Targets



Opportunity Identification
Using Information Health

EXECUTIVE SUMMARY

Enterprise architecture is tasked with helping organizations carry out change, a difficult task under any circumstance. But change on a large scale, with many moving parts, requires significant rigor and coordination. Business architecture helps organizations navigate strategic and business model change by providing a structure for assessing, prioritizing, and carrying out those plans.

While EA groups have recognized the potential of business architecture in general and business capabilities in particular and have tried to realize those benefits, they have generally failed. Their failures partly stem from their lack of a clear objective for their business architecture and partly from building it the wrong way. This study shows how organizations have identified their business architecture objectives and erected their practice efficiently and effectively.

Most architects know that business capabilities are an effective tool. But they are also difficult to get right. EA groups have struggled to figure out how to build a model, and with that as their primary focus, they have failed to recognize they are addressing a communication challenge, not a modeling one. If business capabilities are the lingua franca of the enterprise, they truly need to be commonly recognized and understood. 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.

Although architecture groups have long understood the potential of business capabilities, CIOs and others are now beginning to show interest in them as drivers behind important change initiatives. Architecture groups have an opportunity to contribute to the development and maintenance of the model and associated information, thereby widely impacting the enterprise. But having endured past pitfalls of cumbersome capability modeling efforts, not all CIOs are willing to entrust the job of developing an actionable, maintainable model to EA. For those EA groups lacking necessary business engagement skills, it is better to partner with business relationships managers than to go it alone.

For their part, many members of CEB Enterprise Architecture Leadership Council have sought our guidance to identify the right steps for what

seems like a daunting task. Paradoxically, effective capability modeling is a lighter-weight effort than many EA groups realize. This handbook aims to help architects develop a business capability model and use it to drive prioritization decisions that enable organizations to achieve their objectives. Successful implementation of capability-based planning and governance has four main steps:

- **Create a lightweight, usable model with business partner involvement.**
Although EA intends to communicate business capabilities via business vernacular, too often EA ends up emphasizing precision and comprehensiveness over usability. These models are too detailed for functional use and written in abstract language that is difficult to understand. EA should also cocreate business capabilities with the business and make individuals or teams accountable for managing their performance. Finally, business capabilities are meant to be stable and enterprise-wide, but EA frequently attempts to force-fit them to standardized capability frameworks, further isolating business partners who do not see themselves in the model.
- **Analyze business capabilities to determine enterprise priorities.**
Once the organization has established a working model that expresses the organization's purpose, it should consistently assess those in terms of both business criticality (as identified by business partners) and current performance. This top-down, bottom-up approach is the basis of capability heatmapping, which provides clear indications of what capabilities should be addressed and in what order.
- **Derive plans based on the results of the capability analysis.**
The work of capability modeling and analysis is futile if it does not result in plan execution. Ultimately, to improve capability delivery, all the resources that support the capability must be addressed. Again, follow-through with the myriad stakeholders who own the capability resources is essential, and getting their buy-in for change is a key step.
- **Build capability roadmaps to provide focus on strategic objectives and clarity on the specific sequence of activities and time frames for execution.**
Ensure roadmapping quality and consistency by coordinating roadmap creation during planning. Revisit plans periodically (typically annually) to support follow-through across stakeholders. Capability roadmapping is essential to maintaining a line of sight between overall business goals and the granular initiatives and activities that support them.

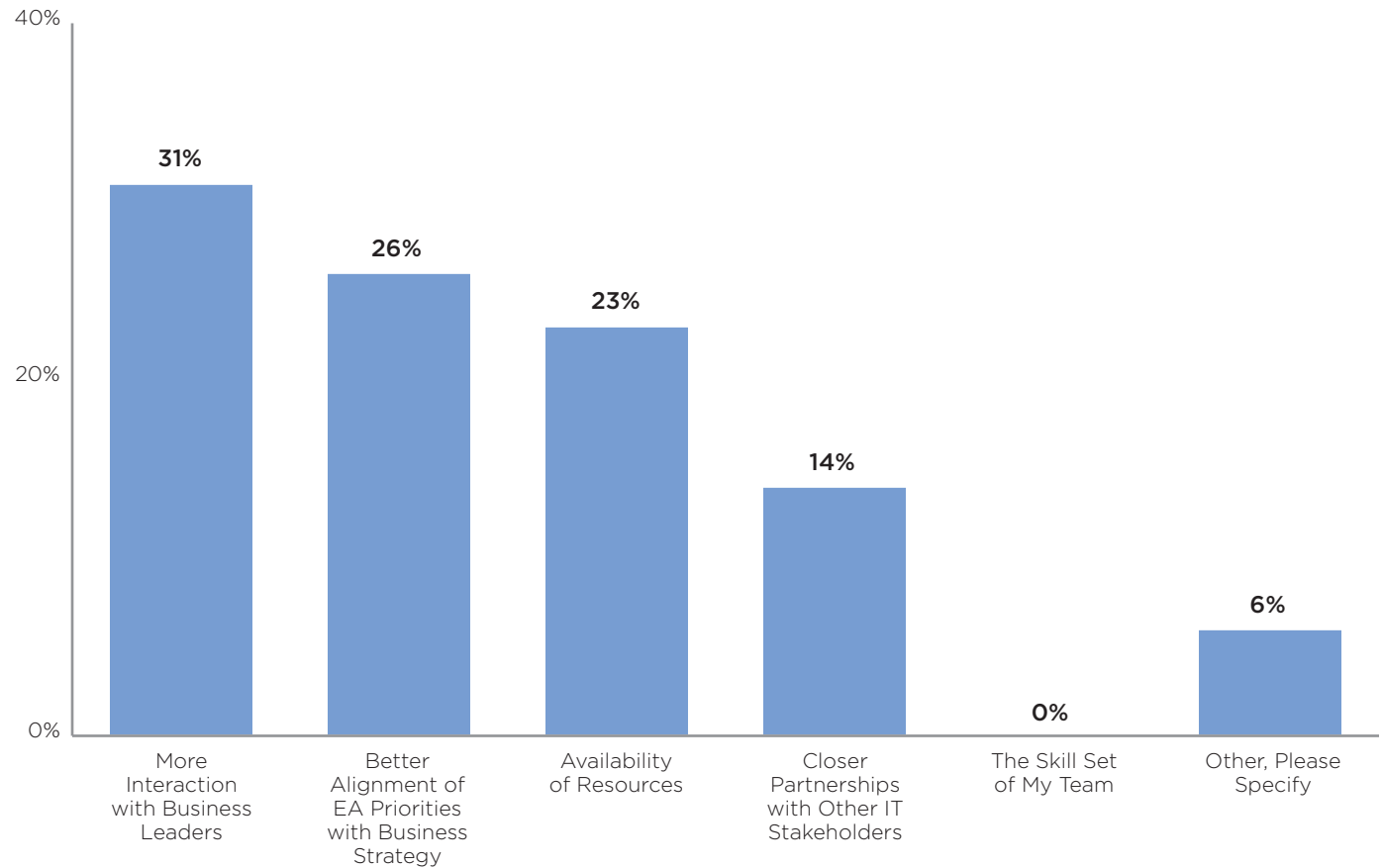
Occasion for the Research

The Architect's Business Capabilities Handbook:
EA's Role in Getting Business Capabilities Right

EA groups see the lack of IT-business alignment as a significant obstacle to their success.

STRUGGLING TO MAINTAIN ALIGNMENT

Obstacles EA Faces in Providing Value to the Enterprise



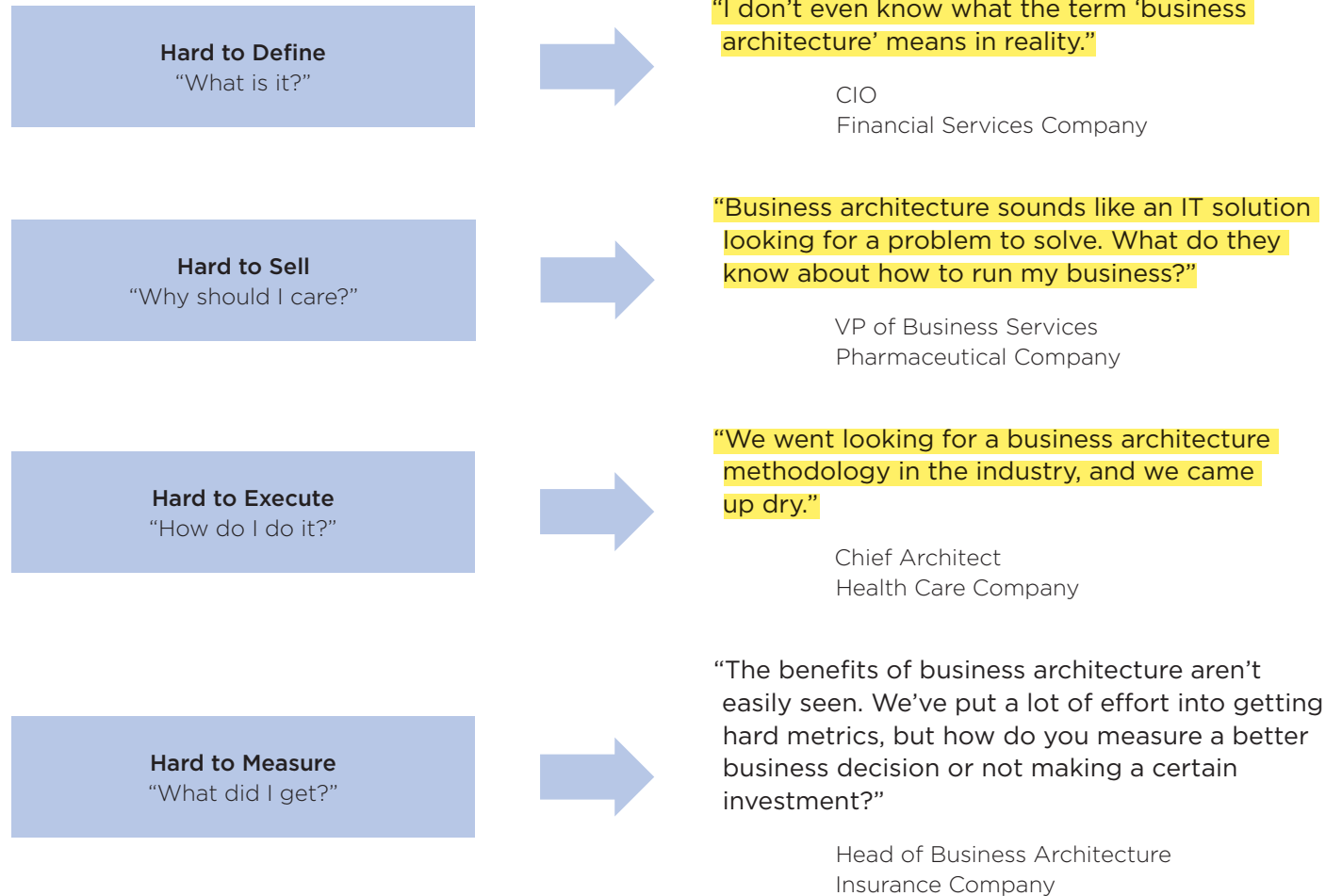
n = 35.

Source: CEB analysis.

Architecture groups recognize that business architecture and business capabilities are a powerful IT-business alignment tools but struggle to use it effectively.

ROADBLOCKS SEEMINGLY AT EVERY TURN

Business Architecture Challenges



Source: CEB analysis.



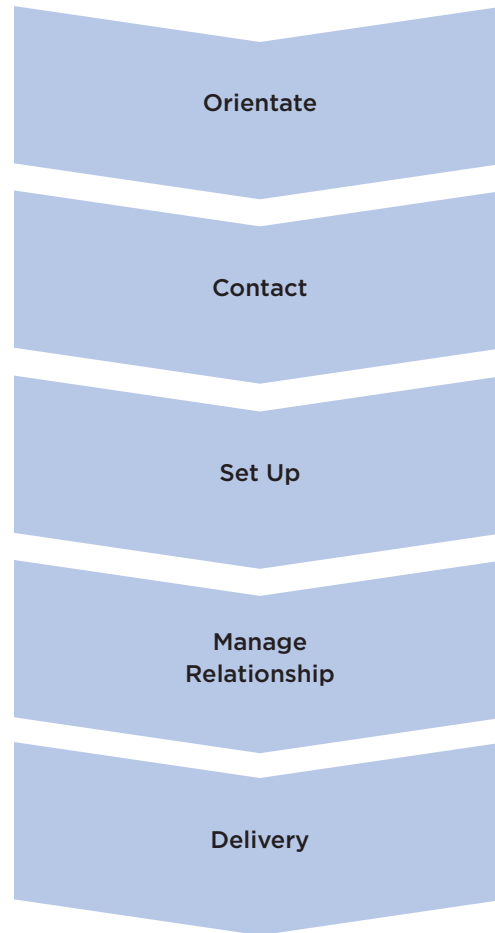
➤ Demand for business architecture grew organically out of a transformational effort to shift from product- to customer-focused delivery.

- DWP made a strong commitment to service delivery that is focused on the customer.
- It created a specific business strategy and operating model, which led to a focus on the DWP “value chain,” or key elements of its relationship with customers.

Find the full case study from the **UK Department for Work and Pensions** at: <http://cebur.com/1h6f>.

ESTABLISHING BUSINESS ARCHITECTURE FUNDAMENTALS

UK Department for Work and Pensions' Value Chain



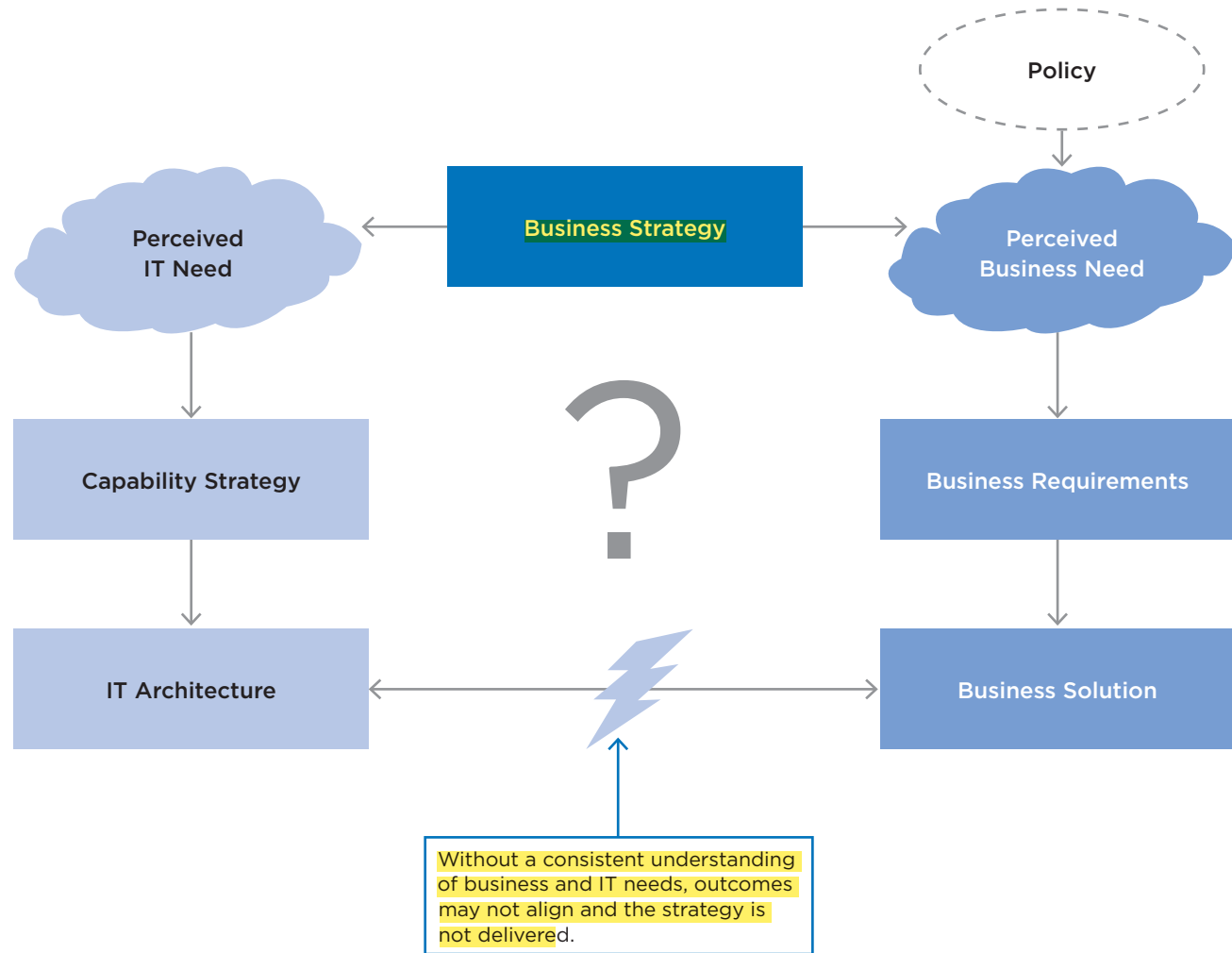
Source: Department for Work and Pensions; CEB analysis.



Without business architecture, strategy may be misinterpreted, resulting in conflicting IT and business requirements.

- The decision to pursue business architecture stems from DWP recognizing that it needed a robust framework to properly articulate how it would practically deliver the business strategy.

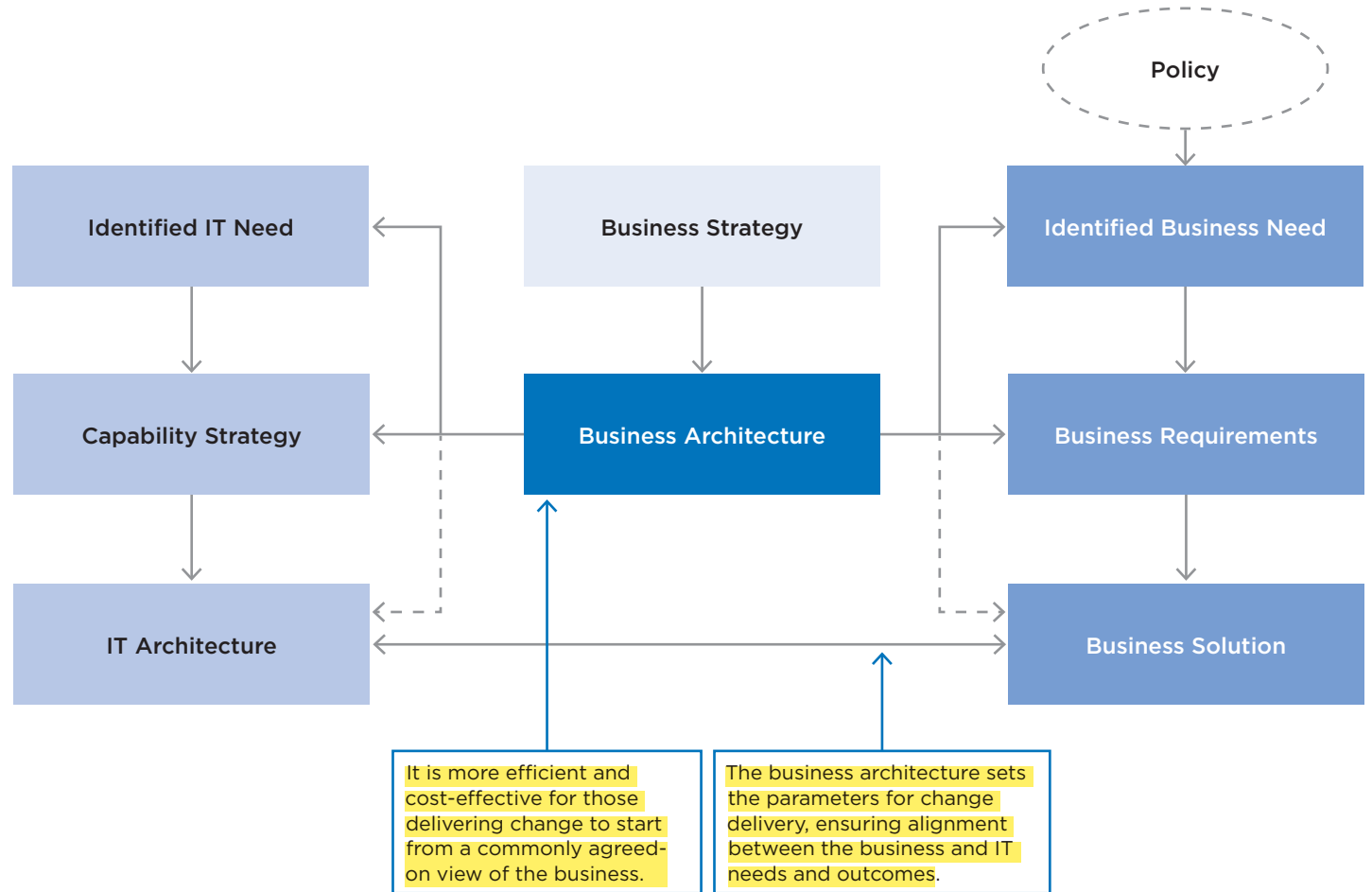
MAKING CHANGE—WITHOUT BUSINESS ARCHITECTURE



Source: Department for Work and Pensions; CEB analysis.

Business architecture provides the entire enterprise with a clear, consistent articulation of the strategy.

MAKING CHANGE—WITH BUSINESS ARCHITECTURE



Source: Department for Work and Pensions; CEB analysis.

The key to quickly developing business architecture was the collaboration between a small core team and a larger virtual team from a cross-section of the business.

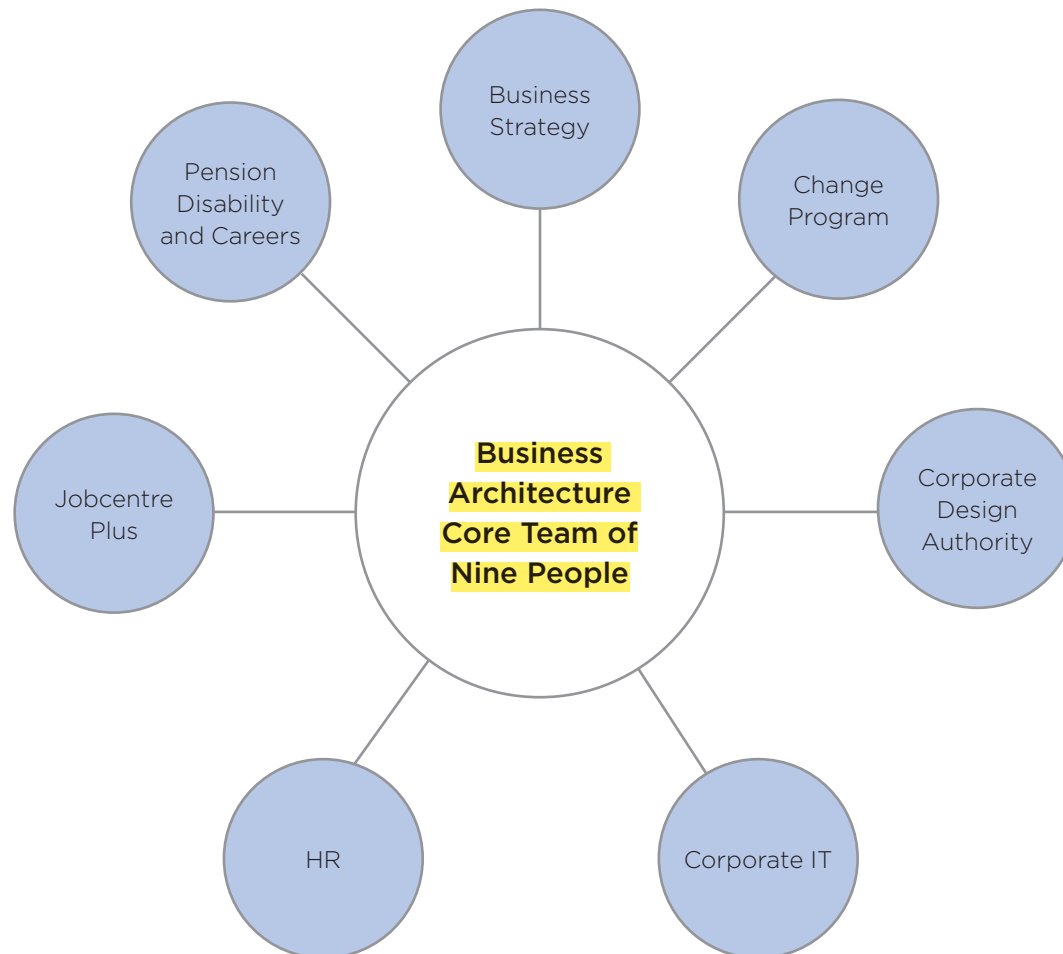
- DWP recognized early on that business architecture would not be embraced without early partnership.
- DWP recognized the need for a dedicated, skilled resource to build and maintain the business architecture.
- An external expert facilitated the transfer of necessary skills.

“Collaboration is the key. However, that requires a lot of effort throughout to get and keep people engaged and then demonstrate the added value and develop a common language and view of future service delivery.”

Jim Downie
Head of Business Architecture
DWP

ASSEMBLING THE BUSINESS ARCHITECTURE TEAM

Cross-Functional Business Architecture Committee

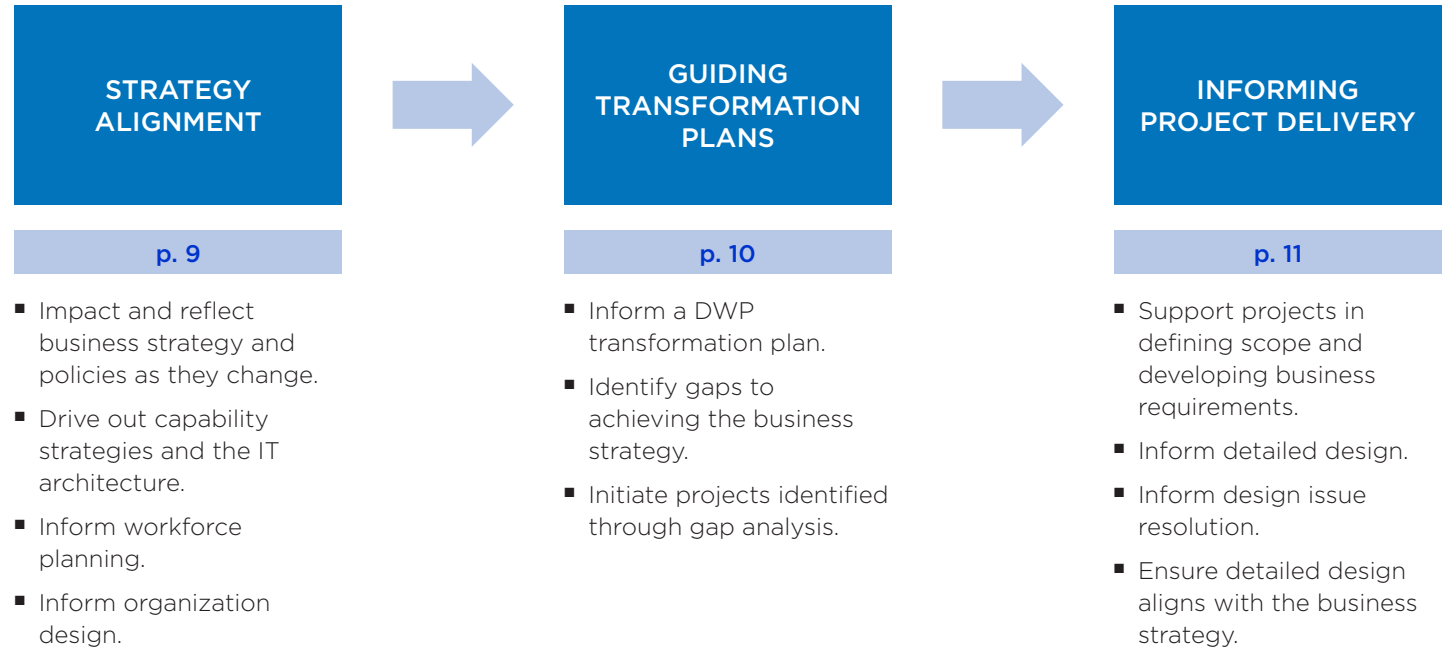


Source: Department for Work and Pensions; CEB analysis.

INTRODUCTION	STRATEGY ALIGNMENT	GUIDING TRANSFORMATION PLANNING	INFORMING PROJECT DELIVERY	RESULTS
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Three primary areas incorporate business architecture at DWP: business strategy, transformation plans, and project delivery.

APPLYING BUSINESS ARCHITECTURE



Source: Department for Work and Pensions; CEB analysis.

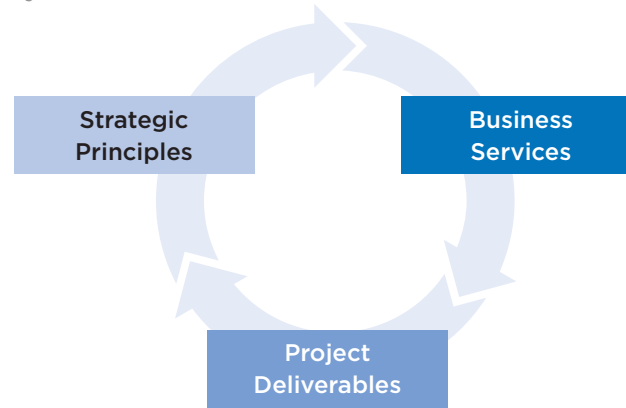
INTRODUCTION	STRATEGY ALIGNMENT	GUIDING TRANSFORMATION PLANNING	INFORMING PROJECT DELIVERY	RESULTS
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Business architecture enables mapping between the strategic principles, business services, and change projects.

- The mapping clearly shows which changes deliver which strategic principles and whether the relevant changes deliver all aspects of the principle, in turn identifying potential gaps.
- Although there are three changes contributing to Principle A, none of those changes contribute to the Initiate Handover service, thereby highlighting a potential gap.

STRATEGY ALIGNMENT

Project Mapping and Gap Analysis



	Business Services				
	Inbound Contact	Schedule Contact	Initiate Handover	Outbound Contact	Signpost Customer
Strategic Principle A	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Being Delivered By:					
Change Project 1	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	
Change Project 2		<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>
Change Project 3	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			

↑
Potential Gap

Source: Department for Work and Pensions; CEB analysis.

INTRODUCTION

STRATEGY ALIGNMENT

GUIDING
TRANSFORMATION
PLANNING

INFORMING
PROJECT DELIVERY

RESULTS

Business architecture helps determine projects' contributions to the target operating model and whether planned changes to services are on track.

GUIDING TRANSFORMATION PLANS

Milestone View
Illustrative

L1 Service	2013				2014				2015				2016			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Signpost Customer		1[1]			1[77]											
Orientate Customer				1[32] 1[49] 1[63] 1[64] 1[73] 2[207]		1[15]	1[18]	0[12]			1[30]	1[51]				
Inbound Contact	1[59] 1[12] 1[10]	1[2] 1[3]		1[49] 1[63] 1[73]	1[14] 1[53]	1[22] 1[55]	1[18] 1[37]	0[12] 1[36] 1[94]	1[2] 1[89]	1[56] 1[101]	1[45] 1[45]	1[62] 1[95]			1[96]	

The milestone view shows projects contributing to each service and the extent (score 1-5, where 5 denotes full achievement of target). Project IDs are in brackets.

Heat Map View
Illustrative

■ Service Is Ahead of Where It Needs to Be
 ■ Service Is Where It Needs to Be
 ■ Service Is Behind Where It Needs to Be

L1 Service	2008				2009				2010				2011			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Signpost Customer	Green	Green	Green	Green	Green	Green	Green	Green	Yellow	Yellow	Yellow	Yellow	Red	Red	Red	Red
Orientate Customer	Green	Green	Green	Green	Green	Green	Green	Green	Yellow	Yellow	Yellow	Yellow	Red	Red	Red	Red
Inbound Contact	Green	Green	Green	Green	Green	Green	Green	Green	Yellow	Yellow	Yellow	Yellow	Red	Red	Red	Red
Initiate Handover	Green	Green	Green	Green	Yellow	Yellow	Yellow	Yellow	Red	Red	Red	Red	Red	Red	Red	Red
Receive Handover	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Yellow	Yellow	Yellow	Yellow
Conclude Contact	Green	Green	Green	Green	Green	Green	Green	Green	Yellow	Yellow	Yellow	Yellow	Red	Red	Red	Red
Schedule Contact	Green	Green	Green	Green	Green	Green	Green	Green	Yellow	Yellow	Yellow	Yellow	Red	Red	Red	Red
Authenticate Customer	Green	Green	Green	Green	Green	Green	Green	Green	Yellow	Yellow	Yellow	Yellow	Red	Red	Red	Red

The heat map view shows whether the organization is on target for each service. Services are expected to turn red over time, pending further changes initiated to address the gaps.

Source: Department for Work and Pensions; CEB analysis.

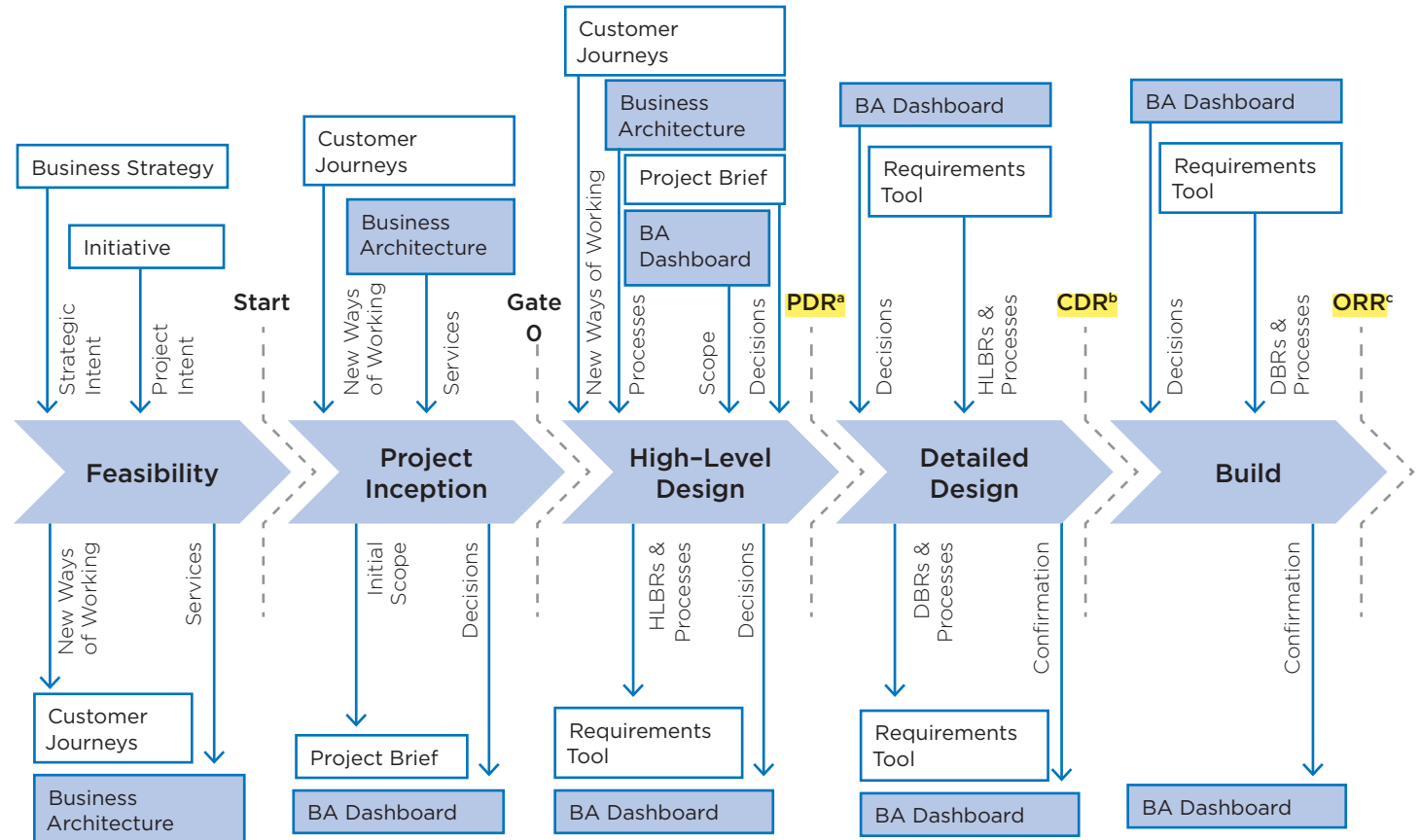


In project delivery, business architecture functions as an assurance mechanism for IT-business alignment.

- Business architecture use is now a mandatory feature of the change lifecycle.
- DWP weights business architecture's use toward the earlier phases in the lifecycle (i.e., feasibility, project inception, and high-level design).
- In the feasibility stage, business architecture helps identify the relevant business services to fulfill the customer journeys.
- At project inception, the list of business services helps define project scope, and the BA dashboard assesses strategy alignment.
- High-level business requirements derive from and are stated in terms of the targeted processes within the relevant business services.

INFORMING PROJECT DELIVERY

DWP's Change Lifecycle



Source: Department for Work and Pensions; CEB analysis.

^a Preliminary Design Review.

^b Critical Design Review.

^c Operational Readiness Review.

Business architecture played a pivotal role in two high-profile projects within DWP.

RESULTS

Automation of Service Delivery Initiative

- Promoted a single platform approach that was ultimately adopted
- Business architecture tapped to provide the core processes needed to realize holistic approach
- “The business architecture has provided a higher level of confidence ...than any other project of this type at this stage.”
Business Partner

Source: Department for Work and Pensions; CEB analysis.

Transforming Labor Market Services Initiative

- Clarified and simplified the scope of the project, resulting in a more business-focused—and less technology-focused—proposal
- “Business architecture articulates the business strategy in a way that projects and operational colleagues can understand.”
IT Partner

Source: Department for Work and Pensions; CEB analysis.

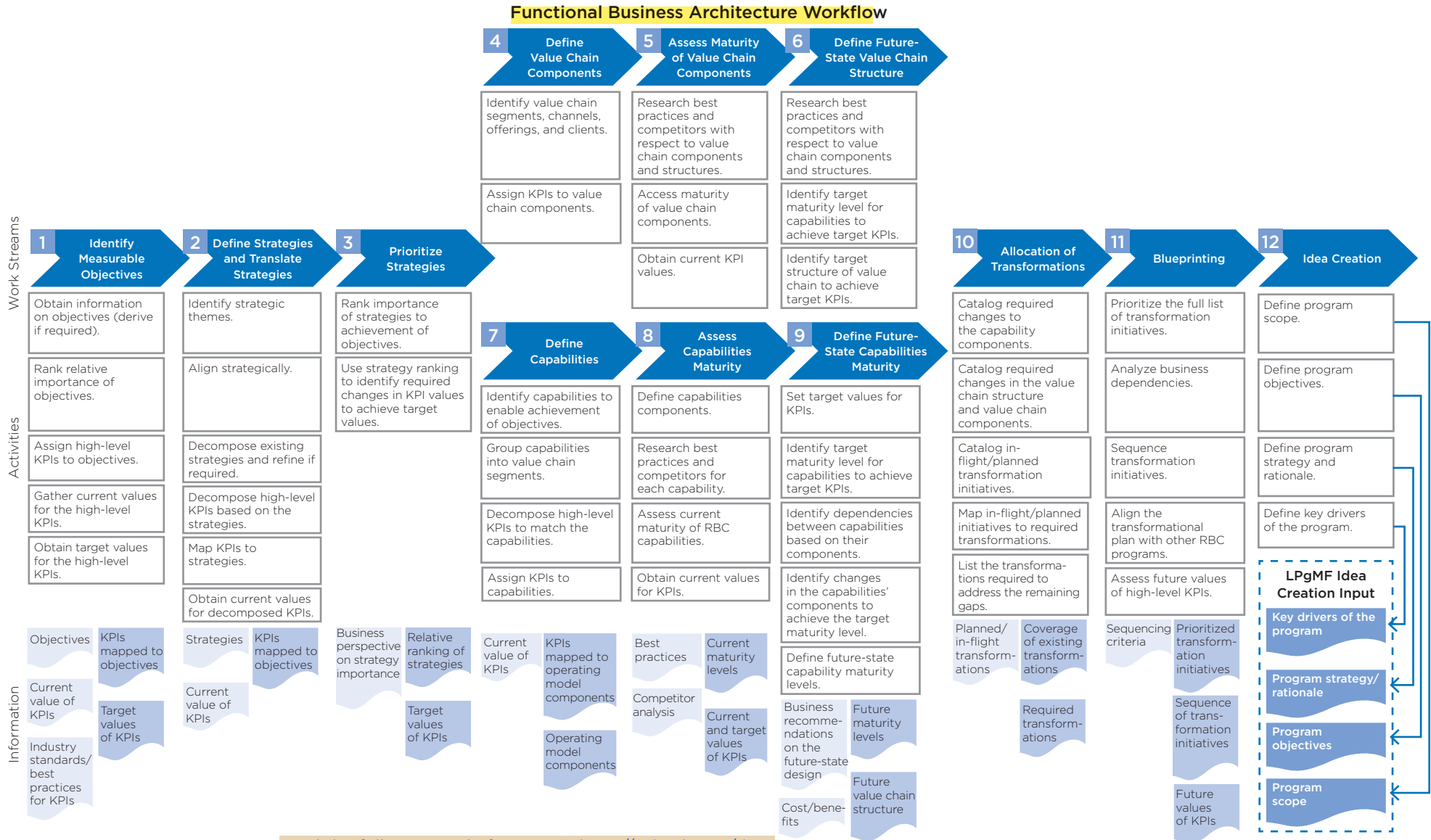
Across Both Projects

- Injected pace to enable early decisions on project viability
- Identified reuse opportunities and duplicative efforts across previously disparate projects
- Investment decisions were made earlier as a result of the business architecture

“Now that much of the business architecture is complete, we expect substantial cost savings in the future, as this work need only be performed once and then can be reused repeatedly by projects.”

Stefan Czerniawski
Head of Business Strategy
DWP

A BUSINESS ARCHITECTURE DEVELOPMENT METHODOLOGY



Source: RBC Financial Group; CEB analysis. Find the full case study from RBC: <http://ceburl.com/1h6i>.

Business architecture should not be considered an aspirational endpoint on a maturity curve but rather as the foundation for the other architecture layers.

- Business capabilities are the best option for a business architecture framework because of their stability.
- Technically grounded architecture groups view problems through a technical lens, hindering their ability to understand business context.
- Ever-present technology issues prevent technically oriented EA groups from maturing into business architecture.

BUSINESS CAPABILITIES ARE THE PROPER BASIS FOR SUPPORTING BUSINESS NEEDS

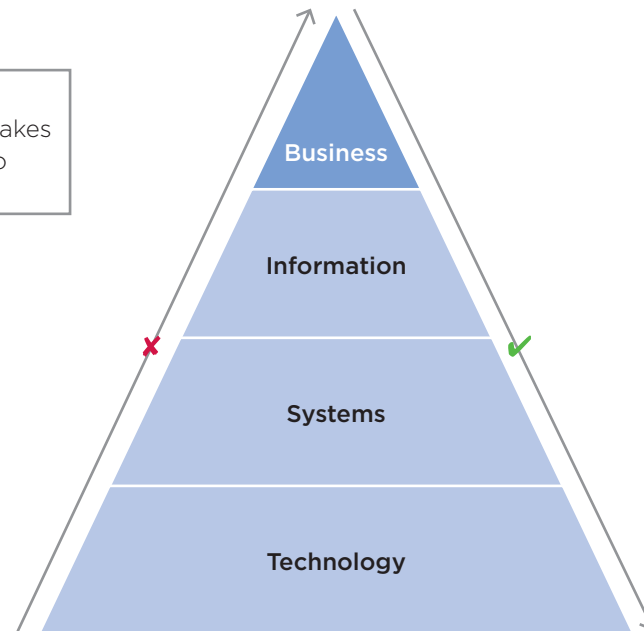
Conventional Wisdom of Architecture Practice Maturity

Architecture Layers

The Basis for Supporting Business Outcomes

✗ Forestalling business architecture development makes business alignment harder to attain.

✗ Building up from IT dictates a planning cadence based on technology lifecycles and constraints.



✓ Fully established operational requirements set the tone for planning, execution, and functional management.

✓ Technology architecture balances standardization and efficiency with the business's operational needs.

Source: CEB analysis.

Business capabilities most effectively express all the activities an enterprise performs.

- Business capabilities do not attempt to express how an enterprise performs those activities.
- Business capabilities are the most durable organizing framework for an enterprise.
- Though EA organizations recognize the need for business capabilities, most are still in the early stages of their adoption efforts.

WHAT ARE BUSINESS CAPABILITIES?

Business Capabilities Definition:

A structured way of expressing the activities that the enterprise performs to achieve its desired business outcomes

Source: CEB analysis.

What Business Capabilities Are Not:

- ✗ A catalog of process maps
- ✗ An inventory of business strategies
- ✗ Exclusively a tool to rationalize technology investments
- ✗ An artifact to support discussions within IT
- ✗ An exhaustive model



If implemented correctly, **business capabilities support organizational transformation by providing a common language for all the activities that the enterprise performs.**

THE WORLD BEFORE AND AFTER BUSINESS CAPABILITIES

	Before Identifying Business Capabilities	After Identifying Business Capabilities
Alignment of Vision	Lack of a common, shared understanding of all the activities the organization must perform to achieve its goals	IT and business partners develop a shared understanding of the relative value of all activities the organization must perform.
Demand Articulation	Business partners express demands in terms of technology solutions.	Business partners express demands in terms of business capabilities required to support goals.
Focus of IT-Business Partner Discussions	IT-business conversations focus on how a perceived problem should be solved.	IT-business conversations focus on identifying the most important problems that must be solved.
Altitude of Conversation	Conversations with business partners take place at process level, resulting in unstable or fleeting solutions.	Conversations happen at a level higher than processes, ensuring solutions are not adversely affected by changing processes.

Source: CEB analysis.

THE BUSINESS CAPABILITIES HANDBOOK: LAYING THE FOUNDATION FOR ENTERPRISE ARCHITECTURE

	I Business Capability Model Development	II Capability Analysis	III Capability-Based Planning	IV Capability Roadmapping
Head of EA Question	<i>How can we develop a relevant and usable capability model?</i>	<i>How can we evaluate capabilities consistently and efficiently?</i>	<i>How can we establish capability improvement priorities and build plans accordingly?</i>	<i>How can we ensure rigor and accountability for execution?</i>
Key Insight	Include key capability owners in the capability vetting process, and understand a capability's investment profile and broader context to manage it effectively.	Assess business capabilities bottom up—according to the capability's current performance—and top down—based on its criticality to achieving business objectives.	Using well-understood and prioritized business capabilities for planning and budgeting ensures investments drive the organization's intended strategic outcomes.	Establish high-level capability roadmaps to maintain long-term alignment and from which more detailed roadmaps may be derived.

Profiled Practices



Many organizations have business capability models, but they use them only within IT to solve IT problems rather than for business problems and enterprise planning.

- Successful business capability models share several characteristics:
 - **Localized**—Expressed in business vernacular
 - **Cocreated**—Built or vetted collaboratively
 - **Measurable**—Aligned to business outcomes
 - **Owned**—Managed by those accountable for performance and empowered to make support decisions
 - **Categorized**—Segmented according to different business approaches to planning and investment
 - **Stable**—Affords small adjustments over time but large restructurings only amid major business model change
 - **Enterprise-wide**—Spans the enterprise

BUSINESS CAPABILITIES ARE DIFFICULT TO GET RIGHT

Reasons for Poor Adoption of Business Capabilities

Emphasis on Precision Over Usability

- IT spends too much time iterating on the model internally.
- Business capability models are written in technically correct language that the business does not recognize.
- Business capabilities become too detailed for any practical use and end up as theoretical shelfware.

Not Socialized Well

- The capability model development process lacks business partner input.
- Capability prioritization lacks business partner guidance.
- Business capability models remain in the realm of IT and are not used formally in conversations with business partners.
- Business partners do not feel they own, or co-own, the model.

Linked to Technology Outcomes

- Business capability models are tools used solely to rationalize technology investments.
- Business capability models become an artifact designed to support discussions within IT.
- Business capability models fail to demonstrate links between capabilities and their corresponding business outcomes.

(Force) Fitted on Standardized Capability Frameworks

- Too much dependence on standardized capability frameworks further isolates business partners, as they do not see their unique position reflected accurately in the model.

Source: CEB analysis.

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 compose potential solutions.
- Pitney Bowes finds that level 3 capabilities and composite services provide the right altitude for effective mapping.

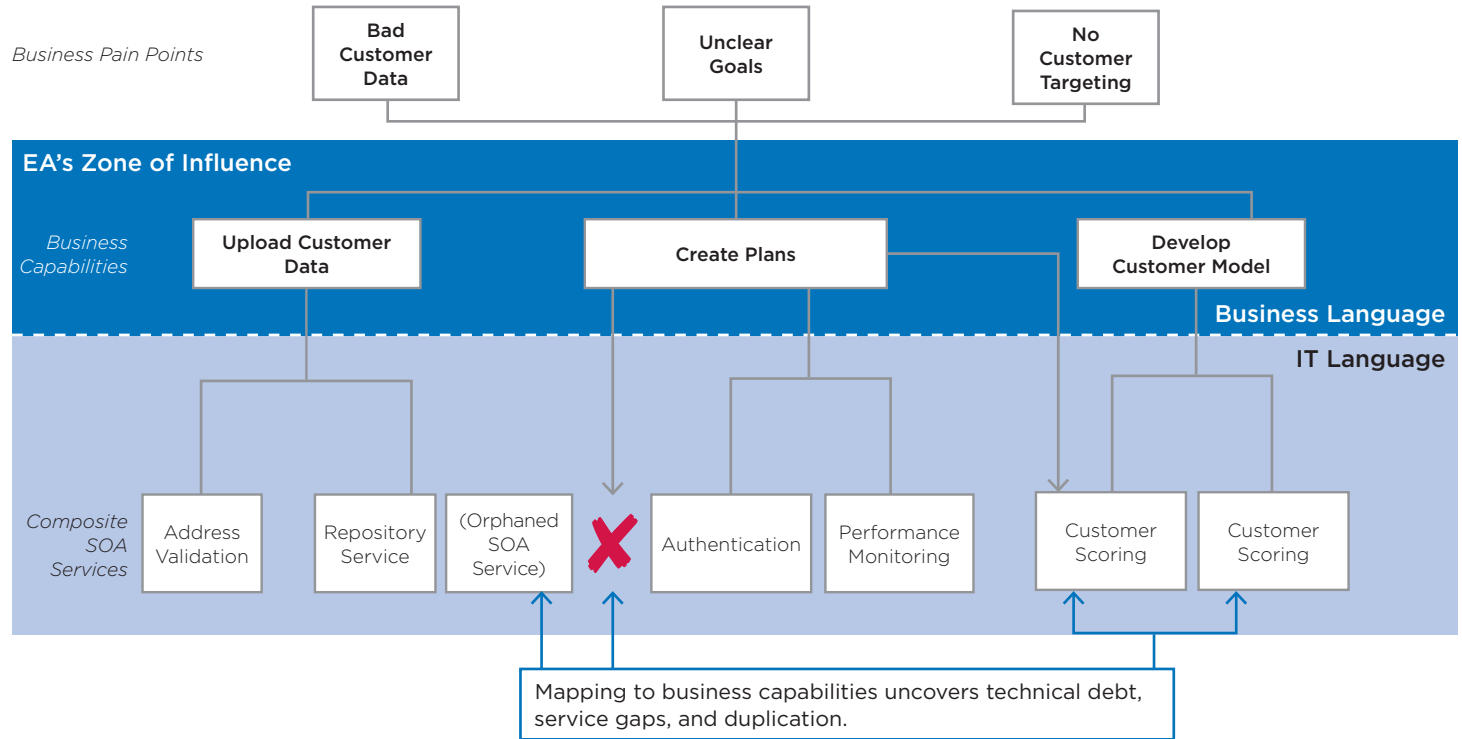
Find the full case study from Pitney Bowes at: <http://cebur.com/1h6j>.

“EA’s role is to ensure 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



Source: Pitney Bowes Inc.; CEB analysis.

Capability modeling requires early and consistent collaboration with stakeholders.

KEY STAGES IN DEVELOPING A BUSINESS CAPABILITY MODEL

Identify Business Capabilities

- Create a high-level capability model, taking care to create a business-relevant structure for the enterprise.
- Emphasize breadth over depth.

Vet Capabilities with Stakeholders

- Ensure stakeholders agree to high-level capabilities.
- Adopt and exercise language that business partners understand.

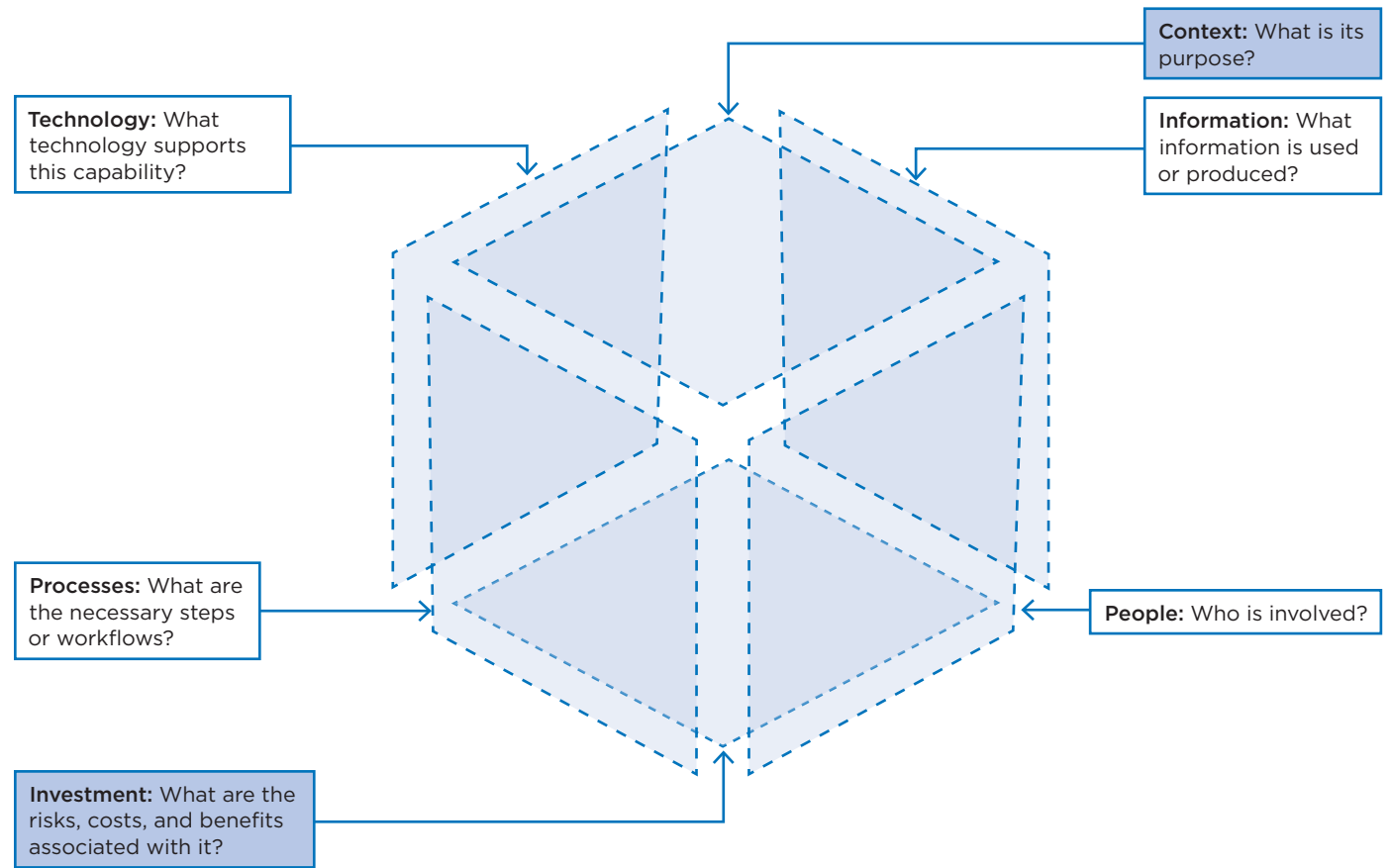
When defining business capabilities, avoid thinking in terms of just people, process, technology, and information; include the context and the investment rationale.

- Context brings a business capability into organizational perspective to better appreciate how it is used or instantiated.
- Investment profile details a business capability's maturity level to date, the expected return, and how much to continue to invest.

Find the full case study from Department of Human Services Australia at: <http://ceburl.com/1h6e>.

CONSIDER ALL CAPABILITY DIMENSIONS

The "Capability Cube"




Source: Department of Human Services; CEB analysis.

IDENTIFY BUSINESS CAPABILITIES

VET CAPABILITIES WITH STAKEHOLDERS

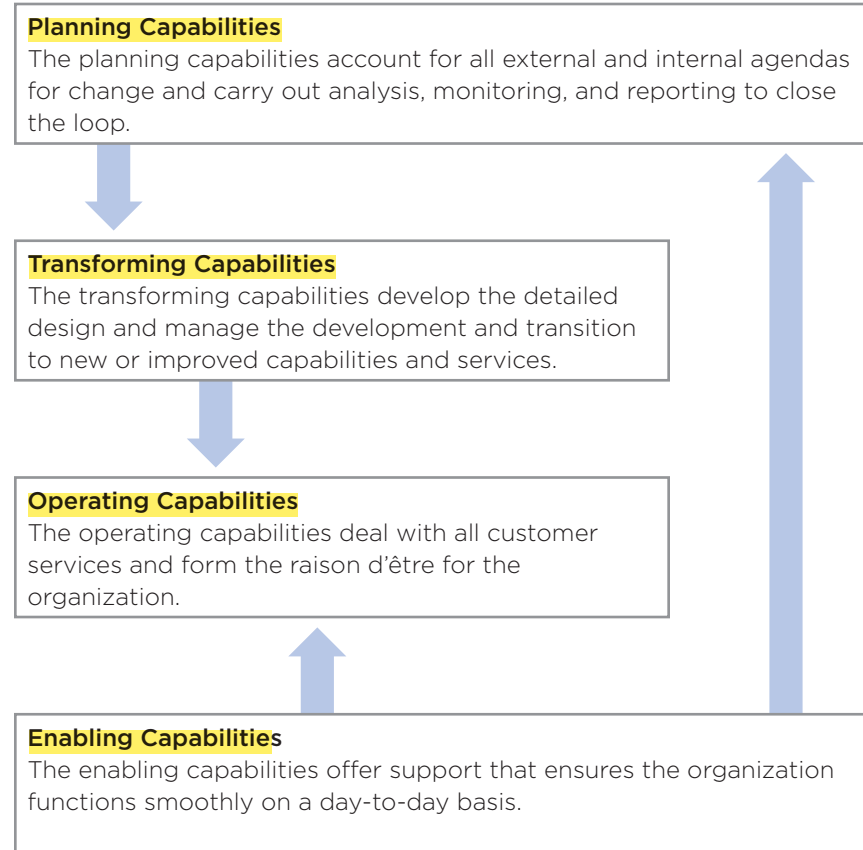
Build capabilities at the logical level, based on capability types so they are not tied to current organizational structures or business functions.

- Getting the organizing structure right is a key early step in the capability journey.
- As a taxonomy, business capabilities should be relevant within the organization's context and should be informed by the identity and priorities of the enterprise.

 "Business capabilities are the 'primary key' to understanding the organization. With them you can relate all aspects of the organization logically."

Krista Kerr
 Director of Strategic Architecture
 Department of Human Services

BUSINESS CAPABILITY TYPES



Source: Department of Human Services; CEB analysis.

IDENTIFY BUSINESS CAPABILITIES

VET CAPABILITIES WITH STAKEHOLDERS

Business capabilities must reflect business partners' expressions of what activities the enterprise must perform to achieve its goals.

- Many, but not all, business capabilities will resemble level 1 or 2 business processes.

Find the full CEB CIO Leadership Council case study from FirstGroup at: <http://ceburl.com/1hag>.

KEY ATTRIBUTES OF SUCCESSFUL BUSINESS CAPABILITIES

Three Keys to a Successful Deployment of Business Capabilities

Business Capability

Maintain the fleet.

Easily Understood
Business capabilities must be expressed in the same language business partners use to discuss the enterprise.

- ✓ Broad view of enterprise operations; not too deep
- ✓ Terms should be immediately familiar to general managers' direct reports.

Source: FirstGroup; CEB analysis.

Description

Effectively monitor and maintain fleet for balance of cost and performance.

Outcome Defined
Business capabilities must be defined by business outcomes and activities, not systems or processes.

- ✓ Business capabilities tied to drivers of shareholder value
- ✓ Clear connection between business capabilities and information used by business partners
- ✓ What the capability impacts must be measurable.

Cocreated
Business capabilities must be cocreated and co-owned with business partners.

- ✓ Secure business partner participation before start

IDENTIFY BUSINESS CAPABILITIES

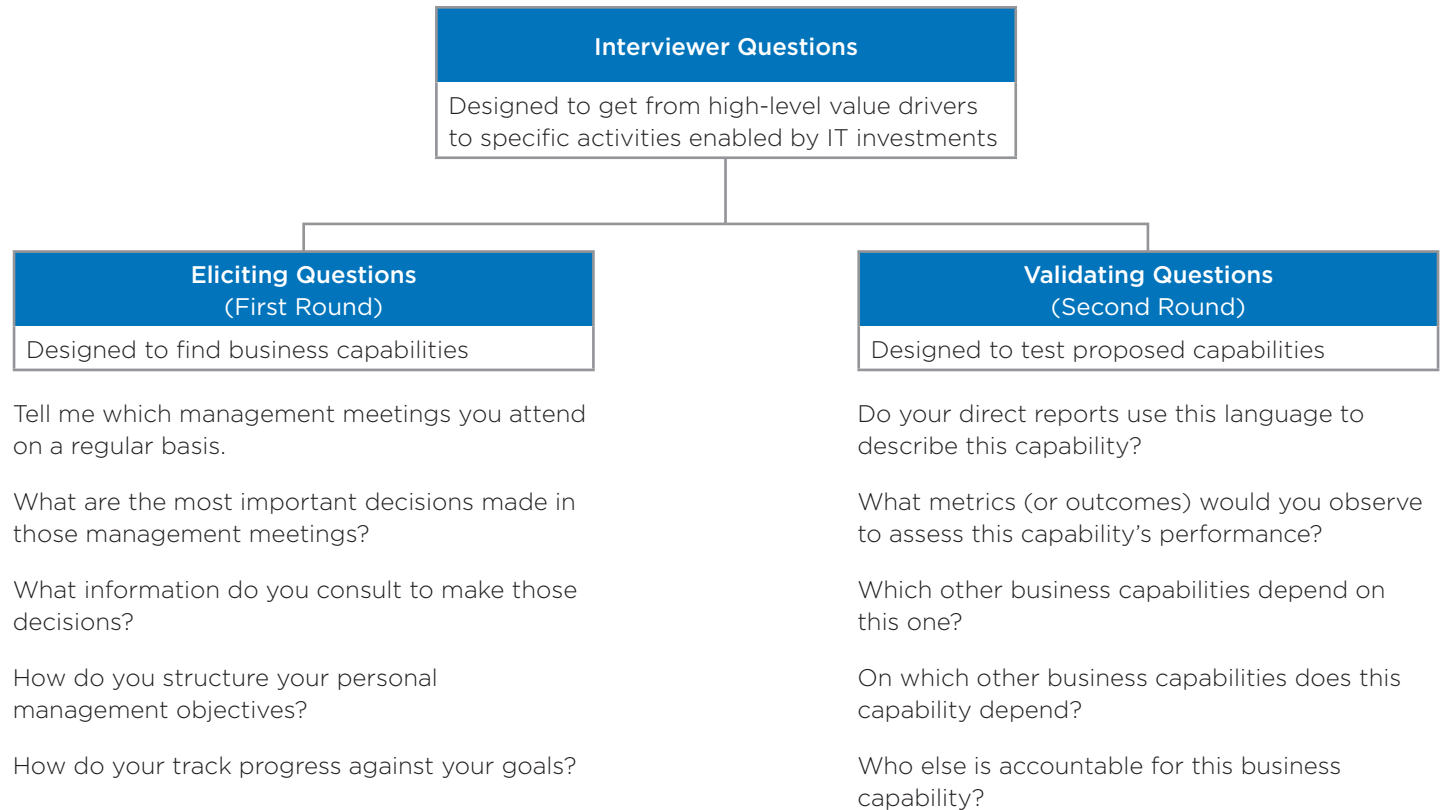
VET CAPABILITIES WITH STAKEHOLDERS

Cocreate business capabilities with business partners through carefully structured, business-focused interviews.

- Interviews are held with business unit GMs, functional leaders, and other senior managers.
- Familiarizing interviewers with a company value creation model is essential preparatory work for successful interviews.
- Interviews do not discuss IT at all; they focus exclusively on business activity.
- Interviewers ask two types of questions: elicitation questions designed to find business capabilities and validating questions designed to test responses.

VALUE-DRIVEN BUSINESS CAPABILITY DISCOVERY

Partial List of Interview Questions for Business Partners



Source: FirstGroup; CEB analysis.

IDENTIFY BUSINESS CAPABILITIES

VET CAPABILITIES WITH STAKEHOLDERS

Collaborate with the business throughout business capability model development to ensure consensus on priorities.

- Executives define strategic context and direction while directors and senior SMEs perform detailed planning, building enterprise-level views incrementally.
- The standardized workshop process improves integration across the company and drives operational change.
- Enterprise Business Architecture is able to flexibly adjust planning sprint schedules to meet the specific intent, complexity, and constraints of the defined scope and stakeholder time.

Find the full case study from BlueCross BlueShield of North Carolina at: <http://cebur.com/1haf>.

COCREATE YOUR BUSINESS CAPABILITY MODEL WITH BUSINESS PARTNERS

BCBSNC Capability-Based Planning Process

1. Initial Capability Model Development

EBA generates a preliminary, level-3 capability model to share with business capability owners.

Estimated Time: 2-4 Weeks



2. Strategic Prioritization Workshops

Workshops provide executives with a broader understanding of the enterprise's capabilities and establish a consensus view of capability priority.

Estimated Time: 2-4 Weeks

Executive Time Commitment: 4-8 Hours

Capability workshops last four hours and typically take place biweekly, but EBA adapts its methodology to fit scope and stakeholder needs.



4. Implementation

EBA continues engaging with capability owners to facilitate project execution that will carry out plans and prioritization developed in the workshops.



3. Performance Assessment Workshops

Directors and senior SMEs in the business refine the level-3 capability model with heatmapped performance gaps, transformation roadmaps, and project execution portfolios.

Estimated Time: 1-6 Months

Director and Senior SME Time Commitment: 8-20 Hours

Source: BlueCross BlueShield of North Carolina; CEB analysis.

IDENTIFY BUSINESS CAPABILITIES

VET CAPABILITIES WITH STAKEHOLDERS

Maintain momentum for change through mechanisms that create accountability for plans.

- Participating in planning enables business leaders to fulfill their role as capability owners, so there are no handoff gaps from planning to execution.
- Execution teams follow near-term project portfolio objectives to close critical capability gaps; keeping capability owners in step with both long- and near-term plans advances capability improvements.
- The capability model provides a durable foundation for measuring progress and results over time.

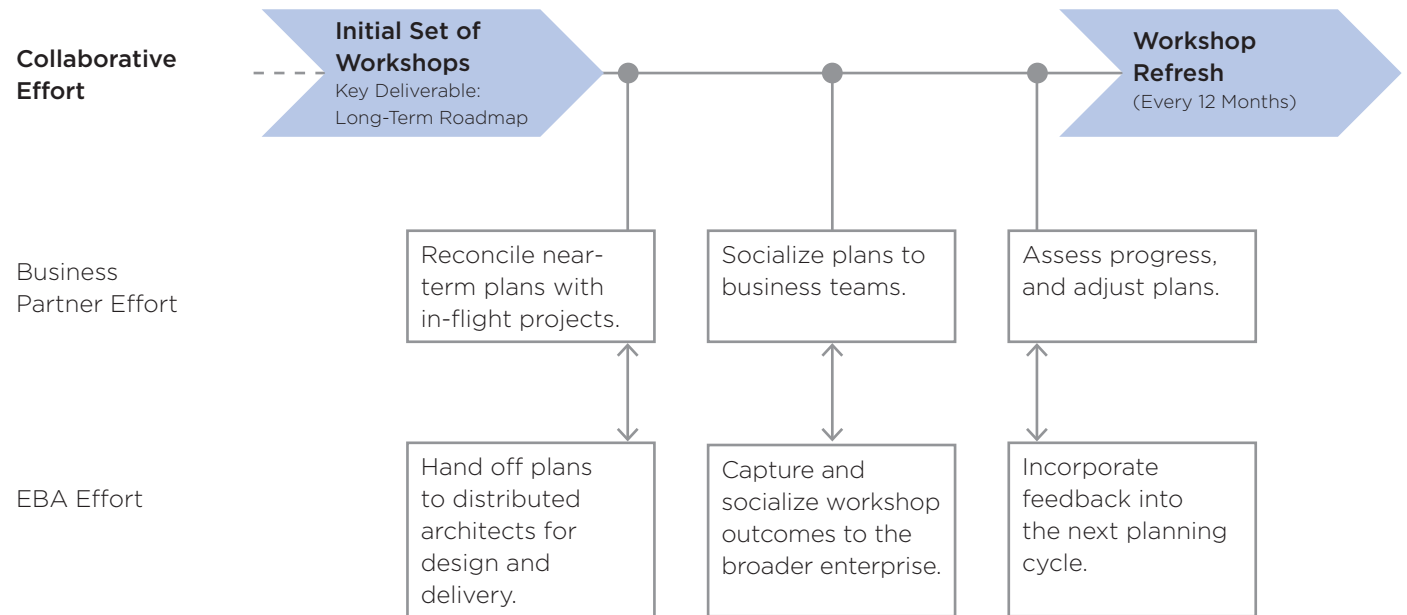
DO use influence to create and sustain awareness for capability change.

DON'T try to enforce capability improvements with authority that Architecture does not have.

MAINTAIN LINES OF COLLABORATION THROUGHOUT EXECUTION

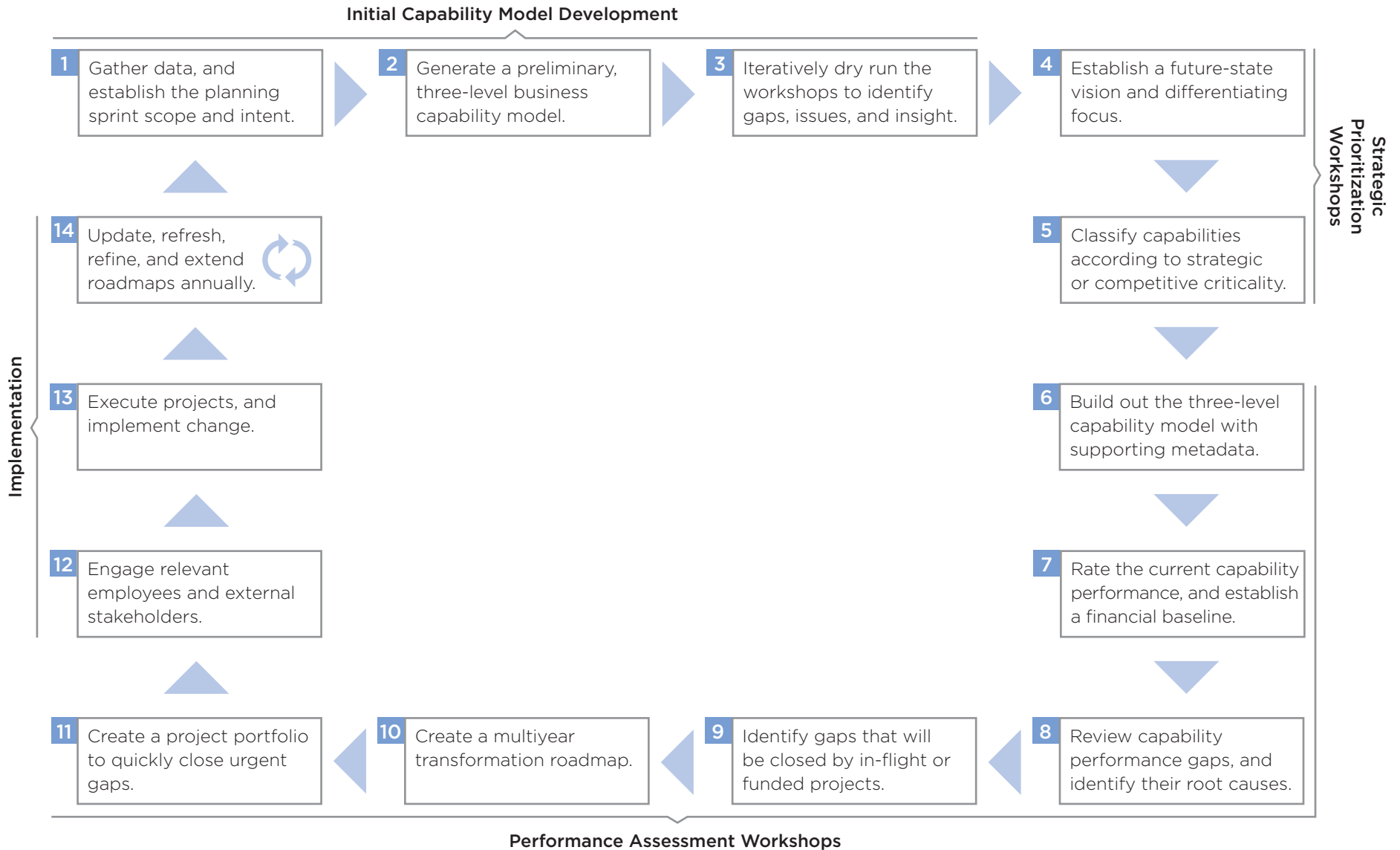
Ongoing Collaboration Between Workshops

Illustrative



Source: BlueCross BlueShield of North Carolina; CEB analysis.

CAPABILITY-BASED PLANNING PROCESS STEPS







Source: BlueCross BlueShield of North Carolina; CEB analysis.

Assemble a team with the facilitation skills needed to meet the challenge of direct business engagement.

- The BCBSNC EBA team was incubated in EA and moved into the business in 2012; however, an EBA practice could emerge from any of the enabling domains or the strategy practice.
- Focusing on senior architects with previous consulting, facilitation, and business engagement skills expedited the team's transition to a business architecture role.
- EBA also utilized other functions at the company for domain knowledge education and staff augmentation and hired for facilitation and financial skills.
- Using an internal team—not external consultants—allows BCBSNC to retain the knowledge its methodology creates and to ensure plans are fully implemented.

PREPARE OR PARTNER FOR INCREASED BUSINESS PARTNER INTERACTION

Skill Area	Skill Profile	Action Steps
Engagement Skills <ul style="list-style-type: none"> ▪ Collaborative decision making ▪ Facilitation ▪ Enterprise planning ▪ Relationship building ▪ Change management 	High 	<ul style="list-style-type: none"> ▪ Provide internal training on consulting skills for senior architects with some domain-specific experience. ▪ Partner with domain teams to fill immediate gaps and provide on-the-job training for staff members. ▪ Hire externally as needed.
Strategic Thinking <ul style="list-style-type: none"> ▪ High-level understanding of modeling and analysis skills in all domains ▪ Strategy, financial, human resources, process, information, technology, and project portfolio management knowledge 	Medium 	<ul style="list-style-type: none"> ▪ Engage other functions, such as Finance and HR, to conduct internal training and strengthen knowledge in these domains. ▪ Engage domain SMEs during the planning sprint as needed. ▪ Hire externally as needed.
Business Understanding <ul style="list-style-type: none"> ▪ Business problem solving ▪ Business modeling and visualization ▪ Business ambiguity management ▪ Executive engagement 	Medium 	<ul style="list-style-type: none"> ▪ Repurpose traditional architecture skills from domain problems to enterprise problems. ▪ Facilitate internal training on business vernacular. ▪ Build deeper business understanding with each planning sprint.
Architecture Work & Technical Mastery <ul style="list-style-type: none"> ▪ Deep domain skills ▪ Solutions development ▪ Technical knowledge 	Low 	<ul style="list-style-type: none"> ▪ Let each domain retain its particular deep domain skills. ▪ Focus instead on a broad, versatile skill set.

Source: CEB analysis.

Score your capabilities with business-relevant criteria.

- After building the capability model, BCBSNC holds an executive workshop session to establish the strategic vision and direction that will drive the detailed planning in subsequent workshops.
- Each workshop meeting ends with an introduction of what will take place in the next workshop, so participants have time to consider what they will discuss and to prepare.
- Workshops typically last four hours, occur biweekly, and have 4 to 10 participants; where appropriate, workshops are clustered to accelerate delivery.
- Workshop teams consist of an EBA lead, a core team lead from the relevant organization, and executives, directors, and VPs.

ESTABLISH CLEAR CAPABILITY WORKSHOP GUIDELINES AND OUTCOMES

Detailed Capability Assessment Workshop Steps

	Initial Capability Model Development	Strategic Prioritization Workshops	Performance Assessment Workshops
Activities	<ul style="list-style-type: none"> ▪ Create capability names. ▪ Organize capabilities into a hierarchy. 	Establish a capability's strategic importance.	<ul style="list-style-type: none"> ▪ Rate capability effectiveness from 1 to 5. ▪ Rate capability efficiency from 1 to 5.
Capability Level Used	Level 1 to 3	Level 3	Level 3
Participants	<ul style="list-style-type: none"> ▪ EBA facilitator ▪ Directors and VPs 	<ul style="list-style-type: none"> ▪ EBA facilitator ▪ Executives, directors, and VPs 	<ul style="list-style-type: none"> ▪ EBA facilitator ▪ Directors and VPs
Deliverables	Three-level hierarchical capability model for the defined scope	Value classifications defined for all in-scope level-3 capabilities	<ul style="list-style-type: none"> ▪ Effectiveness and efficiency ratings defined for all in-scope level-3 capabilities ▪ Improved definitions as the model is exercised
Benefits	<ul style="list-style-type: none"> ▪ Deeper understanding of the enterprise ▪ Unified view of the capabilities ▪ Increased teamwork and collaboration ▪ Shift from siloed thinking to broader enterprise viewpoints 	<ul style="list-style-type: none"> ▪ Increased strategic comprehension ▪ Greater understanding of strategic emphasis across the capability model ▪ Recognition that investment objectives should vary according to value classification 	<ul style="list-style-type: none"> ▪ Unified view of capability baseline performance ▪ Deeper understanding of capabilities

Source: CEB analysis.

IDENTIFY BUSINESS CAPABILITIES

VET CAPABILITIES WITH STAKEHOLDERS

Prevent workshop inefficiencies that can occur as planning spans organizations, time, and capabilities.

- The EBA team spends time preparing for and pressure-testing workshop sprints to maximize participant contribution.
- Capability workshops contain several elements that ensure meetings are efficient and effective, including:
 - A repeatable methodology that includes durable models and templates;
 - Extra scheduled meetings that serve as time buffers;
 - Offline meetings that address unexpected issues; and
 - Offline introductions of capability co-owners from other divisions.

GUARANTEE A PRODUCTIVE WORKSHOP ENVIRONMENT

Capability Workshop Efficiency Mechanisms

Anticipated Issue	Solution	Rationale
The difficulty of maintaining consistency across divisions, workshop sprints, and time can cause quality issues.	EBA creates a repeatable, flexible core methodology that includes exercises, deliverables templates, and architectural models. ¹	The repeatable core methodology provides consistency while offering scheduling options to meet the specific needs of the sprint sponsors.
Initial workshops occasionally require more time to complete deliverables.	EBA schedules two extra workshop meetings at the end of the workshop series.	Scheduling extra meetings provides a buffer if more time is needed. They do not take place if the workshop series stays on schedule.
Individual participants may have unspoken issues with workshop procedures or other personalities in the room.	The workshop facilitator establishes regular offline meetings with the participants.	One-on-one offline meetings help uncover underlying workshop problems and provide an opportunity for participant training.
Multiple stakeholders may jointly be responsible for capability areas, resulting in the need for joint planning.	EBA introduces capability co-owners so they can establish a joint planning cadence for their shared capability.	The EBA team has visibility across the enterprise and can connect the dots as needed.

Source: CEB analysis.

¹ BCBSNC adapted a methodology from Accelare Consulting. Additional details are also available in The Capable Company, ISBN 1405111828.

IDENTIFY BUSINESS CAPABILITIES

VET CAPABILITIES WITH STAKEHOLDERS

THE BUSINESS CAPABILITIES HANDBOOK: LAYING THE FOUNDATION FOR ENTERPRISE ARCHITECTURE

	I Business Capability Model Development	II Capability Analysis	III Capability-Based Planning	IV Capability Roadmapping
Head of EA Question	<i>How can we develop a relevant and usable capability model?</i>	<i>How can we evaluate capabilities consistently and efficiently?</i>	<i>How can we establish capability improvement priorities and build plans accordingly?</i>	<i>How can we ensure rigor and accountability for execution?</i>
Key Insight	Include key capability owners in the capability vetting process, and understand a capability's investment profile and broader context to manage it effectively.	Assess business capabilities bottom up—according to the capability's current performance—and top down—based on its criticality to achieving business objectives.	Using well-understood and prioritized business capabilities for planning and budgeting ensures investments drive the organization's intended strategic outcomes.	Establish high-level capability roadmaps to maintain long-term alignment and from which more detailed roadmaps may be derived.

Profiled Practices



Create a consistent, repeatable, and defensible methodology for capability analysis.

KEY STAGES FOR ANALYZING CAPABILITY PERFORMANCE

Evaluate Individual Capabilities

- Create a consistent method for evaluating capabilities top down, in terms of business criticality, and bottom up, in terms of current performance.
- For commodity capabilities, emphasize efficiency; for competitive capabilities, emphasize quality, speed, and responsiveness.

Diagnose Performance Gaps

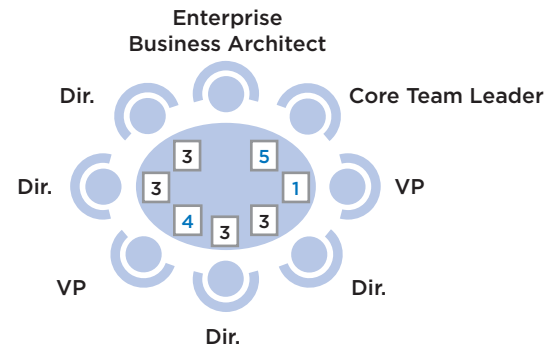
- Use the relative degree of “heat” to establish investment priorities.
- Recognize that technology solutions alone do not solve capability problems.

Agree on strategic priorities by uncovering and resolving disagreement within the business on capability definitions and business strategy.

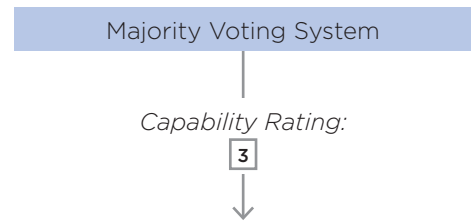
- Using cards labeled one through five, workshop participants rate capability effectiveness and efficiency to achieve a unified viewpoint through debate and EBA team member facilitation.
- The process is fast paced and lightweight, and the goal is overall agreement on capability importance, not on minutiae.
- Striving for unanimity, rather than plurality, uncovers disagreement in strategy alignment that participants can then resolve.
- Workshops allow participants to gain exposure to VPs, understand more business capabilities than before, and actually develop a strategy for their capability area.

EMPOWER A BUSINESS-DRIVEN CAPABILITY CONSENSUS

Capability Performance Rating Workshop
Illustrative



Conventional Model

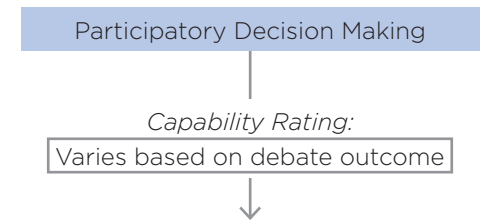


- Unresolved disagreements
- Individual disengagement
- Low level of relationship building
- Low buy-in for the capability model
- Low level of capability ownership
- Poor understanding of the business
- Investment misaligned to strategy

Source: BlueCross BlueShield of North Carolina; CEB analysis.

EVALUATE INDIVIDUAL CAPABILITIES

BCBSNC Model



- Increased trust
- Stronger relationships
- Cross-stakeholder synergy
- Unified viewpoint on capability direction
- More relatable definitions
- Appropriate investment alignment
- Increased exposure to senior leaders
- Greater ability for individuals to inflect their ideas on strategy

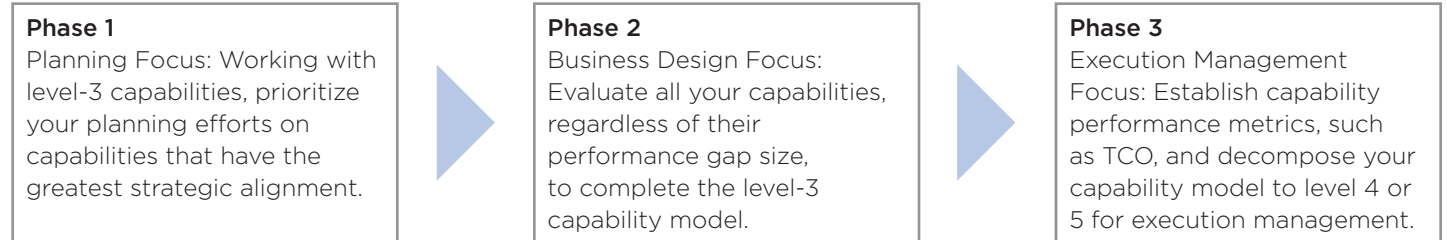
DIAGNOSE PERFORMANCE GAPS

Although extending capability development to execution management is a multiyear effort, focus on your most important capabilities first to rapidly improve revenue-generating areas.

- EBA at BCBSNC is currently completing the initial planning sprints and annual refreshes; out-year adoption may include design and execution management.
- EBA first conducted workshops on the capabilities with the greatest strategic alignment and executive sponsorship.
- Given EBA's limited resources, this prioritization focuses the team's time on the most critical capabilities.
- EBA then continued to analyze all capabilities (through to the back office) for design and execution, irrespective of performance gap size or strategic importance.

PRIORITIZE WORKSHOPS ON YOUR MOST CRITICAL CAPABILITIES

Long-Term Capability Development Progression



BCBSNC is completing the initial Phase 1 planning sprints across the company and uses Phase 1's prioritization results to sequence Phase 2 design sprints.

BCBSNC plans to move to Phase 3 within the three- to five-year time frame.


Source: BlueCross BlueShield of North Carolina; CEB analysis.

EVALUATE INDIVIDUAL CAPABILITIES

DIAGNOSE PERFORMANCE GAPS

Capabilities that accomplish different enterprise outcomes should be evaluated and prioritized differently.

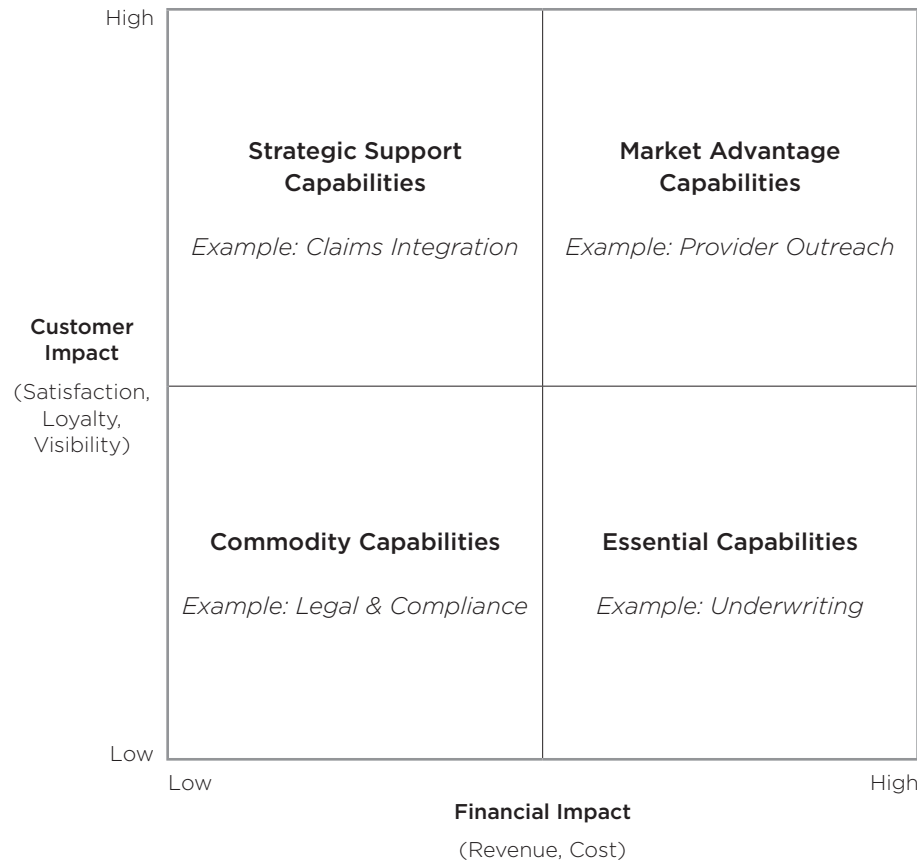
- Conduct capability planning at the most granular level for which there are still variations in business criticality.
- BCBSNC found that level 3 is the appropriate level for planning, since all of the company's level-4 capabilities inherit the criticality of their level-3 parents.

 "You need enough granularity to surface where there is disagreement on prioritization—but any more than that slows the process down."

Tim Hurley
 Director of Enterprise Business
 Architecture and Transformation
 Planning
 Blue Cross and Blue Shield
 of North Carolina

MANAGE DIFFERENT KINDS OF CAPABILITIES FOR DIFFERENT OUTCOMES

Top-Down Capability Strategic Importance Matrix



BCBSNC more heavily weights **effectiveness** for the capabilities in the upper quadrants, which have high customer impact.

BCBSNC more heavily weights **efficiency** for the capabilities in the lower quadrants, which have low customer impact.

Across capabilities of equal heat, BCBSNC prioritizes high financial-impact capabilities.

Source: BlueCross BlueShield of North Carolina; CEB analysis.

EVALUATE INDIVIDUAL CAPABILITIES

DIAGNOSE PERFORMANCE GAPS

Balance business criticality with current performance for a robust and objective business capability assessment.

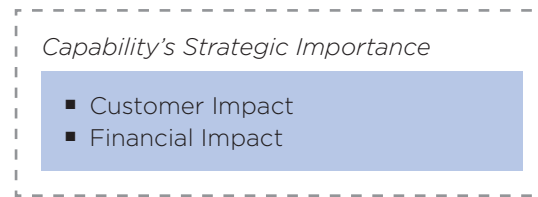
- At BCBSNC, enterprise strategy drives capability value classification, and current health drives capability effectiveness and efficiency ratings.
- Value classification objectives and current performance ratings combine to create a capability heat map.
- The level of capability heat focuses planning efforts on the most strategically important performance gaps.
- Capability assessment is not an architecture-only activity at BCBSNC; with EBA facilitation, business partners rate business capabilities.

ASSESS YOUR CAPABILITIES TOP DOWN AND BOTTOM UP

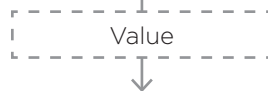
Capability Assessment

Illustrative

Top Down



Categorizes capabilities based on their importance and the outcomes they are intended to drive



The capability heat assessment focuses on the most critical capabilities with the greatest maturity gaps.



Rates capabilities across four key enablers—technology and people, process, and information in the business.

Bottom Up

Source: BlueCross BlueShield of North Carolina; CEB analysis.



DIAGNOSE PERFORMANCE GAPS



Assess capabilities at the right level that will enable efficient scoring, debate, and actionable plans for execution.

- After determining level-3 heat, BCBSNC is able to roll up heat to level 2 for communication purposes.

EVALUATE YOUR CAPABILITIES AT THE RIGHT LEVEL

Capability Scoring and Heat Generation Snapshot
Illustrative

Level	Capability	Efficiency	Effectiveness	Classification	Value	Heat Level
Level 1	6. Provider Management					
Level 2	6.1. Provider Relationship Management					
Level 3	6.1.1. Provider Outreach	4.5	4	Market Advantage		Green
	6.1.2. Provider Interaction Management	2	4	Market Advantage		Green
	6.1.3. Provider-Related Intelligence/ Communication Gathering	2	2	Strategic Support		Red
	6.1.4. Provider Relationship Analysis	2	3	Strategic Support		Yellow

Source: BlueCross BlueShield of North Carolina; CEB analysis.

EVALUATE INDIVIDUAL CAPABILITIES

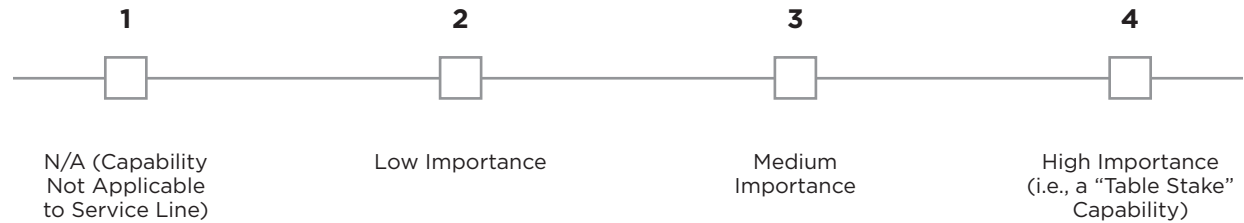
DIAGNOSE PERFORMANCE GAPS

The scoresheet evaluates a capability's importance and maturity.

THE CAPABILITY MATURITY SCORESHEET

Consider the overall importance of the capability from the customer and service-line perspective:

How important is the capability in delivering a "world-class client experience" and "world-class efficiency"?
Is the capability part of, or related to, RBC's strategic goals and objectives?
Is your business unit currently investing to create or enhance this capability?



Source: CEB analysis.

Assess the maturity of the capability along each dimension:

How mature is the capability today?
How mature do you want the capability to become by the end of the program?



Source: CEB analysis.

EVALUATE INDIVIDUAL CAPABILITIES

DIAGNOSE PERFORMANCE GAPS

		Maturity Level			
Key Guiding Questions		1	2	3	4
		Low (Ad Hoc)	Medium (Repeatable)	Medium-High (Defined/Managed)	High (Optimized)
Process Dimension	Degree of Documentation, Reusability, and Repeatability	<ul style="list-style-type: none"> Little process documentation exists and is scattered throughout the organization. Processes are driven reactively by users and events. Execution depends on latent knowledge. Processes are not controlled (not repeatable and allow no management visibility). Little or no key performance metrics exist. 	<ul style="list-style-type: none"> Some process discipline is in place. Processes are partially documented to allow earlier successes to be repeated. Processes are partially controlled (somewhat repeatable and allow some management visibility, although the data may be scattered). Some key performance metrics are identified and tracked. 	<ul style="list-style-type: none"> Most processes are defined and documented but not regularly maintained. Processes are generally controlled (repeatable but do not allow full management visibility). Key performance metrics are known and built into processes. Standardization allows some degree of process improvement over time. 	<ul style="list-style-type: none"> Processes are documented and maintained, standardized, and regularly reviewed. Processes are fully controlled, repeatable, predictable, and provide management with full visibility. Key performance metrics are continuously monitored, and effects of implemented process improvements are measured and evaluated against objectives.
	Degree of Optimization	<ul style="list-style-type: none"> Processes are run solely in “basic operations” mode without attention to optimization opportunities. Optimal performance levels and metrics have been defined for some processes (e.g., for input into SLAs). 	<ul style="list-style-type: none"> Some process optimization activities are conducted to identify opportunities to automate and eliminate redundancies. Optimal performance levels and metrics have been defined for some processes (e.g., for input into SLAs). 	<ul style="list-style-type: none"> Most processes are regularly reviewed and optimized to identify opportunities to consolidate, lean, and/or rationalize resources. Some rudimentary automation of processes (where appropriate) Optimal performance levels and metrics have been defined for most processes (e.g., for input into SLAs). 	<ul style="list-style-type: none"> Processes are fully optimized and continuously reviewed for improvement opportunities. Straight-through processing (STP) is in place, and processes are meeting optimal performance levels and metrics.
Organization (People) Management	Skills and Knowledge Dependency	<ul style="list-style-type: none"> Reliance on latent knowledge that is documented and irreplaceable 	<ul style="list-style-type: none"> Reliance on latent knowledge that is documented and irreplaceable. 	<ul style="list-style-type: none"> Reliance on cross-trained staff whose knowledge is documented and replaceable 	<ul style="list-style-type: none"> Reliance on trained experts (e.g., formal regulated licenses/certification or internally developed certifications) to perform specialized tasks
	Degree of Integration in Workplace Culture	<ul style="list-style-type: none"> Belief in the capability’s importance is limited; benefits are unclear or have not been defined. Little performance accountability exists, as staff do not understand the impact of their work or contribution on the overall client experience. 	<ul style="list-style-type: none"> Belief in the capability’s importance exists, but there is limited appreciation of what that means. There is little or no link between behavior and performance management or competency development plans. 	<ul style="list-style-type: none"> Staff understand the impact of their work and contribution in executing the capability to the overall client experience. Behaviors align to performance management or competency development plans. 	<ul style="list-style-type: none"> A strong sense of “craftsmanship” is embedded in executing the capability, resulting in high-performance teams and a high level of performance accountability. The organization is cognizant of its maturity level and continually seeks opportunities to strengthen it.
Technology Dimension	Degree of Integration, Robustness, and Scalability	<ul style="list-style-type: none"> The technology implemented to execute the capability is basic (not meeting day-to-day operational requirements), localized, stand-alone, not integrated with a broader platform view, and/or not supported. Scalability or enhancements are not possible. 	<ul style="list-style-type: none"> Technology that is currently in place to execute the capability meets immediate needs and is supported but is localized, stand-alone, or not integrated with a broader platform view. Scalability and enhancement are difficult to execute. 	<ul style="list-style-type: none"> The technology implemented to execute the capability is robust and supported but not integrated with a broader platform view. Scalability and enhancements are possible. 	<ul style="list-style-type: none"> The technology in place executes the capability in real time and is robust, supported, and integrated with a broader platform view. Scalability and enhancement are not an issue, as the solution lends itself to technical upgrades.
	Degree of Automation	<ul style="list-style-type: none"> There are little to no business rules built into the system, resulting in heavy reliance on manual intervention. 	<ul style="list-style-type: none"> Some degree of business rules are built into the system with some reliance on manual or paper intervention. 	<ul style="list-style-type: none"> A moderate degree of business rules are built into the system with minimal reliance on manual or paper intervention. 	<ul style="list-style-type: none"> STP exists and operates seamlessly as a single line of processing.

EVALUATE INDIVIDUAL CAPABILITIES

DIAGNOSE PERFORMANCE GAPS

THE CAPABILITY MATURITY (CONTINUED)

Weights Within Dimensions

Process	
Degree of Documentation, Reusability, and Repeatability	50%
Degree of Optimization	50%
Organization	
Skills and Knowledge Dependency	50%
Degree of Integration in Workplace Culture	50%
Technology	
Degree of Integration, Robustness, and Scalability	50%
Degree of Automation	50%

Order of Importance and Weights Across Dimensions

Where 1 = Most Important, 2 = Somewhat Important, 3 = Least Important

Capability	Process		Organization		Technology	
Performance Management	1	50%	3	15%	2	35%
Execution Management	1	50%	2	35%	3	15%
Credit Adjudication	1	50%	2	35%	3	15%
Fulfillment	1	50%	3	15%	2	35%
Servicing	1	50%	3	15%	2	35%
Communication Management	2	35%	1	50%	3	15%
Process Management	1	50%	3	15%	2	35%
Knowledge Management	3	15%	1	50%	2	35%
Information Management	2	35%	3	15%	1	50%
Data Management	1	50%	3	15%	2	35%
Operational Risk Management	1	50%	2	35%	3	15%
Human Resources Management	1	50%	3	15%	2	35%
Relationship Management	2	35%	1	50%	3	15%

Order of Importance	Weight
1	50%
2	35%
3	15%

Order of Importance	Weight
1	60%
2	40%

Source: CEB analysis.

Note: Adjustments if one dimension is N/A.

EVALUATE INDIVIDUAL CAPABILITIES

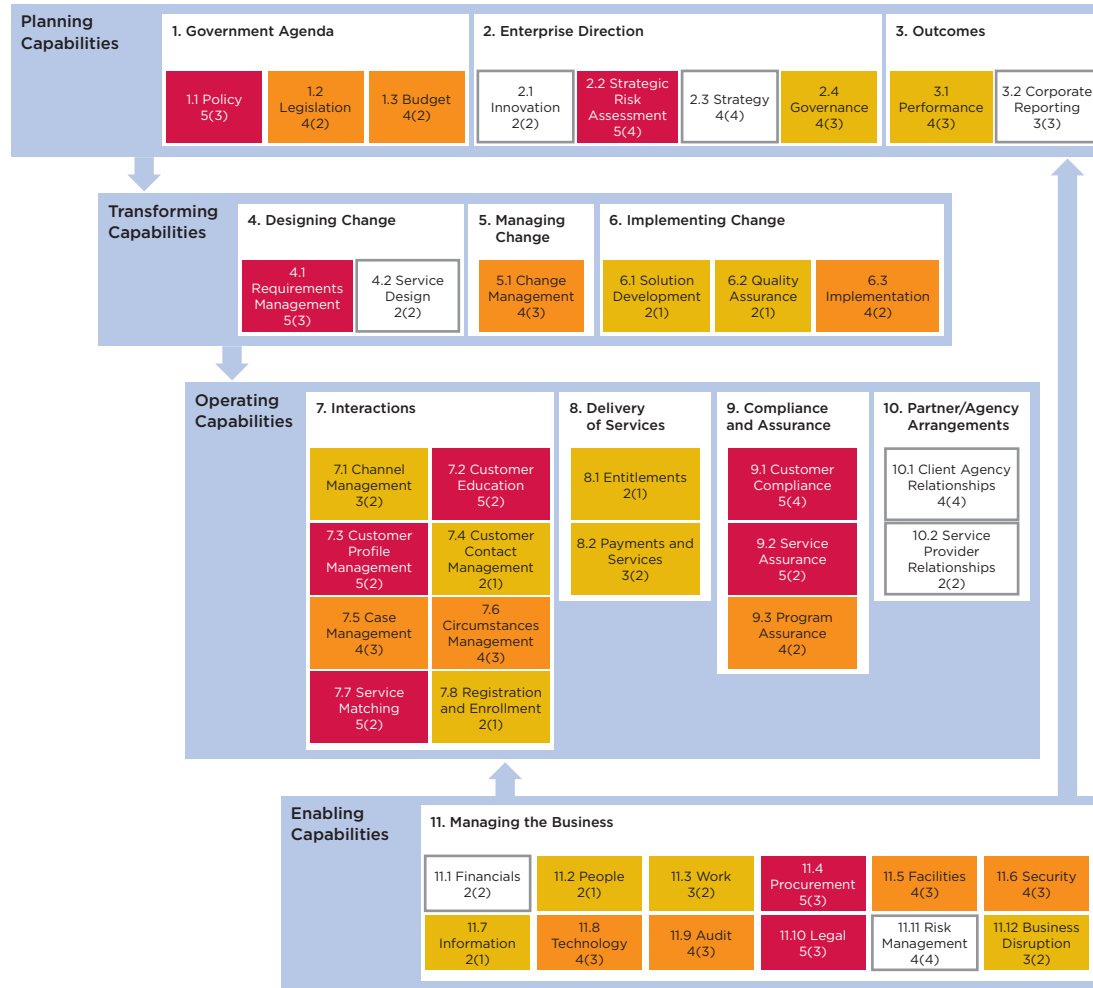
DIAGNOSE PERFORMANCE GAPS

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

CAPABILITY HEAT MAPPING

The Business Capability Model Heat Map

Illustrative



Change Required

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

Source: BlueCross BlueShield of North Carolina; CEB analysis.

Disclaimer: Random scores have been inserted to illustrate the use of the heat map. These scores do not indicate DHS capability maturity assessment results.

EVALUATE INDIVIDUAL CAPABILITIES

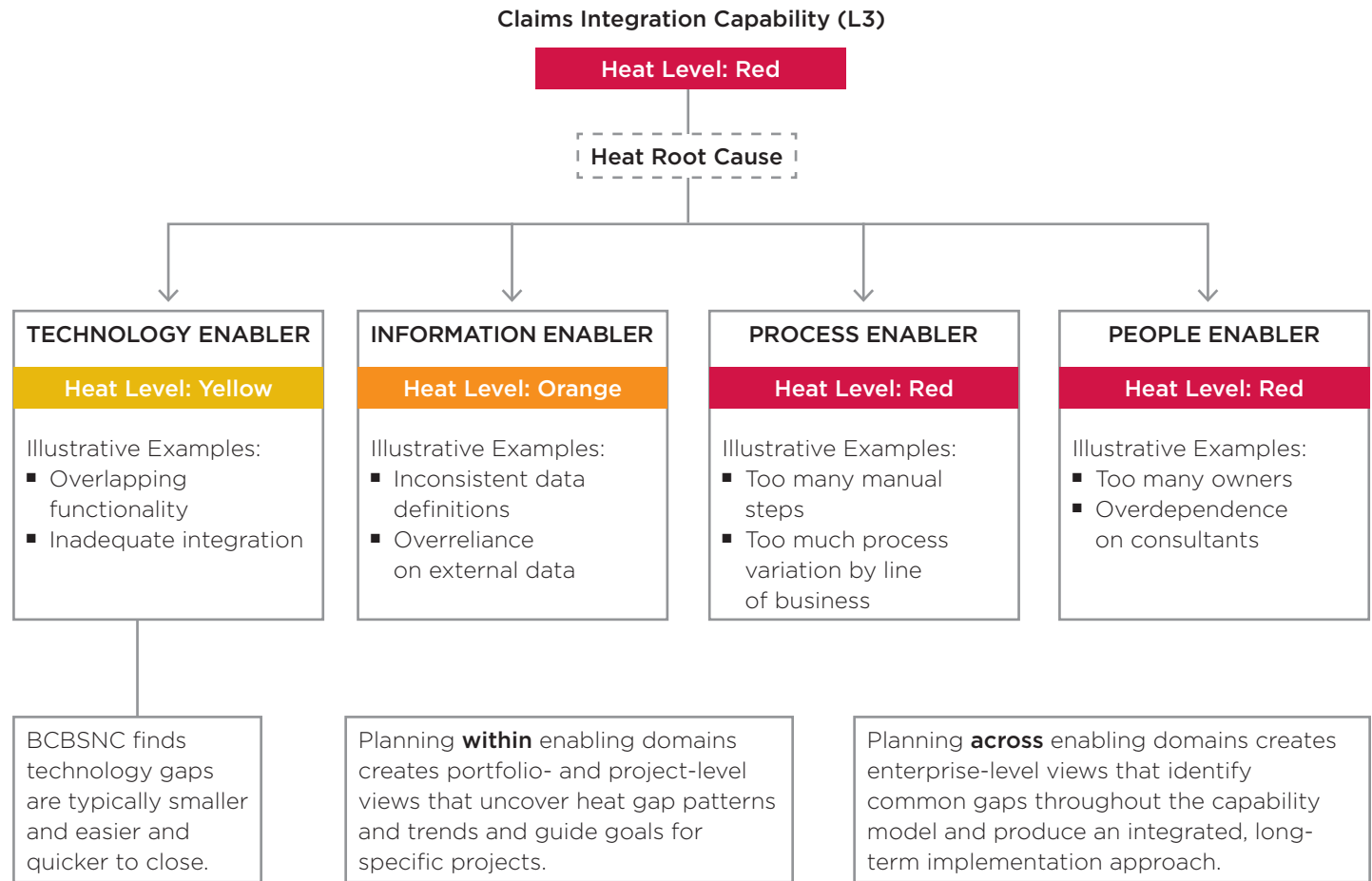
DIAGNOSE PERFORMANCE GAPS

Develop a detailed view of all the changes needed to successfully advance a capability.

- BCBSNC’s capability workshops appeal to business partners who desire to improve the capabilities they own by showing the power behind a complete view of all capability enablers and their performance gaps.
- Using workshop planning deliverables, capability owners engage HR, Business Process Engineering, Information Systems, and Information Management to close people, process, technology, and information gaps.

TECHNOLOGY SOLUTIONS ALONE DON'T SOLVE CAPABILITY PROBLEMS

Capability Heat Decomposition *Illustrative*



Source: BlueCross BlueShield of North Carolina; CEB analysis.

EVALUATE INDIVIDUAL CAPABILITIES

DIAGNOSE PERFORMANCE GAPS

CAPABILITY GAP ANALYSIS TEMPLATE

Strategic and Tactical Financial-Planning Capability Gaps

Illustrative

Imperative (Drivers and Pain Points)	Description of Capability Gap	Affected Capabilities	Rationale (Why This Is Critical)						
<p>1. Define and adopt a standard global planning, budgeting, and forecasting process utilizing a common data source.</p>	<p>Disparate processes and inconsistent hierarchy definitions cause inefficiencies and complexity during planning cycles.</p>	<table border="1"> <tr> <th colspan="2" data-bbox="1041 383 1482 418">Strategic and Tactical Financial Planning</th> </tr> <tr> <td data-bbox="1041 418 1262 500">Annual Budget Development</td> <td data-bbox="1262 418 1482 500">Long-Range Operating Plan Development</td> </tr> <tr> <td data-bbox="1041 500 1262 581">Financial Forecasting</td> <td data-bbox="1262 500 1482 581">Long-Range Entity Plan Development</td> </tr> </table>	Strategic and Tactical Financial Planning		Annual Budget Development	Long-Range Operating Plan Development	Financial Forecasting	Long-Range Entity Plan Development	<p>A standard process will improve efficiencies and cycle times, reduce iterations, and allow for a greater focus on strategy and planning; this process results in more accurate and timely forecasts.</p>
Strategic and Tactical Financial Planning									
Annual Budget Development	Long-Range Operating Plan Development								
Financial Forecasting	Long-Range Entity Plan Development								

2.

3.

4.

Source: CEB analysis.

CAPABILITY GAP SELF-ASSESSMENT

Illustrative

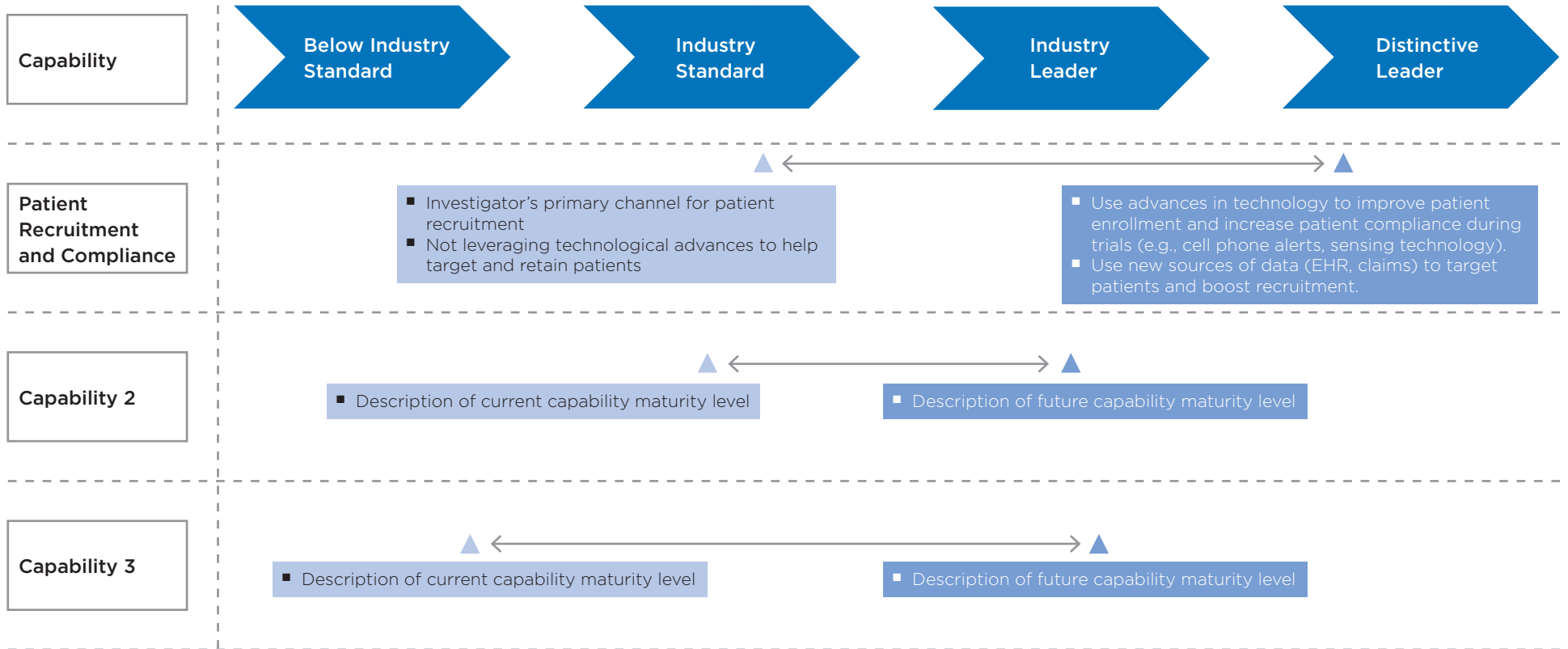
Rank		IS (-)	IS	IL	DL
1	Capability A				
2	Capability B				
3	Capability C				
4	Capability D				
5	Capability E				
6	Capability F				
7	Capability G				
8	Capability H				
9	Capability I				
10	Capability J				
11	Capability K				
12	Capability L				
13	Capability M				
14	Capability N				
15	Capability O				

- Current State
- Average Capability Maturity
- Future State
- IS (-) = Below Industry Standard
- IS = Industry Standard
- IL = Industry Leader
- DL = Distinctive Leader
- Rank = Relative Importance of Capability to Achieving Business Goal

Source: CEB analysis.

CAPABILITY GAP ANALYSIS

Illustrative



▲ Current State

▲ Future State

↔ Relative Gap

Source: CEB analysis.

EVALUATE INDIVIDUAL CAPABILITIES

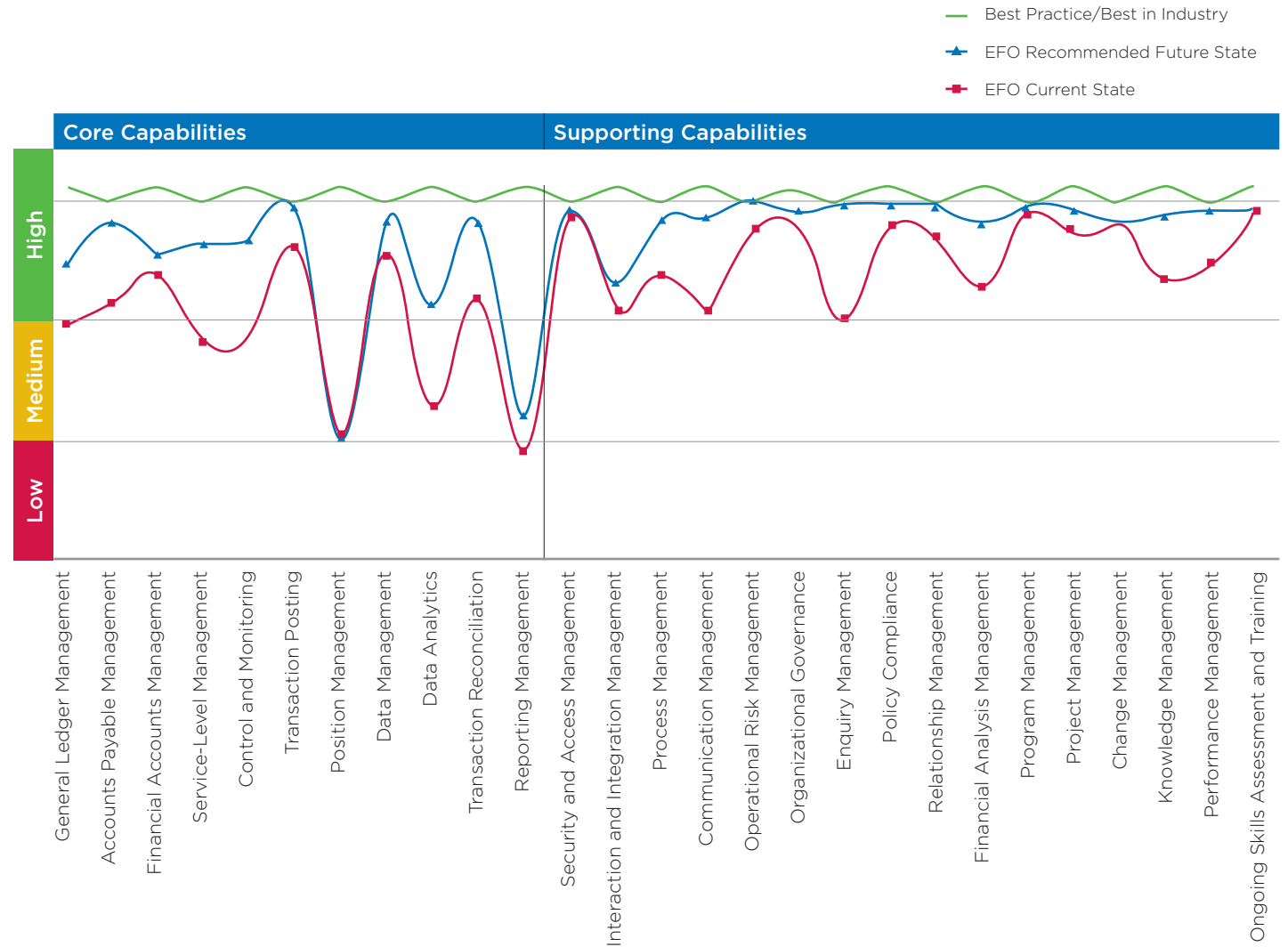
DIAGNOSE PERFORMANCE GAPS



The gap analysis pinpoints and quantifies areas of change needed to close gaps between current and future state capabilities.

- Comparing current and future state operating models elucidates needed changes to people, process, technology, product, and policy.

VISUALIZING GAPS



Source: CEB analysis.


EVALUATE INDIVIDUAL CAPABILITIES


DIAGNOSE PERFORMANCE GAPS


THE BUSINESS CAPABILITIES HANDBOOK: LAYING THE FOUNDATION FOR ENTERPRISE ARCHITECTURE


	I Business Capability Model Development	II Capability Analysis	III Capability-Based Planning	IV Capability Roadmapping
Head of EA Question	<i>How can we develop a relevant and usable capability model?</i>	<i>How can we evaluate capabilities consistently and efficiently?</i>	<i>How can we establish capability improvement priorities and build plans accordingly?</i>	<i>How can we ensure rigor and accountability for execution?</i>
Key Insight	Include key capability owners in the capability vetting process, and understand a capability's investment profile and broader context to manage it effectively.	Assess business capabilities bottom up—according to the capability's current performance—and top down—based on its criticality to achieving business objectives.	Using well-understood and prioritized business capabilities for planning and budgeting ensures investments drive the organization's intended strategic outcomes.	Establish high-level capability roadmaps to maintain long-term alignment and from which more detailed roadmaps may be derived.


Profiled Practices













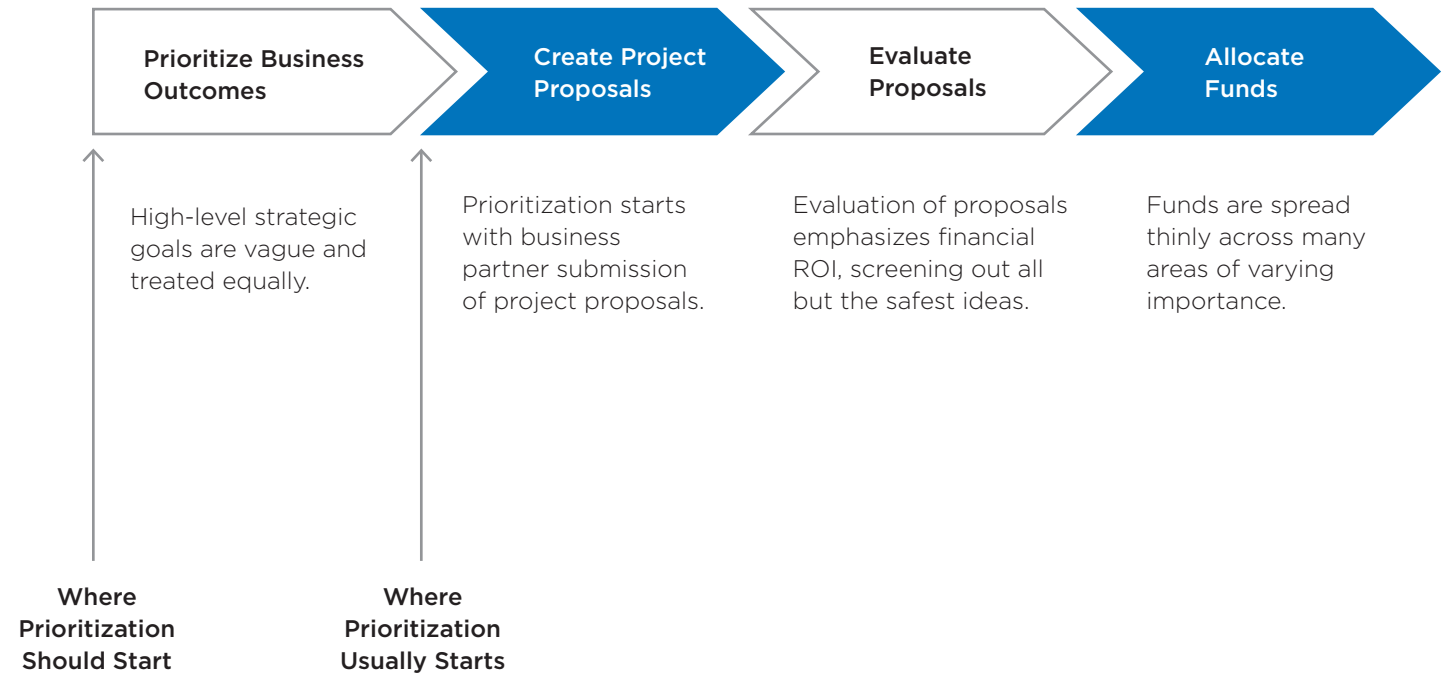




Most IT capital allocation processes misallocate funds because they start with a list of projects and triage based on financial ROI.

MISSING BEGINNINGS, BROKEN ENDINGS

Where the Capital Allocation Process Often Fails



Source: CEB analysis.

Business capabilities provide the right altitude for enterprise planning.

- Business capabilities elevate 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.

THE RIGHT ALTITUDE FOR PLANNING

	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

Source: CEB analysis.



Clear priorities enable organizations to make strategic bets with the potential to drive growth, rather than merely spreading out—and diluting—investments.

KEY STAGES FOR CAPABILITY-BASED PLANNING



Set Strategic Targets

- Identify a limited number of high-value capabilities in which to invest disproportionately.
- Establish a target operating model as a guide to setting specific targets.



Draft Execution Plans

- Create near-term objectives balanced against long-term vision to balance attainability with broader transformation; revisit annually.
- Integrate planning across functions wherever possible to maximize co-investment opportunities and identify interdependencies.

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

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

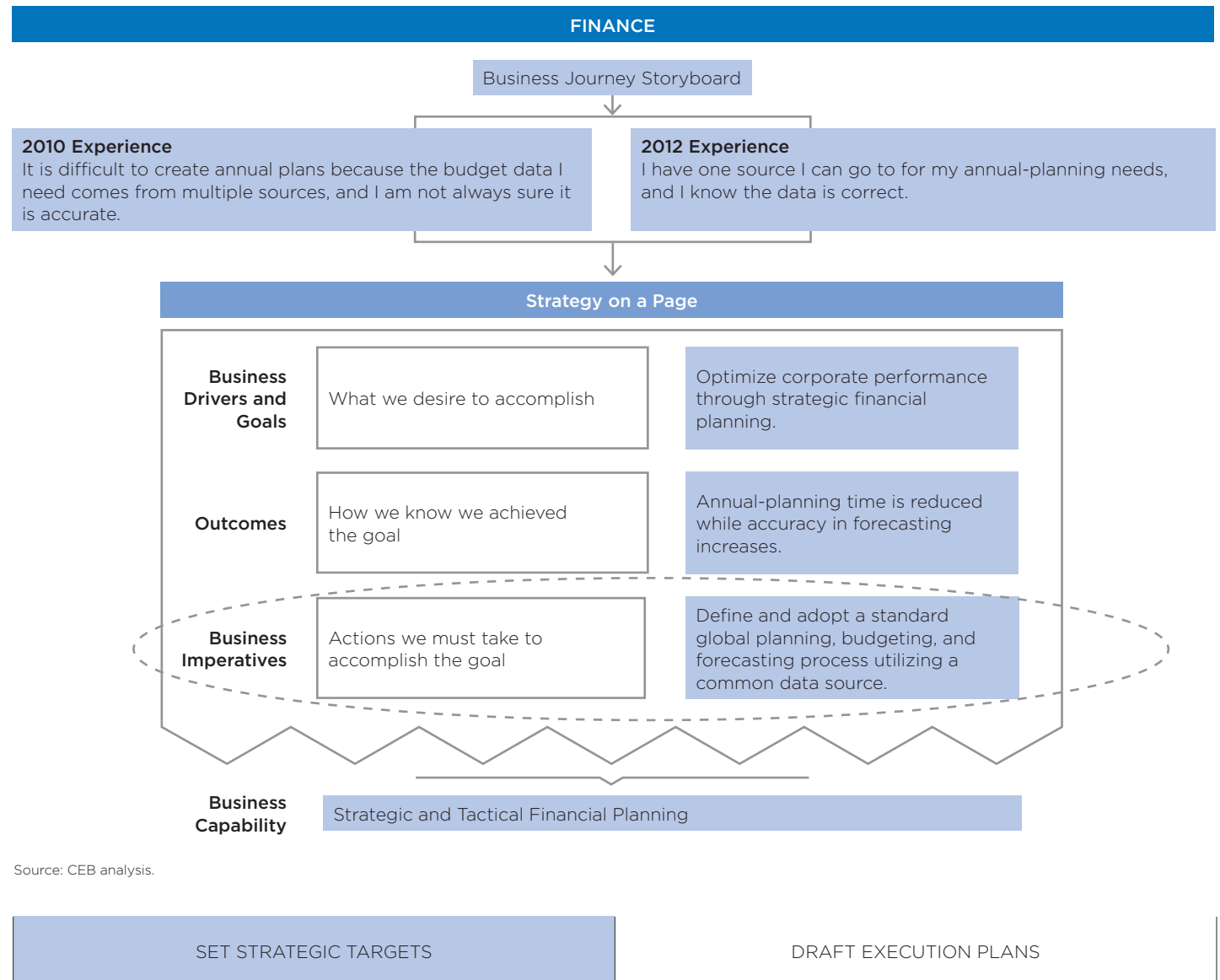
Find the full case study from Merck at: <http://ceburl.com/1h6g>.

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

DON'T let the absence of documented strategy hinder capability roadmapping.

LINKING BUSINESS STRATEGY TO CAPABILITIES

Illustrative



Source: CEB analysis.

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				
Accounting to Reporting				
Treasury and Capital Management				

- 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

Source: CEB analysis.


SET STRATEGIC TARGETS

DRAFT EXECUTION PLANS

Use the business pillar value multipliers to set targets for IT investment before projects are discussed.

- The target provides IT leaders and business partners a view of what spending should look like, based on business partners' own ranking of priorities.
- Although a project may contribute to more than one business pillar, the overall goal is to push spending to the most important pillars.
- Brocade holds a review if actual investment levels in a given pillar deviate from the target.

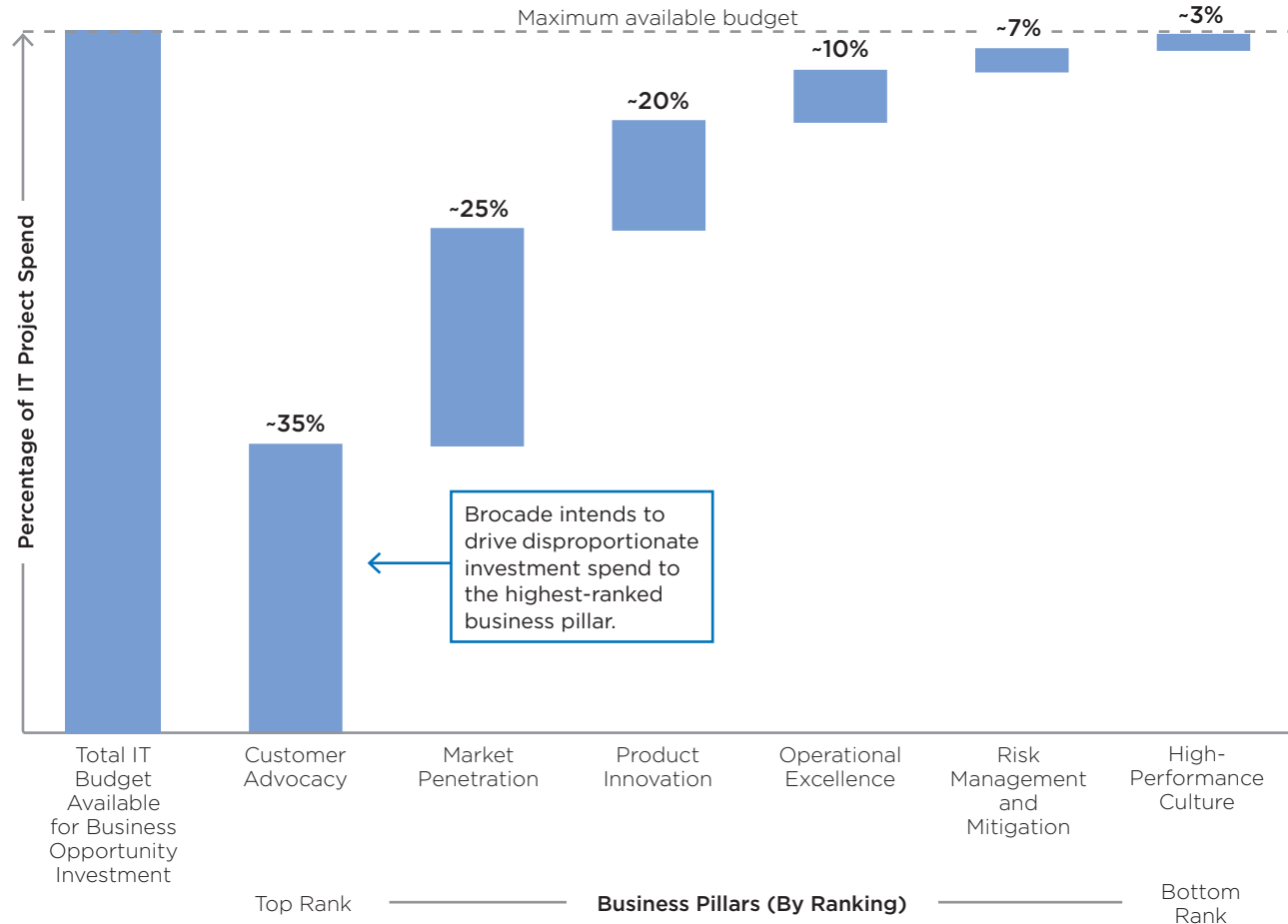
Find the full CEB CIO Leadership Council case study from Brocade at: <http://ceburl.com/1hah>.

 "We used to allocate funding to each business function, but now we target as much money as possible toward the most important pillars, regardless of business area."

Tim Graumann
CIO
Brocade

TARGETING MONEY WHERE THE VALUE IS

Desired Distribution of IT Investment
Illustrative



Source: CEB analysis.

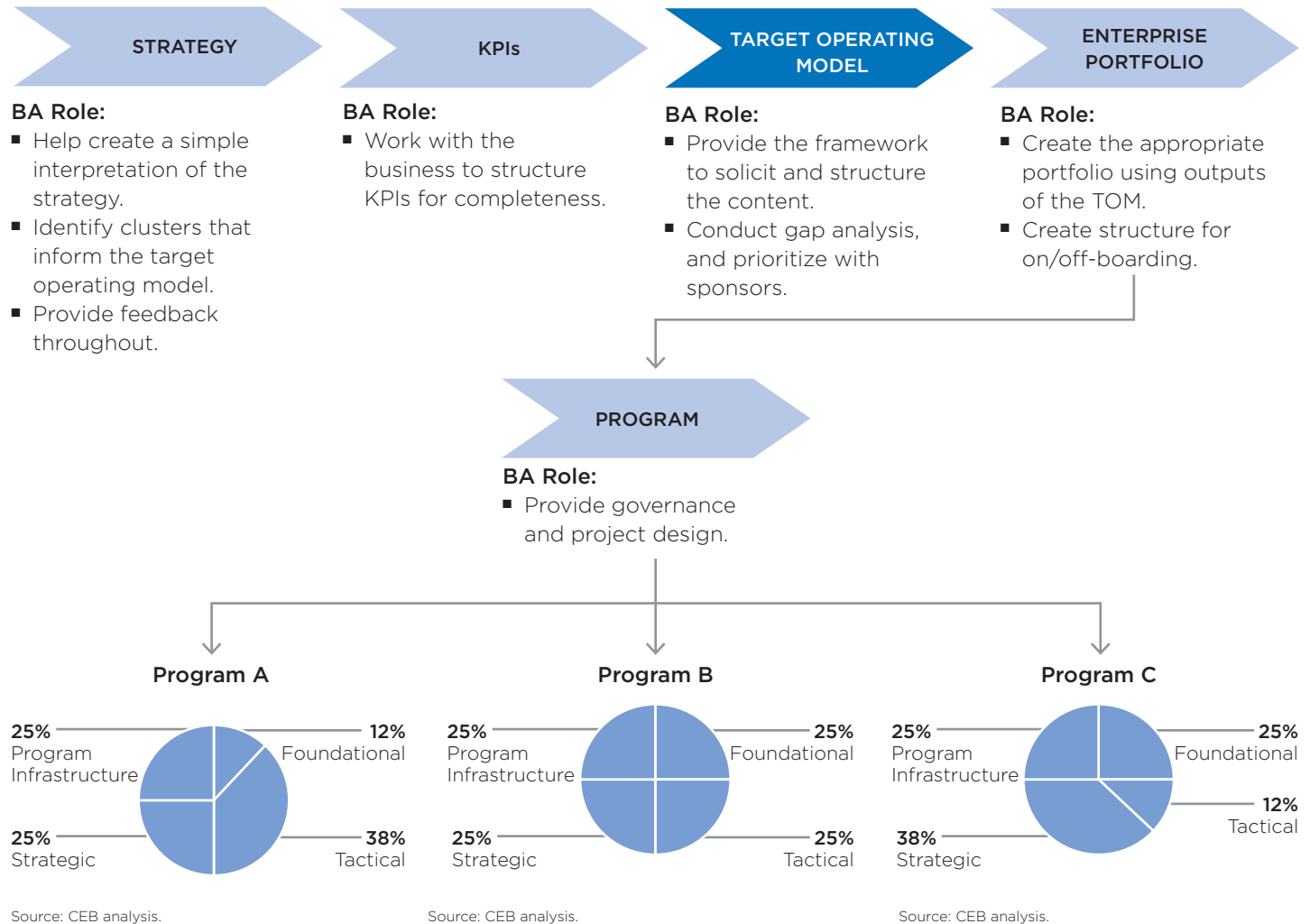
SET STRATEGIC TARGETS

DRAFT EXECUTION PLANS

The target operating model connects strategy to the program portfolio.

- BA plays a role at each stage in the process, with particular focus on the target operating model (TOM).

BUSINESS ARCHITECTURE APPROACH



SET STRATEGIC TARGETS

DRAFT EXECUTION PLANS

Capabilities are defined at four different levels to establish current and future states.

- The business must define not only what the different levels of transformation mean but also where the knowledge required to implement exists.
- Extensive internal and external analysis generates future state options that can later help prioritize implementation.
- BA helps the business select the transformation path and implement the key components for its execution.

DO force business partners to think through multiple future states.

DON'T let business partners scope transformational change down to something more incremental.

DEFINING DEGREES OF CHANGE

		Definition	Knowledge to Implement
Current State	Business as Usual	<ul style="list-style-type: none"> ▪ Evaluation of current process ▪ Evaluation of current benchmarks ▪ Evaluation of current competitor practices and product/service offerings 	<ul style="list-style-type: none"> ▪ Identifying pain points and customer irritants ▪ Documenting current state <ul style="list-style-type: none"> - People - Process - Technology
	Future State		
	Incremental Improvements How do we improve a little?	<ul style="list-style-type: none"> ▪ Matching current competitor product/service offering ▪ Median performance against peers 	<ul style="list-style-type: none"> ▪ Process improvements <ul style="list-style-type: none"> - Lean Six Sigma ▪ System changes ▪ Outside vendors/outsourcing
	Significant Improvements How do we improve a lot?	<ul style="list-style-type: none"> ▪ Market-leading product/service offering ▪ Top quartile performance relative to peers ▪ Industry best practices 	<ul style="list-style-type: none"> ▪ E2E changes involving the entire value chain ▪ New systems ▪ Peer best practices
	Truly Transformational How do we change the game?	<ul style="list-style-type: none"> ▪ Market-leading product/service offering—"blue water"—strong source of lasting competitive advantage ▪ Top decile performance relative to peers ▪ World-class best practices (using nonfinancial industry practices) 	<ul style="list-style-type: none"> ▪ Outside specialty consulting companies ▪ Best practices outside the financial service industry

Source: CEB analysis.

SET STRATEGIC TARGETS

DRAFT EXECUTION PLANS

Business scenarios and their pain points are a useful lens for identifying business capabilities and highlighting the health of those capabilities.

- 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.

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).

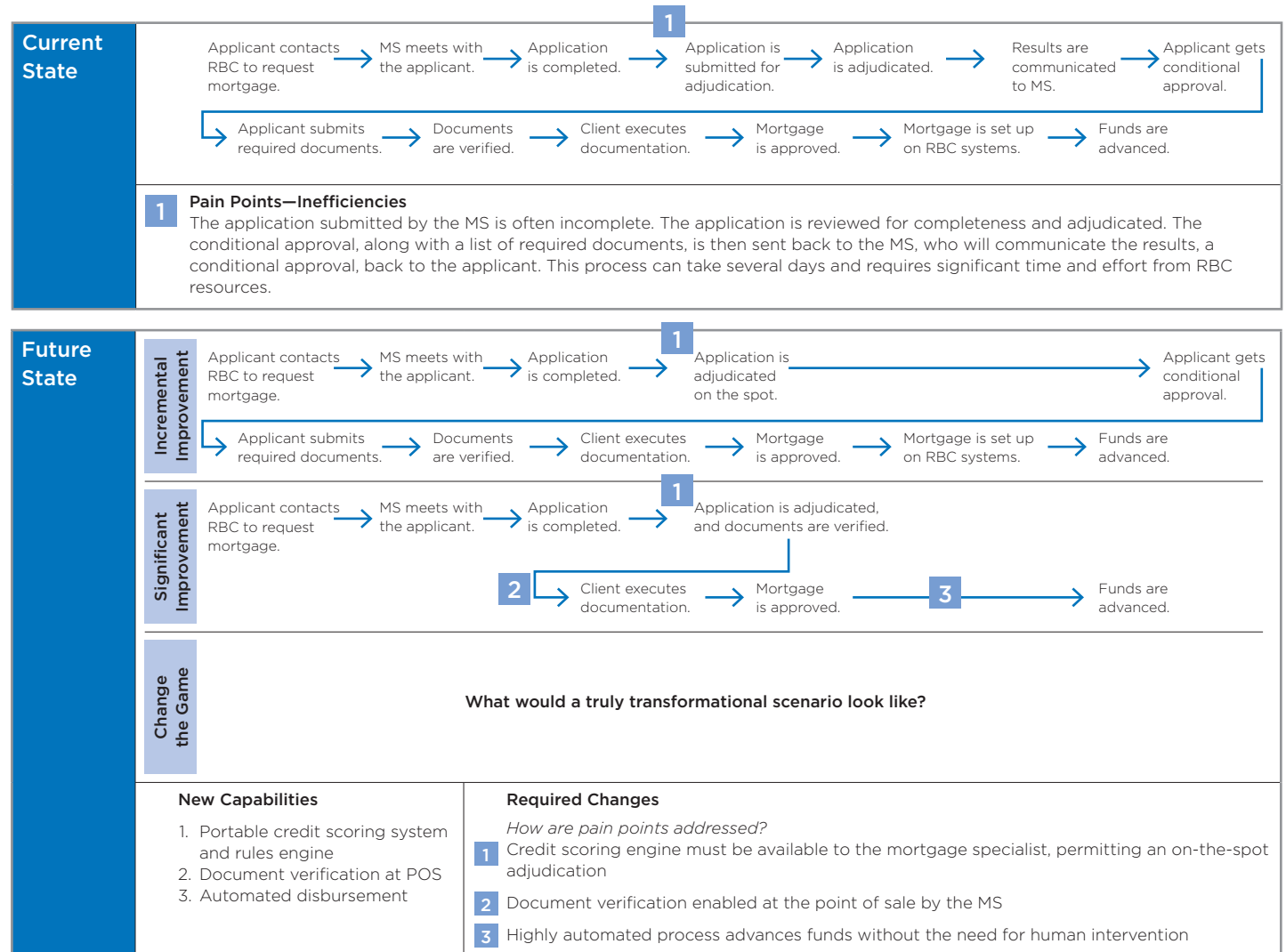
“Capabilities can be a pretty abstract concept for many of our business partners. Scenarios help them come to life.”

David Furlong
Managing Director, Business Architecture
RBC

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)



SET STRATEGIC TARGETS

DRAFT EXECUTION PLANS



Scenario analysis determines the optimal mix of capability maturities to achieve the business case in the time frame allotted.

- Scenario 1 does not deliver the required level of savings.
- Scenario 2 exceeds the savings target but requires eight years to implement.
- Scenario 3 is the same as Scenario 1 but with a transformational Leads and Contact Management system, and it fails to deliver the business case.



“The key is to identify which capabilities will differentiate us in the market and then to invest and deploy to the maturity level required.”

David Furlong
Managing Director, Business
Architecture
RBC

OPTIMIZING THE CAPABILITY MIX

Option Analysis

Illustrative

		Scenario 1	Scenario 2	Scenario 3	Recommended
Capabilities	Leads and Contact Management	Incremental	Incremental	Transform	Incremental
	Product Catalog	Incremental	Transform	Incremental	Incremental
	Documents at Point of Sale	Incremental	Transform	Incremental	Significant
	Auto-Adjudication	Significant	Transform	Significant	Transform
	Fulfillment	Incremental	Significant	Incremental	Incremental
	...	Significant	Significant	Significant	Incremental
	Servicing	Incremental	Transform	Incremental	Significant
Results	Time Frame	2.5 Years	8 Years	5 Years	2.5 Years
	Five-Year Net Benefit (in Millions)	75	150	78	112

Requirements: Program “x” requires a \$100 M, five-year net benefit and must be implemented in less than three years.

Source: CEB analysis.

SET STRATEGIC TARGETS

DRAFT EXECUTION PLANS

Capabilities are prioritized at the portfolio level to compare their enterprise value.

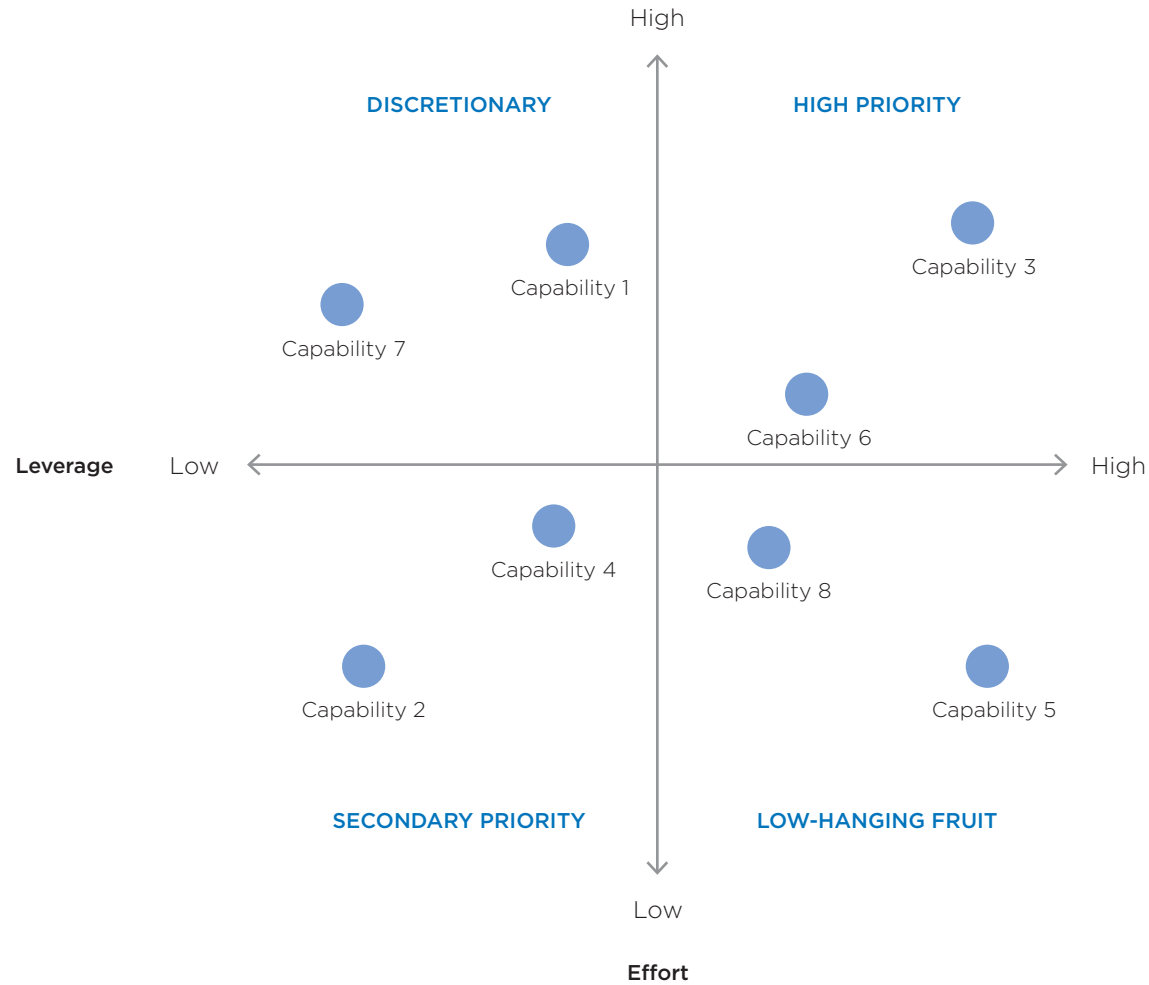
- Leverage is determined by examining how broadly a capability can be used across the company.
- Effort is calculated by analyzing how difficult it will be to implement the capability.

DO focus disproportionate attention on high-priority capabilities.

DON'T evaluate capabilities based on their importance to any one strategy in isolation.

PORTFOLIO-LEVEL PRIORITIZATION

Capability Prioritization Matrix
Illustrative



Source: CEB analysis.

SET STRATEGIC TARGETS

DRAFT EXECUTION PLANS

Sponsorship, the team, methods, and tools are key success factors for Business Architecture at RBC.

LESSONS LEARNED

	Guiding Principles	Key Characteristics	Potential Hazards
Sponsorship and Executive Leadership	Align to an influential executive who possesses many (ideally all) of the following key dimensions.	<ul style="list-style-type: none"> ▪ Fearless (has been bold, maybe even failed) ▪ Publicly supportive ▪ A builder ▪ Can envision and convey a future state ▪ Comfortable with ambiguity and uncertainty 	<ul style="list-style-type: none"> ▪ Focusing on 100% goal attainment ▪ Requiring immediate results ▪ Not including process metrics among key performance indicators
Team Structure and Competencies	<p>A federated model with clear lines of sight into relevant lines of business is desired.</p> <p>Composed of individuals who possess many (ideally all) of the following competencies.</p>	<p>Federated model benefit:</p> <ul style="list-style-type: none"> ▪ Accountable ▪ Scalable ▪ Consistent <p>Desirable competencies:</p> <ul style="list-style-type: none"> ▪ Mental agility ▪ Comfort with ambiguity ▪ Inner confidence ▪ Ability and willingness to learn 	<ul style="list-style-type: none"> ▪ Taking a solution-driven rather than business-driven approach ▪ Not investing in establishing credibility ▪ Possessing or perceiving to possess subject matter expertise limits creativity. ▪ Embedding in IT
Methods	Achieve the client's strategy by identifying the gaps between the current and required capability sets, being sure to articulate the extent to which the capabilities meet minimum competitive standards, up the ante, or are transformational.	<ul style="list-style-type: none"> ▪ Engaging in thorough research to accurately articulate current and desired future states ▪ Informing investment priorities through gap analysis ▪ Applying experience (since originality is a product of mastery) ▪ Building skills through engagements 	<ul style="list-style-type: none"> ▪ Searching for an ideal remedy ▪ Rigidly holding on to models ▪ Difficulty in defining where the industry is likely headed, where opportunities exist, and where the organization wants to be
Tools	Establish a target operating model to allow the goals of the engagement to either 1) be validated by rolling up to the higher strategic vision or 2) be passed on to the supporting projects.	<ul style="list-style-type: none"> ▪ Building tools organically ▪ Reuse, reuse, reuse ▪ Demonstrating flexibility to create views the client is comfortable with 	<ul style="list-style-type: none"> ▪ Viewing modeling tools as complete depictions of reality

Source: CEB analysis.

SET STRATEGIC TARGETS

DRAFT EXECUTION PLANS

Identify the breadth of resources and structures required to deliver desired business capabilities in the future.

- BCBSNC uses declarative statements with realistic, understandable language to describe the future from a customer, people, process, and IT perspective.

ORIENT PLANNING TOWARD A FUTURE STATE

BCBSNC Future-State Planning Dimensions

	Customer	People	Process	Information and Technology
Future State	<ul style="list-style-type: none"> What markets will we enter? Who will our customers be? What new products will we deliver? What delivery channels will we use? How will our service delivery change? 	<ul style="list-style-type: none"> What new roles will we create? What skills must we have? What will be the demand on our internal staff? What will our sourcing strategy be? How will our organization change? 	<ul style="list-style-type: none"> How defined will our processes be? What manual interventions will be necessary? What level of process complexity should we have? What governance structures will we need? 	<ul style="list-style-type: none"> How many applications will we need? What percentage of our applications should be customized? What level of applications complexity should we have? What control mechanisms will we need?

Source: CEB analysis.

SET STRATEGIC TARGETS

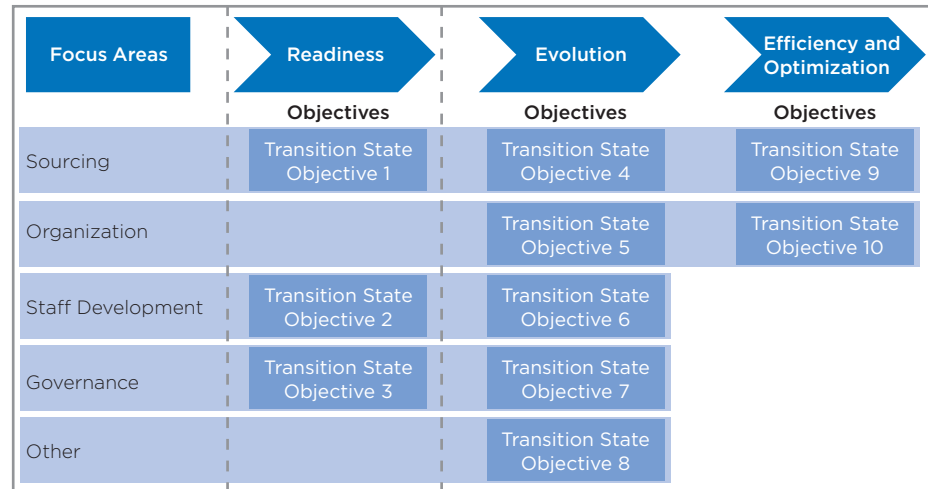
DRAFT EXECUTION PLANS

Cascade strategy to execution through multiple planning views.

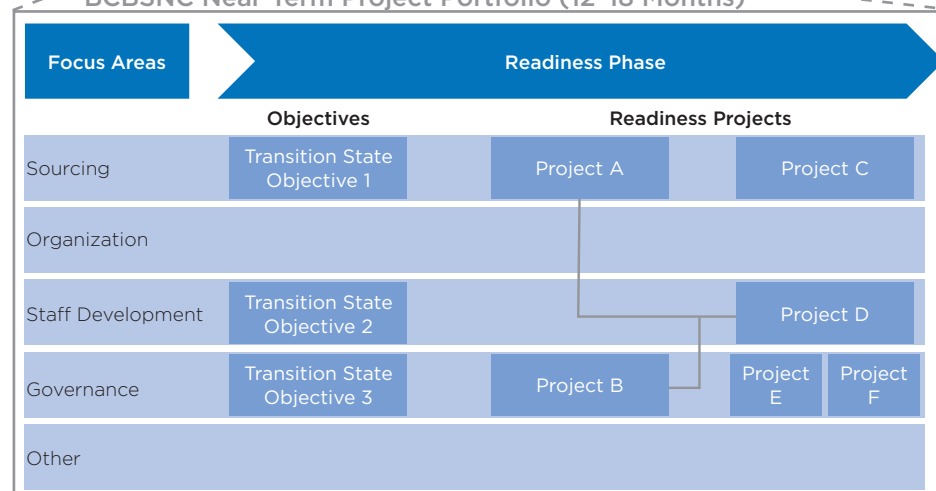
- Long-term roadmaps—typically with five-to-seven-year outlooks—provide a multiyear plan for transforming from the current state to the defined target state.
- BCBSNC creates roadmaps in a single workshop and expects them to change over time; annual updates and extensions maintain a three-year rolling plan.
- BCBSNC creates near-term project portfolios in the final workshop.
- Project portfolios typically achieve initial transformation phase objectives in a 12- to 18-month timespan.

BALANCE YOUR PLANNING EFFORTS OVER THE LONG AND NEAR TERMS

BCBSNC Long-Term Roadmap (Five to Seven Years)



BCBSNC Near-Term Project Portfolio (12-18 Months)



Source: BlueCross BlueShield of North Carolina; CEB analysis.

SET STRATEGIC TARGETS

DRAFT EXECUTION PLANS

Identify where in the planning cycle capability roadmaps can either inform or be informed by key decisions.

- Two roadmap updates are built into the planning cycle, one at the end of multiyear strategic planning and another after budgets have been finalized.
- Capability roadmaps are a critical input into business unit and cross-enterprise prioritization processes.

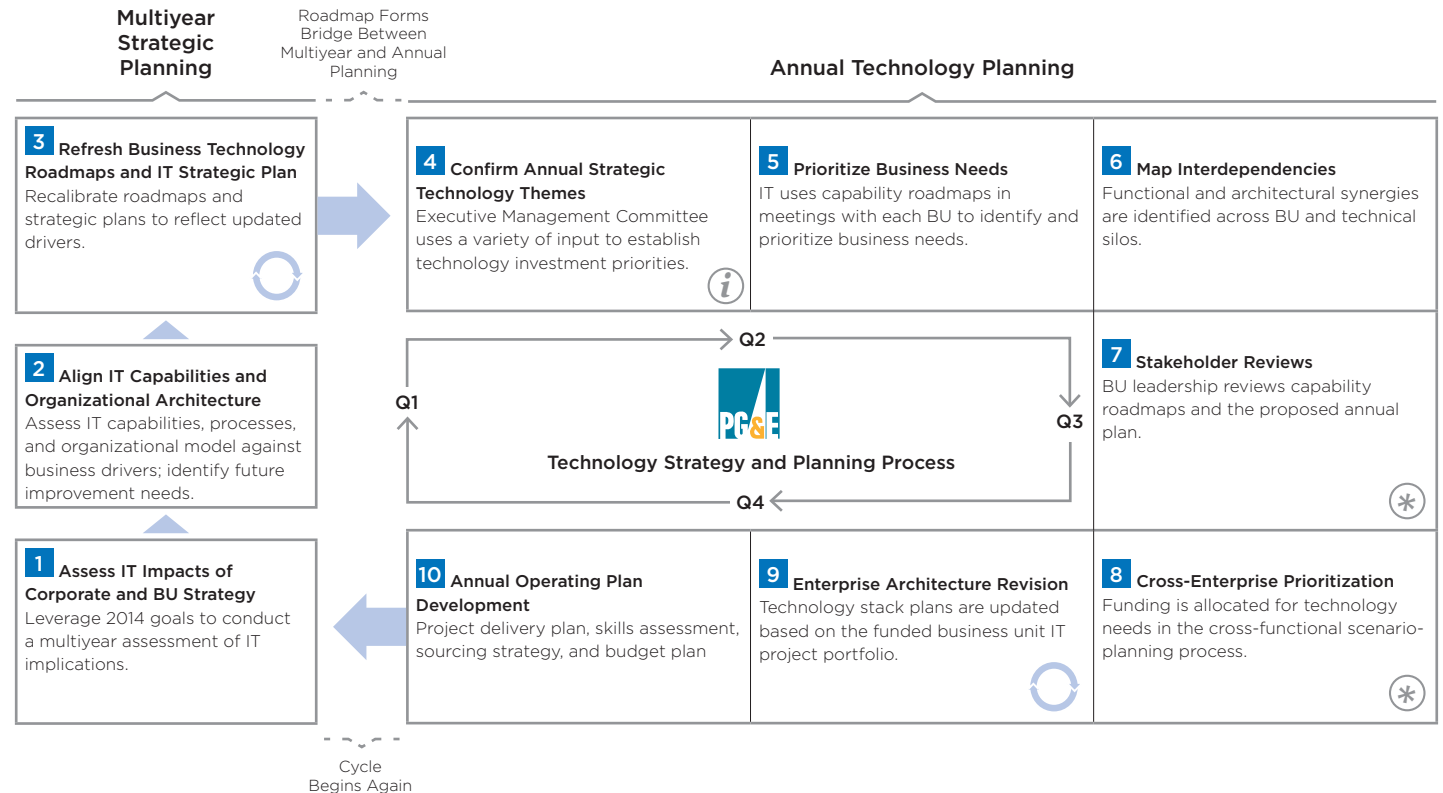
Find the full case study from PG&E at: <http://ceburl.com/1h6h>.

“A roadmap without a mechanism to prioritize spend just becomes a PowerPoint. It’s impossible to retain alignment across business units. That’s why we created an integrated investment and portfolio planning process before we introduced our capability roadmaps.”

Brian Abrahamson
Senior Director, Strategic Planning and Architecture
Pacific Gas and Electric Company

TECHNOLOGY-PLANNING PROCESS

Multiyear and Annual Technology Planning Cycles



- Scheduled Roadmap Refreshes
- Roadmap Information-Gathering Milestone
- Roadmap Decision Input

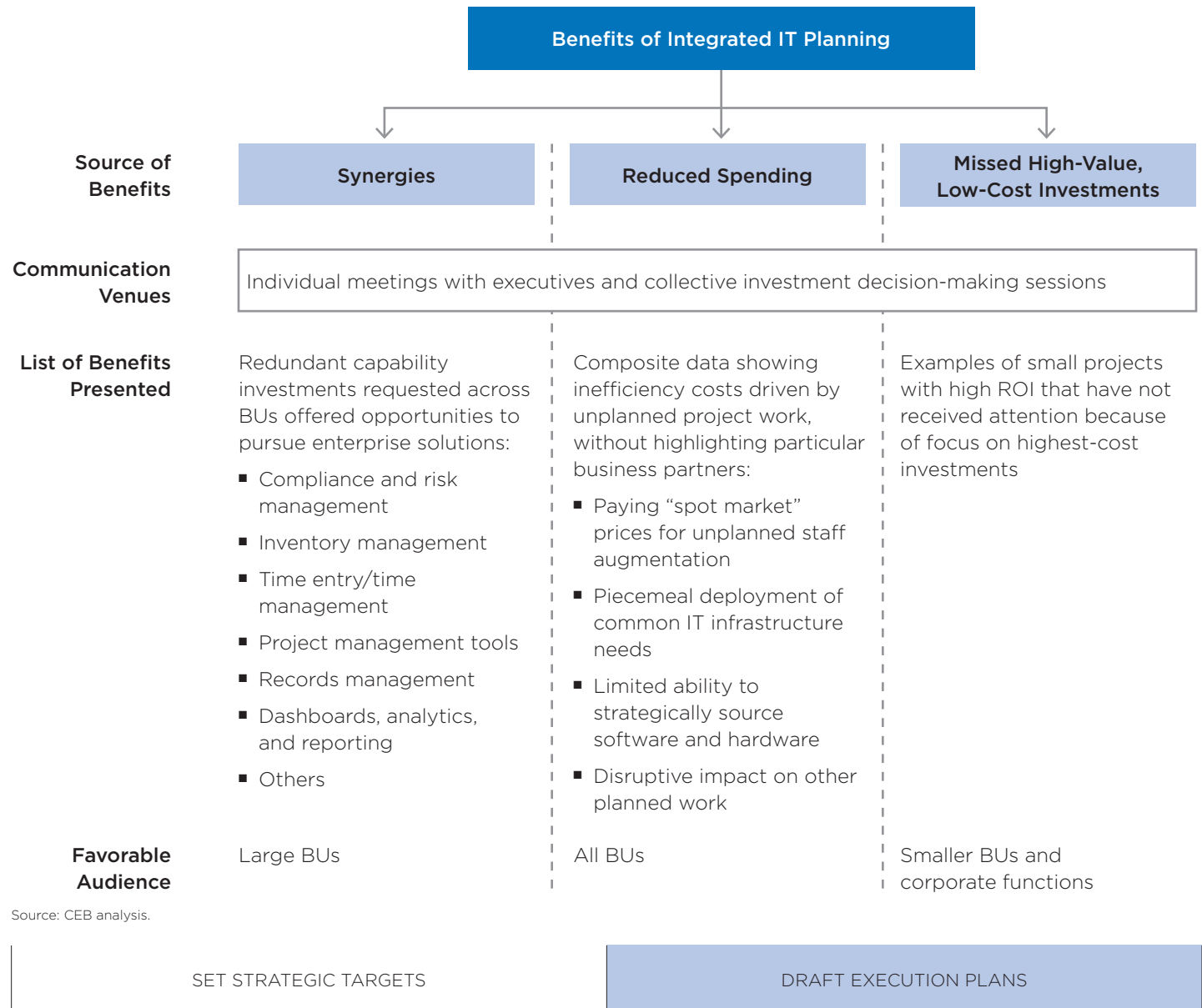
Source: CEB analysis.

SET STRATEGIC TARGETS

DRAFT EXECUTION PLANS

Establish an integrated approach to technology planning across business units *before* introducing capability-based roadmaps.

BEGIN WITH THE BENEFITS



Source: CEB analysis.

“Once we presented the benefits of more integrated planning, each business unit got on board. The smaller units appreciated that a clarified system would allow their voices to be better heard, while the bigger units appreciated the more streamlined, efficient approach. And of course, everyone appreciated the potential for savings and synergies.”

Brian Abrahamson
Senior Director, Strategic Planning and Architecture
Pacific Gas and Electric Company

Include IT questions in Finance's data-gathering process to obtain early indications of expected business partner IT demand.

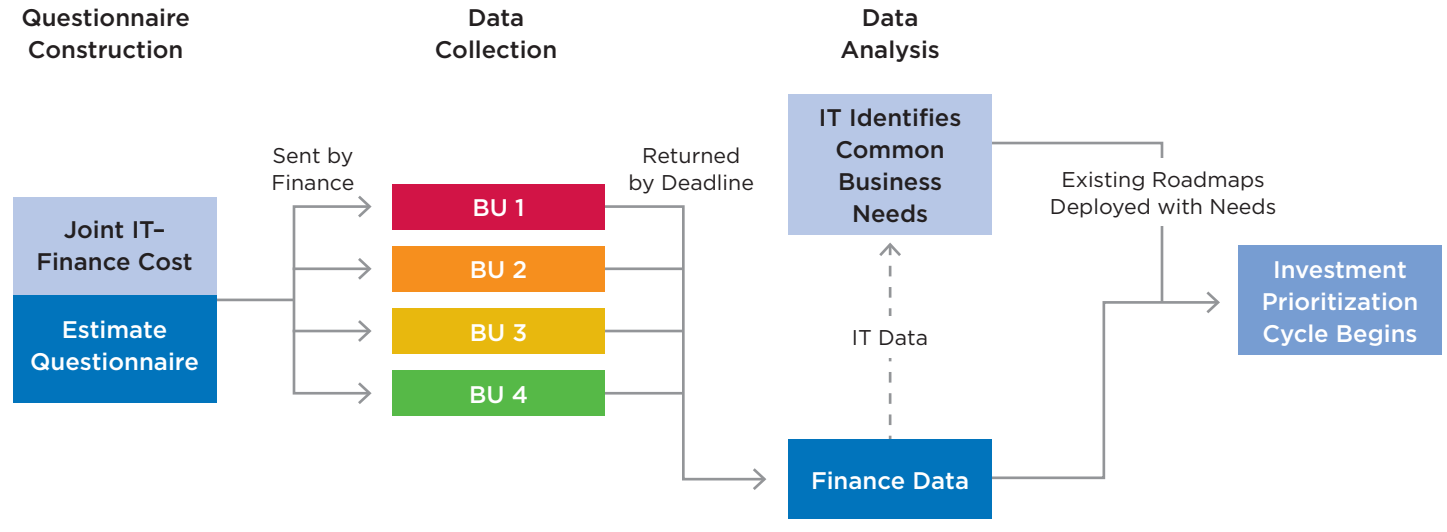
- PG&E adds IT cost and demand questions to Finance's annual pre-budget data-collection survey to efficiently gather early information on business demand.
- IT uses this data in conjunction with capability roadmaps to help business partners prioritize their IT demand at the beginning of the planning process.

DO work with Finance to identify the right information and audience to target for IT demand sensing.

DON'T substitute the data-collection process for conversations with business partners about objectives and needs.

FRONT END-PLANNING INTEGRATION

Joint IT-Finance Cost Data-Collection Process



Business Partner Benefits

- Greater planning efficiency
- Fewer points of contact
- Simplified administration
- IT understands business needs and can support investment prioritization.

Finance Function Benefits

- Accurate and consistent cost data collected for all parts of the business
- Greater confidence in IT cost projections
- Increased planning efficiency

IT Benefits

- Gives IT a clear, early picture of demand for the coming year
- Provides legitimacy to IT data collection
- Provides IT with information on enterprise investment costs and priorities that help IT shape demand
- Increased planning efficiency
- Establishes IT planning as part of an integrated enterprise planning process

Source: CEB analysis.

SET STRATEGIC TARGETS

DRAFT EXECUTION PLANS

Use a capabilities-based approach to investment planning to obtain a more holistic view of business pain points across people, process, and technology.

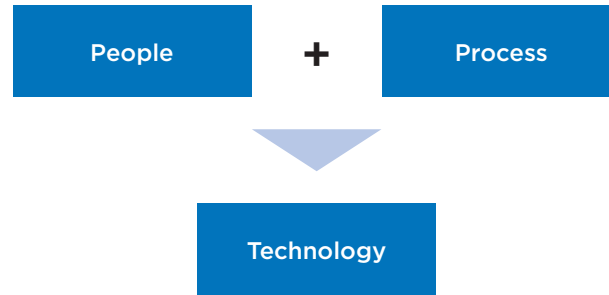
- Capability roadmapping has shifted the conversation with business partners from technology solutions to understanding the underlying problem.

“A significant challenge in shifting to a capability-based planning approach is getting business leaders comfortable with IT stewarding (but not owning) a planning process that goes beyond a siloed focus on technology.”

Brian Abrahamson
Senior Director, Strategic Planning and Architecture
Pacific Gas and Electric Company

BUSINESS OWNERSHIP, IT STEWARDSHIP

Before



Business Role

- Owned the people and process components

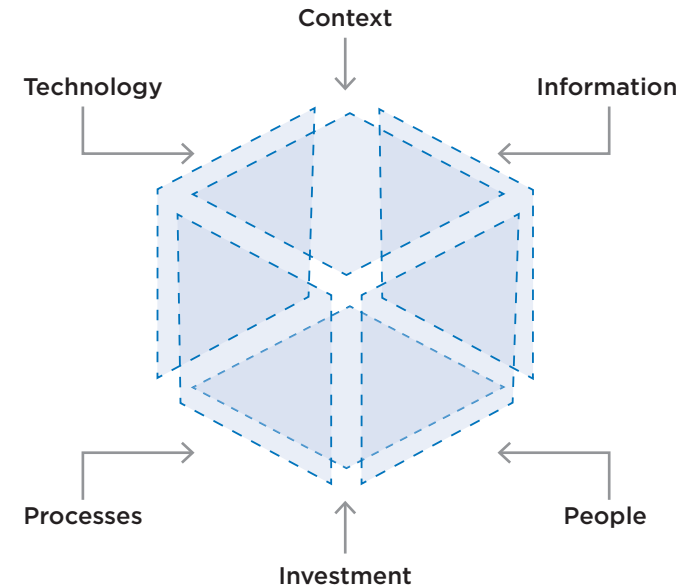
IT Role

- Responsible for delivering the technology solution

Source: CEB analysis.

SET STRATEGIC TARGETS

After



Business Role

- Manages the overall process for developing a capability roadmap and owns the outcomes

IT Role

- Acts as a steward of the methodology, tools, and templates used to develop capability roadmaps

DRAFT EXECUTION PLANS

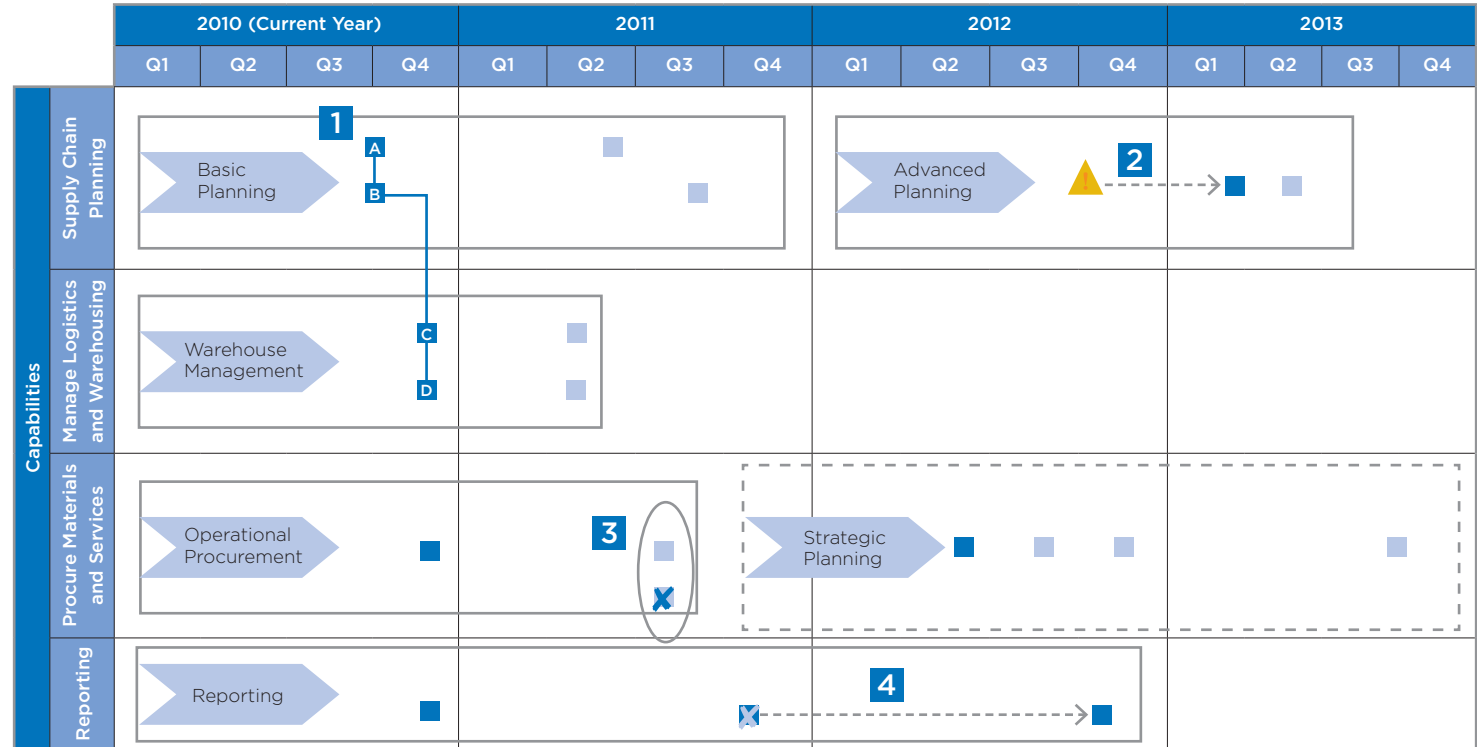
By planning around capabilities rather than projects, PG&E takes a more integrated view of its IT investments.

- PG&E uses its capability roadmaps to do the following:
 - Ensure the correct sequencing of interrelated projects.
 - Recognize where a business process improvement is required before a project can begin.
 - Identify and eliminate duplicative investments.
 - Avoid stranding projects when cancellations occur.
 - Package people, process, and technology initiatives together in an integrated fashion to support a specific capability.

MAKING BETTER IT INVESTMENT DECISIONS

Annotated Capability Roadmap (Supply Chain)

Illustrative



- Level-2 Capability
- Approved and Funded Projects
- Proposed but Unfunded Future Projects
- Proposed Cancellation
- Business Process Improvement Milestone
- Packaged Initiatives to Improve a Capability
- Cross-Enterprise Capability Improvement
- Process or Project Dependency

Source: CEB analysis.

SET STRATEGIC TARGETS

DRAFT EXECUTION PLANS



Leverage the capability layer to coordinate investment planning across business units.

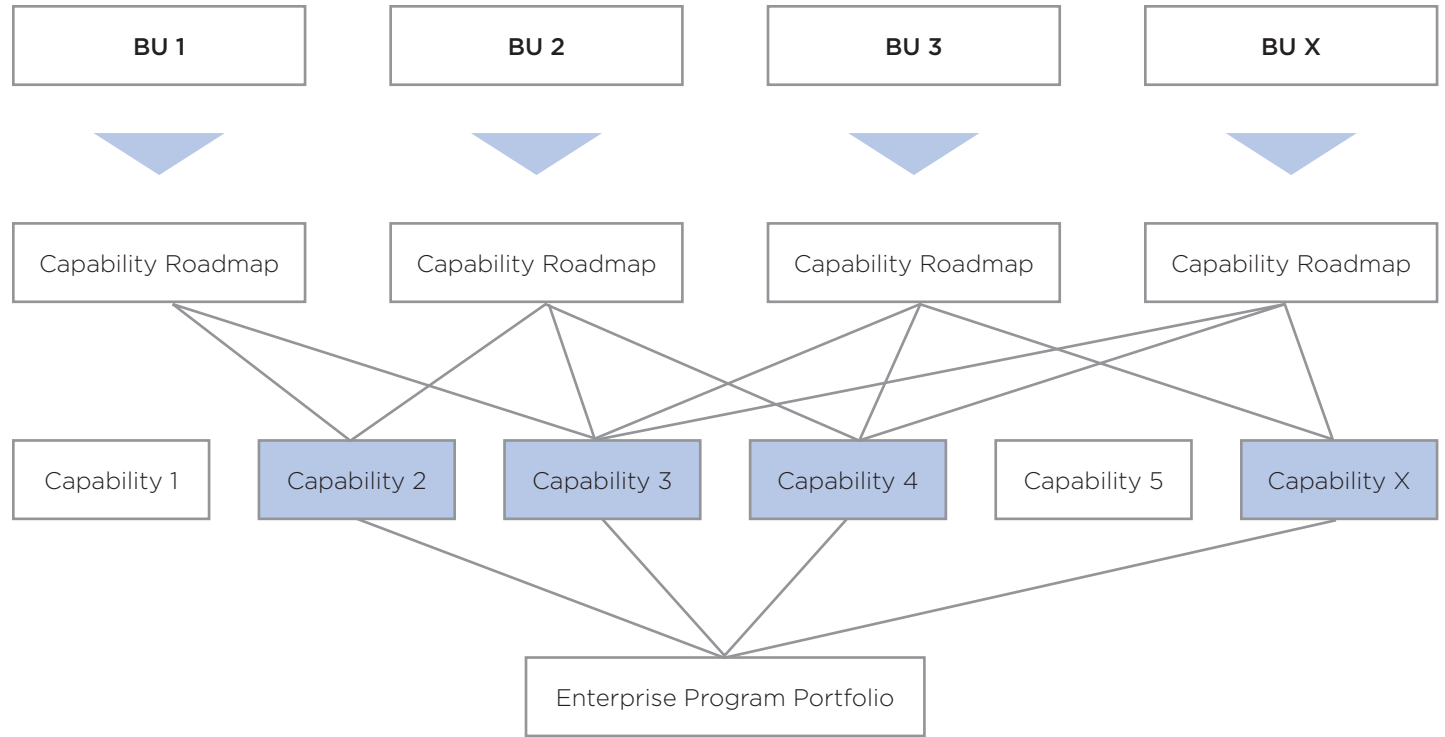
- Because individual business unit initiatives can be traced to a common set of business capabilities, it is much easier to identify duplicative investments and develop common solutions.



“Our objective is to have a mature roadmap developed for each major business function. That dramatically improves the effectiveness of our cross-functional planning as we coordinate synergies and dependencies across business units.”

Brian Abrahamson
Senior Director, Strategic Planning and Architecture
Pacific Gas and Electric Company

CROSS-BUSINESS UNIT PLANNING



Source: CEB analysis.

SET STRATEGIC TARGETS

DRAFT EXECUTION PLANS

Separate business unit IT project budgets from the internal IT budget to reap the benefits of joint planning while maintaining business ownership.

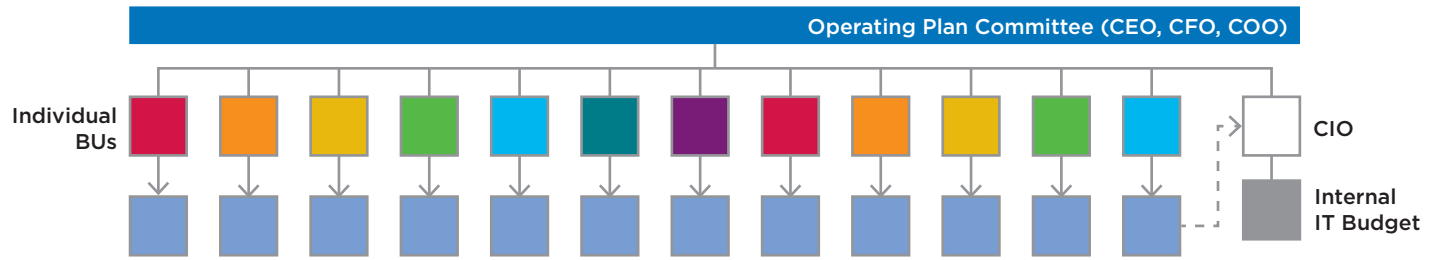
- PG&E creates the Technology Oversight Committee (TOC) to integrate previously siloed business unit IT budgets.

“We’ve created a virtual firewall between the internal IT budget and the budget for BU IT projects. What were previously siloed IT project budgets in each BU have now been consolidated into one. That budget is treated by Finance as a virtual BU but is managed by a committee of business leaders (the TOC) instead of a single VP.”

Brian Abrahamson
Senior Director, Strategic Planning and Architecture
Pacific Gas and Electric Company

INTEGRATED IT BUDGET OWNERSHIP

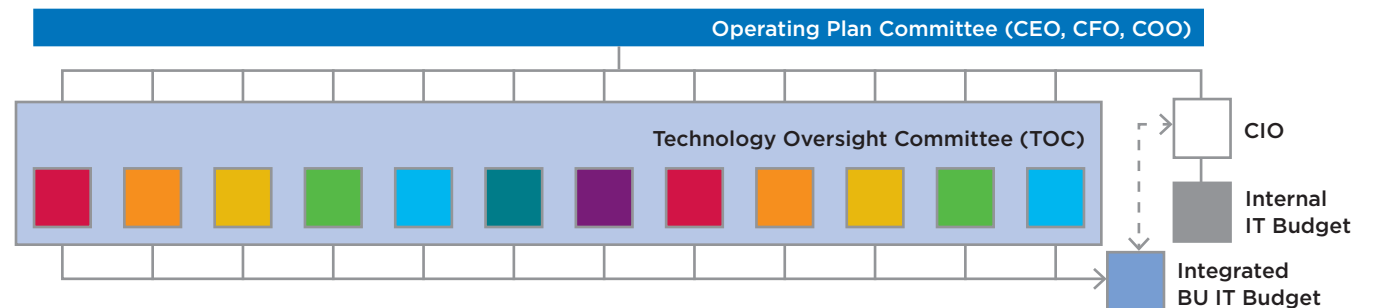
Siloed IT Investment Planning



Separate BU IT budgets cover major technology projects and minor enhancements for each BU with little consideration for cross-enterprise objectives or duplicative investments; IT has little ability to shape demand.



Integrated IT Investment Planning



Integrated BU IT budgets decided on and owned by business partners and facilitated by IT; IT does not control decision making but shapes demand with capability roadmaps that identify synergies, redundancies, and process improvements.

Source: CEB analysis.

SET STRATEGIC TARGETS

DRAFT EXECUTION PLANS

Run monthly reviews of the IT project portfolio with business unit deputy heads to sustain investment ownership beyond the planning cycle.

- Deputy heads of each business unit have the influence, availability, and insight on business objectives to make important IT investment decisions.
- Committee members value the opportunity to engage in planning at the enterprise level and take their role in IT investment management very seriously.

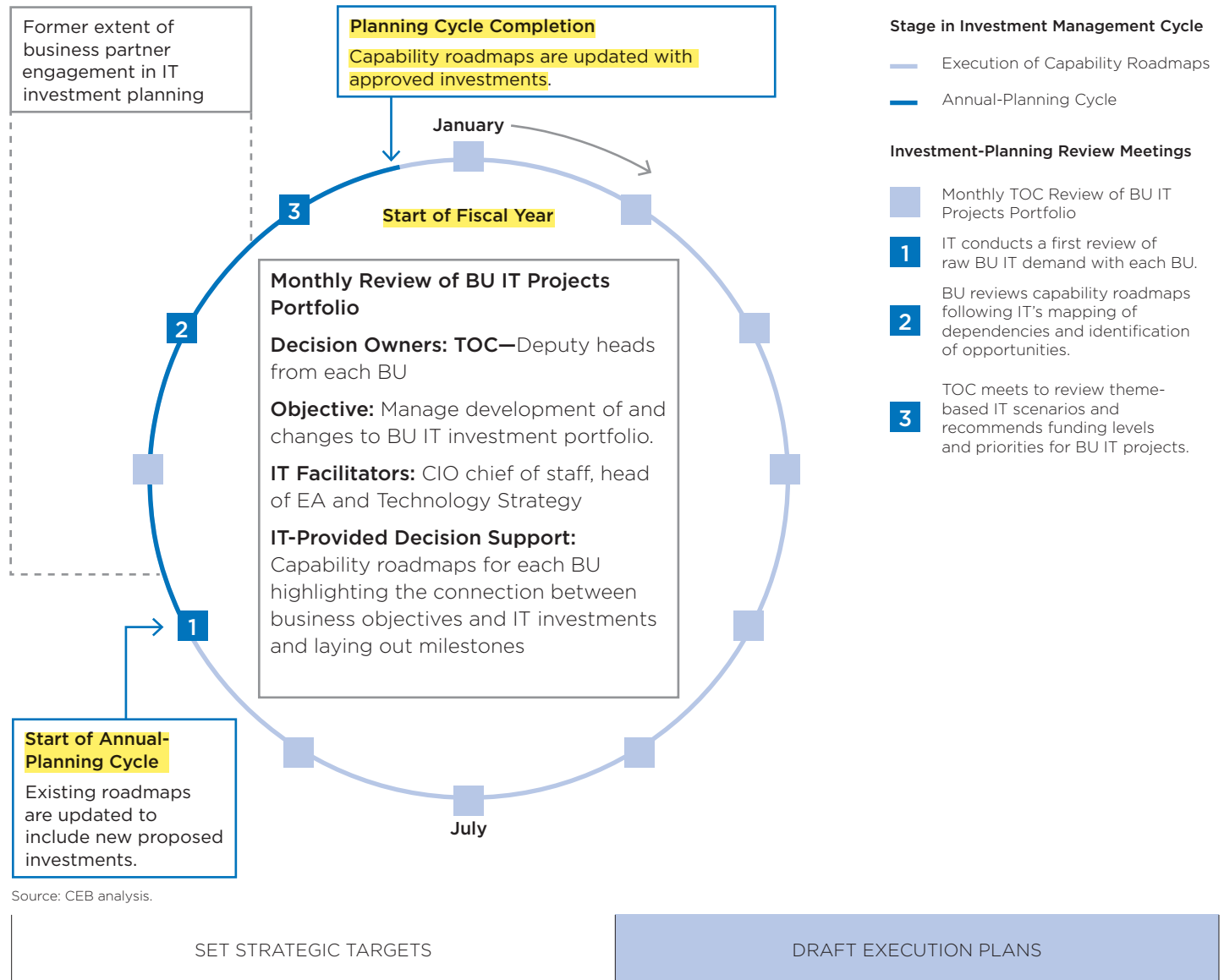
DO create a separate IT project budget owned jointly by business partners.

DON'T take a back seat in investment prioritization. IT should not own or control decisions but must actively facilitate discussion for optimal results.

SUSTAINING BUSINESS OWNERSHIP

Fiscal Year Calendar for IT Investment Management

Illustrative



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

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

DO present business partners with a choice of alternative paths to reaching the target state.

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

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 	Cost	✓		
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 	Legacy Life Span			✓
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 	Complexity	✓		
					Business Urgency	✓		
					Time to Delivery			✓
					Cost		✓	
					Legacy Life Span		✓	
					Complexity			✓
					Business Urgency			✓
					Time to Delivery	✓		

Source: CEB analysis.

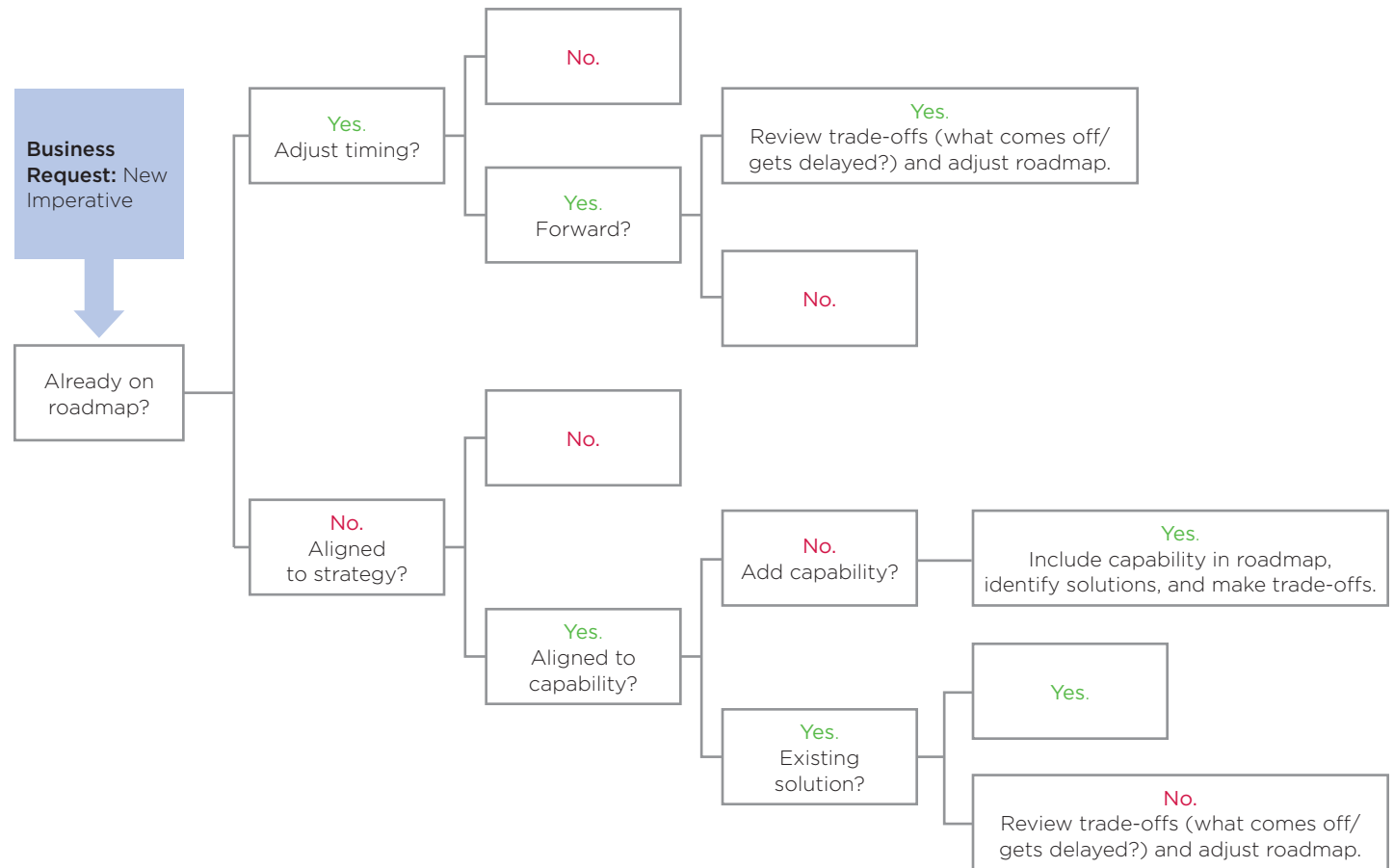
SET STRATEGIC TARGETS

DRAFT EXECUTION PLANS

Use the capability roadmap to manage demand by reconciling new project requests against established goals.

MANAGING DEMAND

Demand-Management Decision Tree



Source: CEB analysis.

“We had new technology requests coming in from all over the place. The roadmap allowed us to stop demand for two years. Now we have a plan, and when a new request comes in, we can assess if and how it fits within that existing plan.”

Stacie Kyle
IT Account Executive
Merck & Co., Inc.

SET STRATEGIC TARGETS

DRAFT EXECUTION PLANS

THE BUSINESS CAPABILITIES HANDBOOK: LAYING THE FOUNDATION FOR ENTERPRISE ARCHITECTURE

	I Business Capability Model Development	II Capability Analysis	III Capability-Based Planning	IV Capability Roadmapping
Head of EA Question	<i>How can we develop a relevant and usable capability model?</i>	<i>How can we evaluate capabilities consistently and efficiently?</i>	<i>How can we establish capability improvement priorities and build plans accordingly?</i>	<i>How can we ensure rigor and accountability for execution?</i>
Key Insight	Include key capability owners in the capability vetting process, and understand a capability's investment profile and broader context to manage it effectively.	Assess business capabilities bottom up—according to the capability's current performance—and top down—based on its criticality to achieving business objectives.	Using well-understood and prioritized business capabilities for planning and budgeting ensures investments drive the organization's intended strategic outcomes.	Establish high-level capability roadmaps to maintain long-term alignment and from which more detailed roadmaps may be derived.

Profiled Practices



Use capability roadmaps to guide more granular roadmaps, such as technology lifecycle roadmaps.

A TWOFOLD MANDATE

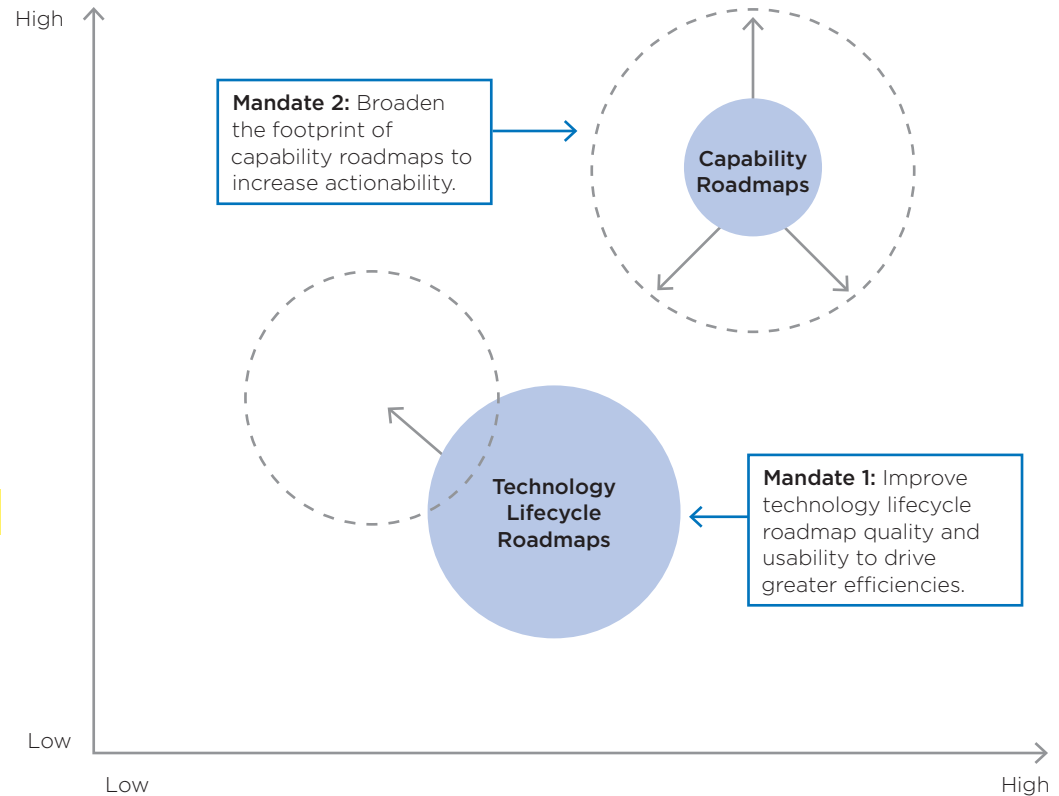
Roadmap Investment and Return Potential

Schematic

Organizational Impact

A function of:

- Ability to align IT and the business
- Magnitude of associated IT spend
- Relevance to a senior-level audience



● Size of Circle Indicates How Common Each Roadmap Type Is in IT Organizations

Level of Effort

A function of:

- Diversity and number of stakeholders involved
- Ability to create a repeatable, standardized process
- Roadmap scope

Source: CEB analysis.



Effective capability roadmapping ensures execution rigor and is essential for driving downstream decisions.

KEY STAGES FOR CAPABILITY ROADMAPPING

Create
an Effective
Roadmapping
Framework

- Identify the characteristics of high-quality roadmaps.
- Establish roadmapping roles and responsibilities with stakeholders.

Sample Capability
Roadmaps

- Review and select roadmapping visualizations that meet the needs of your stakeholders.

ROADMAPPING EFFECTIVENESS DIAGNOSTIC

CREATION AND MAINTENANCE

1 Accurate

- Our roadmaps have accurate and reliable information.

Effectiveness				
1	2	3	4	5

2 Repeatable

- We have a repeatable roadmapping process that ensures consistency across our roadmaps.

Effectiveness				
1	2	3	4	5

3 Maintained

- We regularly refresh our roadmaps at defined points in the year.

Effectiveness				
1	2	3	4	5

4 Traceable

- The technology initiatives captured in our roadmaps explicitly link to business objectives and goals.

Effectiveness				
1	2	3	4	5

16 Adaptable

- We can quickly update our roadmaps to reflect changes in the external environment, business priorities, and technology decisions

Effectiveness				
1	2	3	4	5

15 Integrated

- We time our roadmaps to inform key strategic and operational planning processes.

Effectiveness				
1	2	3	4	5

14 Contextualized

- We incorporate business—as well as IT-relevant information—in our roadmaps.

Effectiveness				
1	2	3	4	5

13 Connected

- We capture dependencies within and across our roadmaps.

Effectiveness				
1	2	3	4	5

12 Complete

- Our roadmaps contain necessary information the end user requires.

Effectiveness				
1	2	3	4	5

HIGH QUALITY

How to Use This Diagnostic

The self-diagnostic identifies 16 areas critical to successful roadmapping. Select the value (1-5) that best describes your organization's effectiveness across each dimension. The overall score will help you assess your roadmapping effectiveness.

Scoring Scale	Evaluation Key
5 = Very Effective	65-80 Optimized
4 = Effective	49-64 Proficient
3 = Somewhat Effective	33-48 Emerging
2 = Not Very Effective	16-32 Starting
1 = Ineffective	

5 Measurable

- We measure and monitor the quality and completeness of our roadmaps against defined criteria.

Effectiveness				
1	2	3	4	5

6 Consumable

- The information in our roadmaps is clearly displayed and easily understood.

Effectiveness				
1	2	3	4	5

7 Targeted

- We have identified a target audience and have tailored the information in our roadmaps to suit that group.

Effectiveness				
1	2	3	4	5

8 Accessible

- We store our roadmaps where business and IT partners can easily access them.

Effectiveness				
1	2	3	4	5

9 Enterprise-Wide

- Our roadmaps cover our major business units and critical technologies.

Effectiveness				
1	2	3	4	5

11 Aligned

- We know the business capabilities the technologies on our roadmaps will enable.

Effectiveness				
1	2	3	4	5

10 Multiyear

- Our roadmaps look at least two years or more ahead.

Effectiveness				
1	2	3	4	5

APPLICATION

ACTIONABLE

USABLE

COMMUNICATION

Source: CEB analysis.

CREATE AN EFFECTIVE ROADMAPING FRAMEWORK

SAMPLE CAPABILITY ROADMAPS

SAMPLE CAPABILITY IMPROVEMENT PLAN


Business Area: Supply Chain	
Functional Area	Manage Logistics and Warehousing
Capability Supported	Operate Warehousing


Ownership and Accountability	
Senior Management Sponsor/ Steering Committee	■ John B. Business Lead ■ Tim S.

Overview	Warehouse Management System Replacement		
Initiative Description	<ul style="list-style-type: none"> Replace legacy Warehouse Management System (WMS) with modern WMS and SAP inventory management for three DCs and four specialty facilities. Increase inventory visibility in small, medium, and large yards using SAP inventory management. Monitor and track unset gas and electric meter inventory throughout the meter lifecycle, from meter purchase through retirement. This would incorporate the need for meter storage locations and status functionality. 		
System Retirement Opportunities	<ul style="list-style-type: none"> Legacy WMS Legacy DSRP 		
Initiative Type	<input type="text" value="New"/>	Priority	<input type="text" value="Priority 1"/>
Risk of Not Funding	<ul style="list-style-type: none"> Lack of real-time visibility and integration with SAP, resulting in higher inventory Missed opportunity to implement operational and productivity improvements 		

Issues and Risks	● High ● Medium ● Low ● N/A
Overall Risk Assessment	● Risk and Barriers ■ SAP warehouse management has been successfully implemented at DCP, significantly reducing implementation risk.

Performance Management	● High ● Medium ● Low ● N/A
Key Metrics and Benefit Targets	<ul style="list-style-type: none"> Enhanced warehouse functionality driving operational efficiency; improve fill rates; reduce cycle times Reduce business interruption risk; reduced IT support (up to \$500 K annually) Cost savings of \$30 M through 2012 potentially avoided <div style="border: 1px solid blue; padding: 5px; display: inline-block;"> Business Value ● </div>
Benefit Type	Qualitative (Soft) <input checked="" type="checkbox"/> Qualitative (Hard) <input checked="" type="checkbox"/> N/A <input type="checkbox"/>

Timeline and Project Links								
Start Date	<input type="text" value="Date"/>	Duration <input type="text" value="18 Months"/>						
Key Dependencies	<ul style="list-style-type: none"> WMS replacement is critical for improved distribution-planning processes and to enable real-time data integration with SAP. Improved quality management capabilities offering end-to-end traceability for transformers and other equipment depends on WMS replacement. 							
Key Dates and Milestones	<table border="1"> <thead> <tr> <th>Date</th> <th>Description</th> </tr> </thead> <tbody> <tr> <td>■ Date, Quarter</td> <td>Plan, Analyze</td> </tr> <tr> <td>■ Date, Quarter</td> <td>Design, Build, Test, Pilot, Implement</td> </tr> </tbody> </table>	Date	Description	■ Date, Quarter	Plan, Analyze	■ Date, Quarter	Design, Build, Test, Pilot, Implement	
Date	Description							
■ Date, Quarter	Plan, Analyze							
■ Date, Quarter	Design, Build, Test, Pilot, Implement							
Strategic Alignment	Mandatory/ Tactical	 Strategic						

Preliminary Costs			
Implementation Costs (\$000)	<input type="text" value="\$3,000"/>	<input type="text" value="\$490"/>	TOTAL <input type="text" value="\$3,490"/>
	Capital	Expense	
Technology Support Costs	Increase <input type="checkbox"/> Neutral <input type="checkbox"/> Decrease <input checked="" type="checkbox"/>	Funding Source	FA Technology Portfolio <input checked="" type="checkbox"/> Balancing Account <input type="checkbox"/>
Estimate Confidence	Low (+/- 100%)		High (+/- 20%)

Source: CEB analysis.

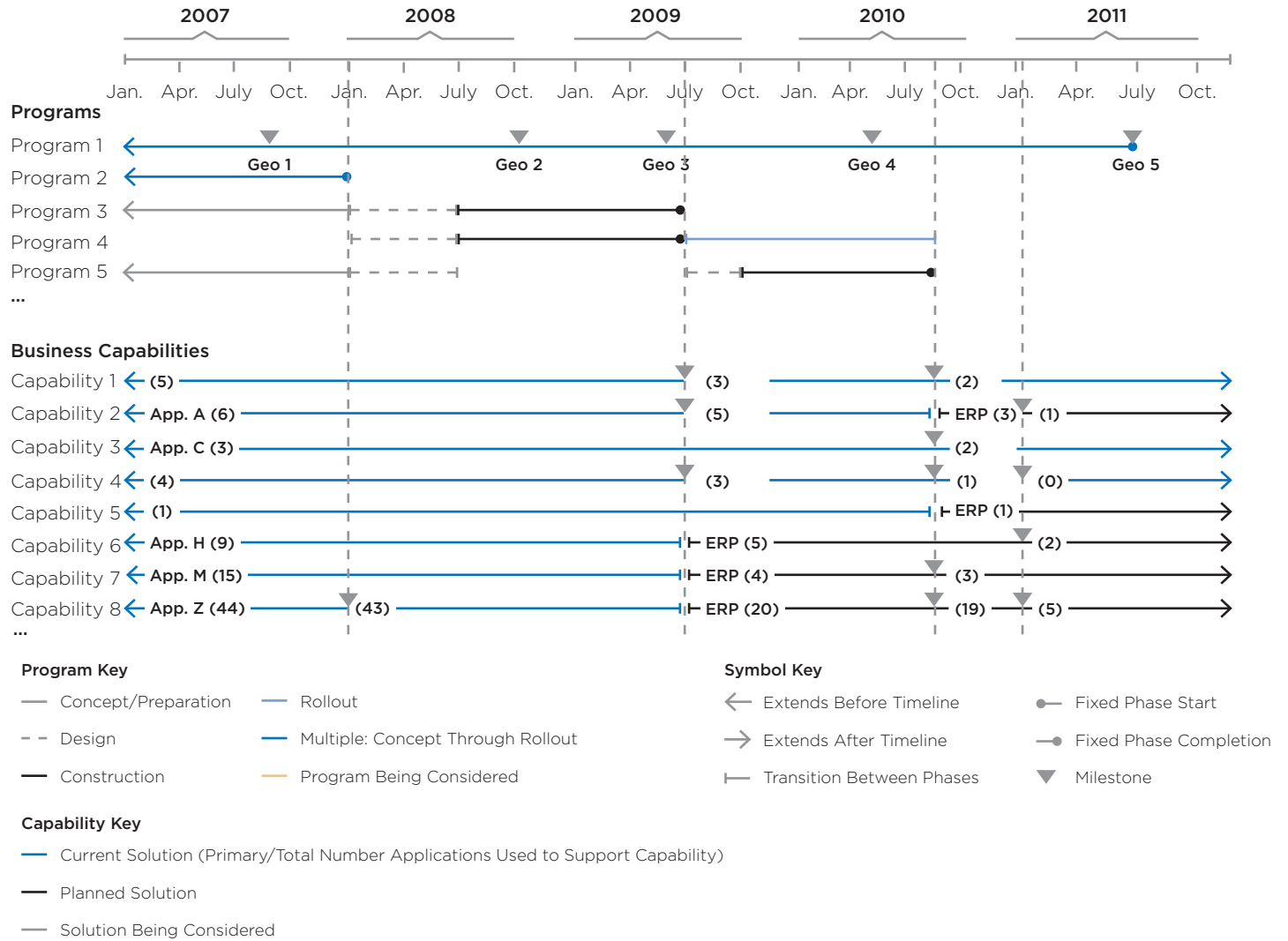
Explicitly link programs to business capabilities to ensure application retirement goals are met.

- Key program milestones mark occasions for major reductions in now-redundant applications.
- The roadmap identifies all applications supporting a business capability.
- Interim and target state goals for application retirement are captured in the out years.

DRIVING APPLICATION RATIONALIZATION

Business Unit Roadmap: Program and Capability Views

Illustrative



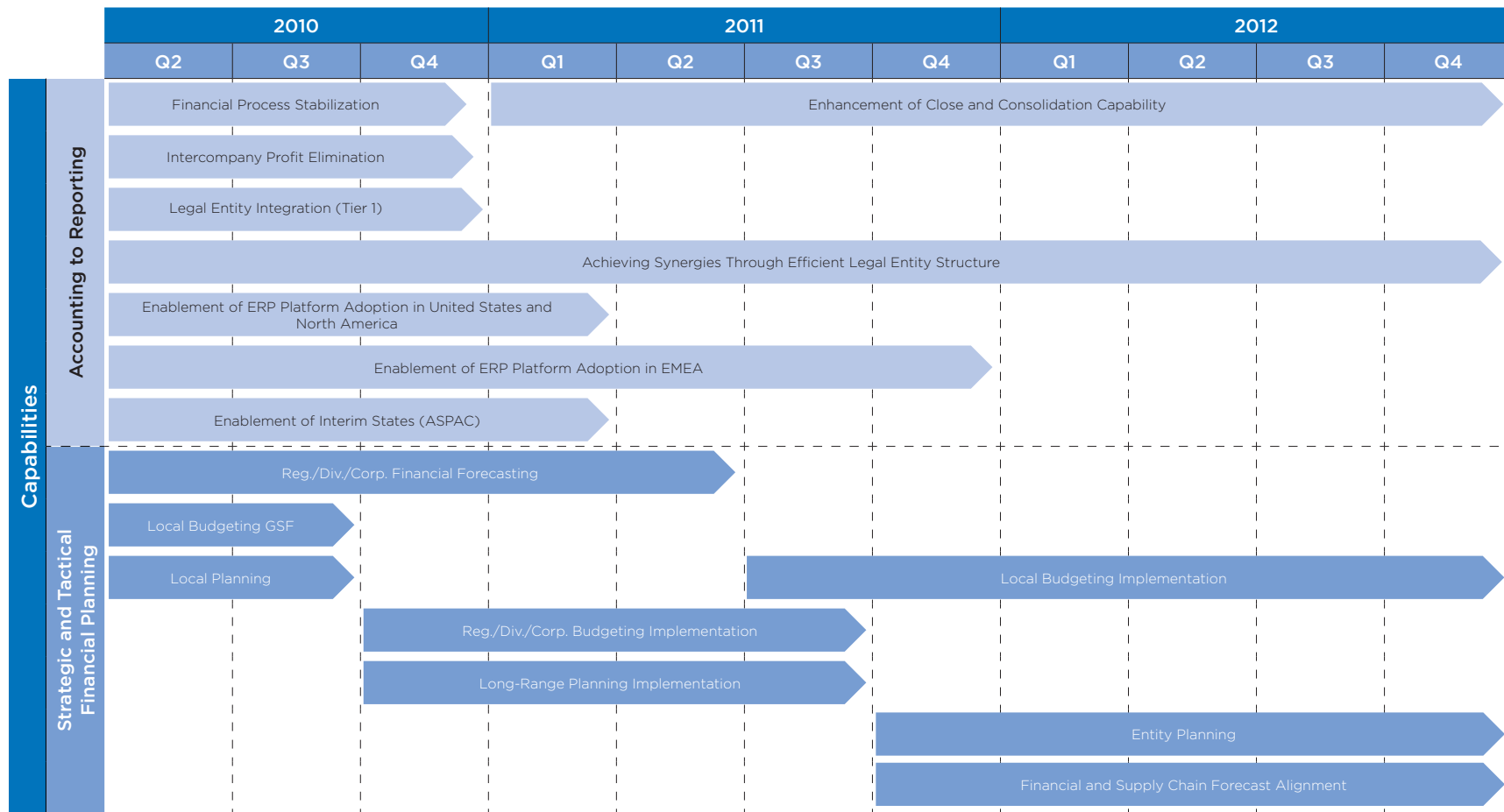
Source: CEB analysis.

CREATE AN EFFECTIVE ROADMAPMING FRAMEWORK

SAMPLE CAPABILITY ROADMAPS

BUSINESS CAPABILITY ROADMAP (EXECUTIVE VIEW)

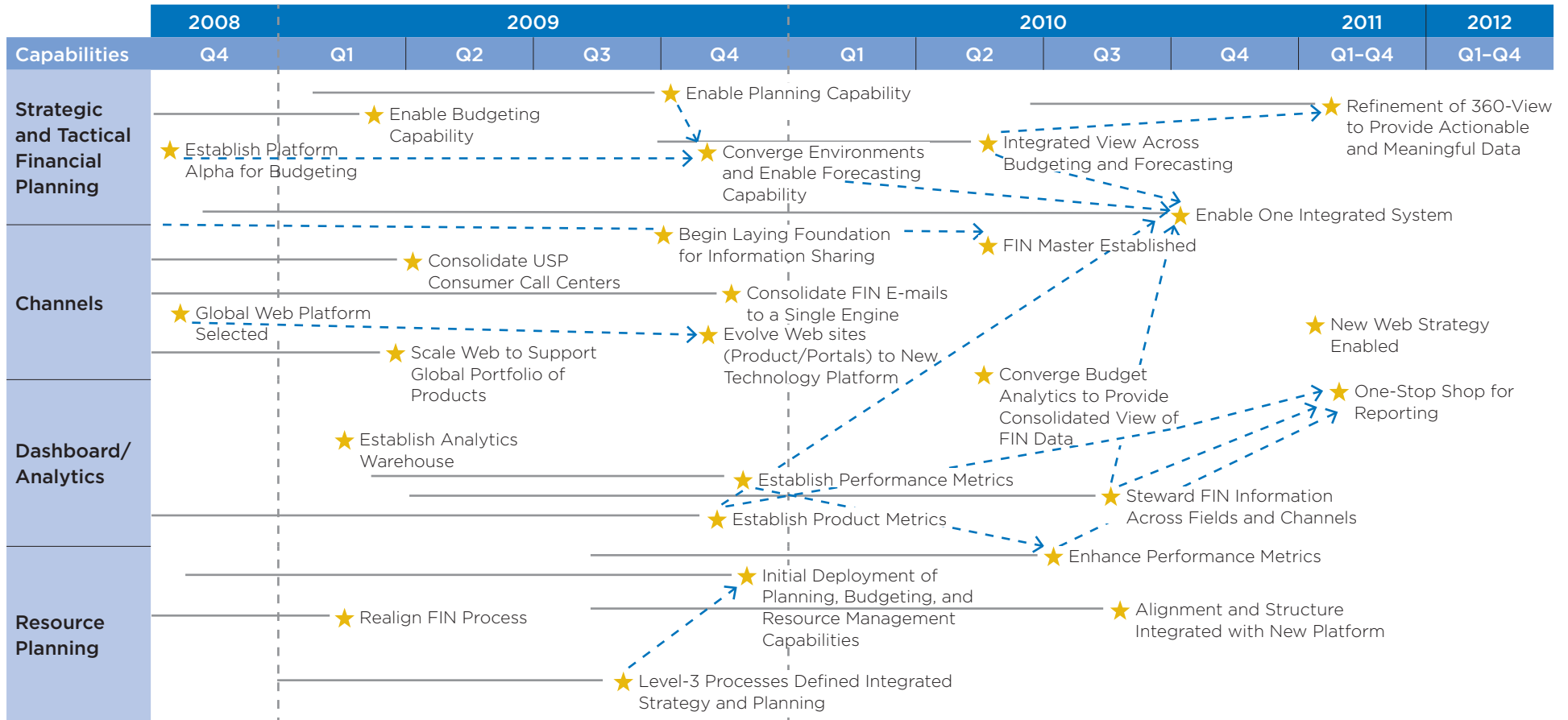
Illustrative



Source: CEB analysis.

BUSINESS CAPABILITY ROADMAP (HIGH-LEVEL PLANNING VIEW)

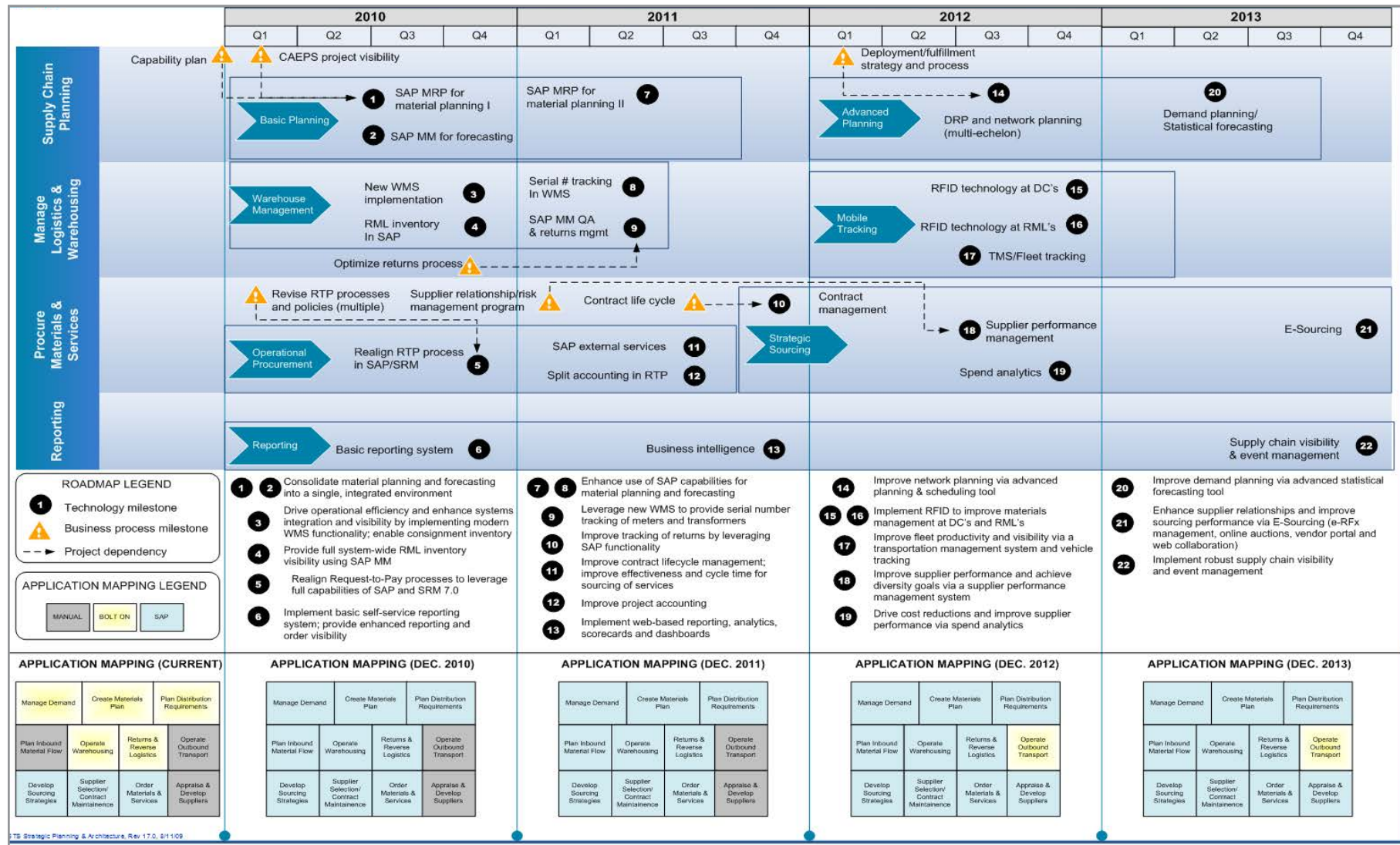
Illustrative



- - - Dependency
- ★ Key Milestones

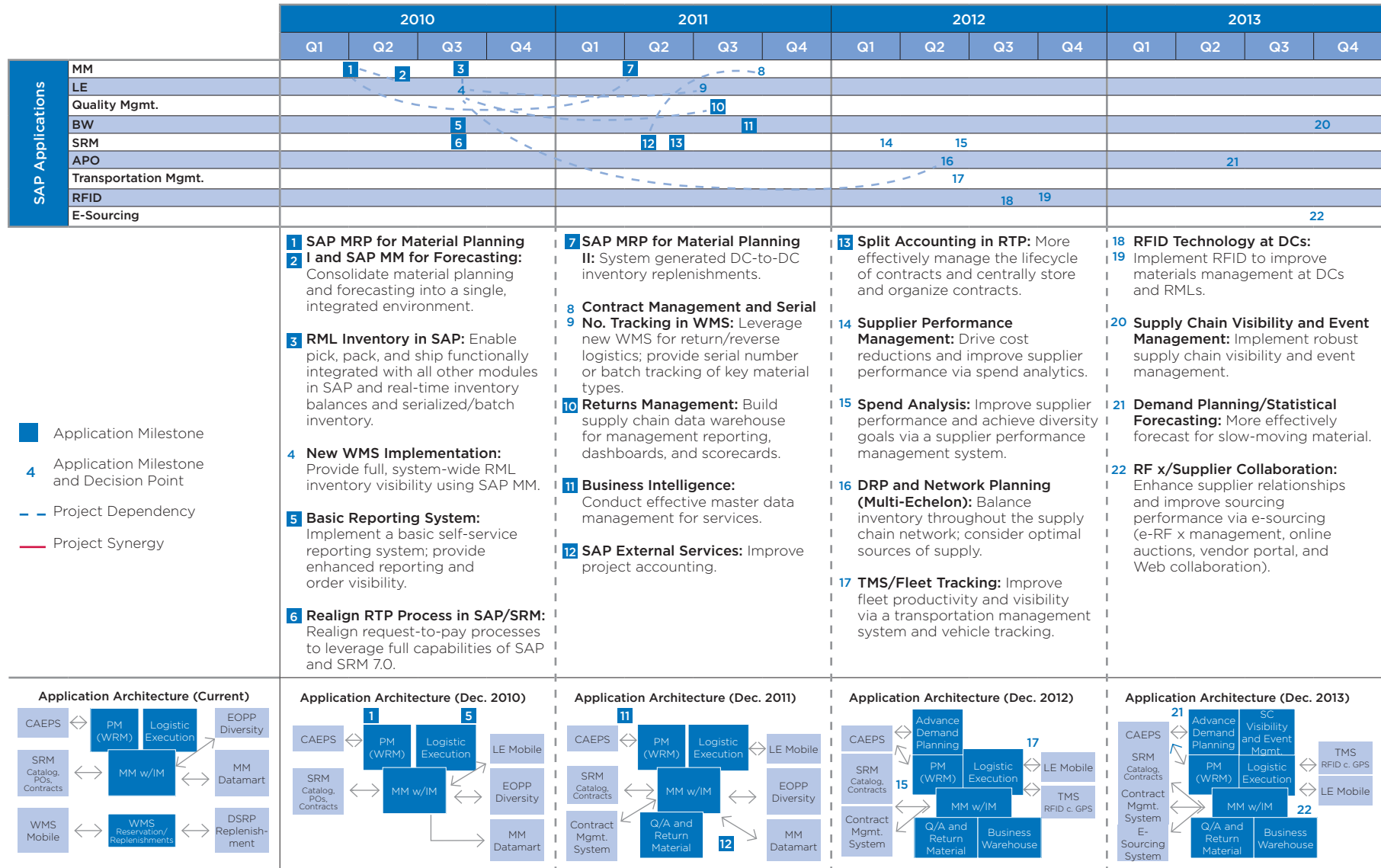
Source: CEB analysis.

SAMPLE SUPPLY CHAIN CAPABILITY ROADMAP (BUSINESS VIEW)



Source: CEB analysis.

SAMPLE SUPPLY CHAIN CAPABILITY ROADMAP (TECHNICAL VIEW)



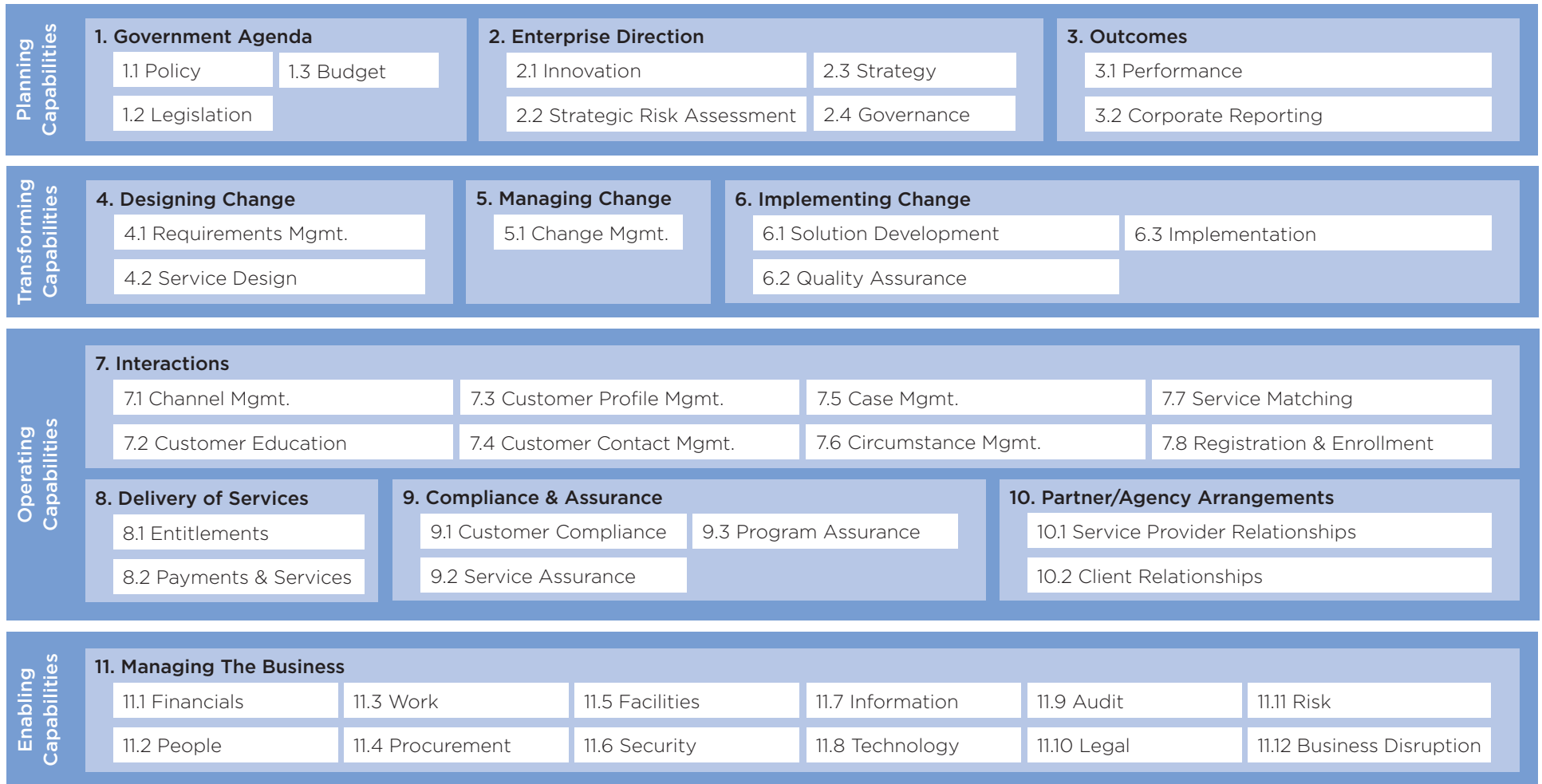
Appendix:

Sample Business Capability Models

Business Capability Model: Department of Human Services Australia	p. 88
Business Capability Model: Intel	p. 89
Business Capability Model: IBM's Component Business Model	p. 91
Business Capability Model: Cisco	p. 93
Business Capability Model: City of Toronto	p. 94
Business Capability Model: First Data	p. 96
Business Capability Model: APQC Cross Industry	p. 97

Note: A common failure mode for business capability model development is force-fitting a ready model onto your organization. These sample models aim to initiate the model development process and to demonstrate the wide variation in business capability models.

BUSINESS CAPABILITY MODEL



Source: Department of Human Services Australia.

BUSINESS CAPABILITY MODEL: INTEL

Enterprise Capabilities	1. Strategic Planning				
	1.1 Long-Range Market & Technology Analysis		1.3 Disruptive Technology Opportunity Assessment		1.5 Annual Financial Planning and Plan of Record
	1.2 Long-Range Strategic Planning		1.4 Product Line Business Planning		
	2. Design		3. Market to Opportunity		4. Opportunity to Order
	2.1 Architecture and Technology Definition		3.1 Product Planning		4.1 Account Planning
	2.2 Platform and Ingredient Lifecycle		3.2 Brand Management		4.2 Account and Contact Management
	2.3 Front-End/Back-End Flow		3.3 Product Marketing and Roadmap		4.3 Opportunity Management
	2.4 Pre-Silicon Validation		3.4 Campaign Management		4.4 Territory Management
	2.5 Post-Silicon Validation		3.5 Ecosystem and Sales Enabling		4.5 Sales Compensation Management
	2.6 External Design Collateral Management		3.6 Lead Management		5. Supply Chain Management
2.7 Product Data Management		3.7 Channel Management		5.1 Revenue and Demand Management	
2.8 Product Environmental Compliance		3.8 Customer Information Management		5.2 Customer Fulfillment Planning	
2.9 Pre-Software Build		3.9 Pricing		5.3 Production and Supply Planning	
2.10 Post-Software Build		3.10 Sales Communications			
6. Manufacturing					
6.1 Technology Development		6.3 Wafer Fabrication	6.5 Wafer to Dye Conversion	6.7 Test and Finish	6.9 Non-Chip Manufacturing
6.2 Mask Creation		6.4 Wafer Test and Sort	6.6 Assembly and Packaging	6.8 Quality Management	
7. Order to Cash					
7.1 Sales Order Management		7.4 Customer Invoicing		7.7 Issue Management	
7.2 Finished Goods Inventory Management		7.5 Account Receivable and Collections		7.8 Service Usage Management	
7.3 Order Fulfillment and Distribution Services		7.6 Customer and Post-Sales Support			

Source: Intel Corporation.

BUSINESS CAPABILITY MODEL: INTEL (CONTINUED)

Enterprise Capabilities	8. Sourcing							
	8.1 Supplier Sourcing and Selection		8.3 Procure Goods and Services		8.5 Accounts Payable			
	8.2 Forecast Material Requirements		8.4 Plan and Manage Inventory and Warehouse					
	9. Finance							
	9.1 Intel Investment and M&A Management		9.4 Capital Finance and Asset Accounting		9.7 Tax and Trade Compliance			
	9.2 Budgeting and Planning		9.5 Cost		9.8 Close and Reporting			
	9.3 Treasury		9.6 Revenue Reporting					
	10. Human Capital							
	10.1 Recruit and Hire		10.3 Talent and Workforce Management		10.5 Learning and Development			
	10.2 Leadership and Workforce Engagement		10.4 Core Services and Employee Retention		10.6 Workforce Profile Management			
	11. Information Systems							
	11.1 IT Business Solutions		11.2 IT Infrastructure		11.3 IT Influence		11.4 Business Resiliency and Risk Management	
	12. Land, Construction, and Facilities							
12.1 Facilities and Asset Planning		12.3 Facilities Operations		12.5 Physical Security and Mitigation				
12.2 Construction Management		12.4 Facilities and Site EHS Compliance		12.6 Energy Cost and Consumption				
13. Legal and Regulatory Compliance								
13.1 General Counsel		13.3 IP Management		13.5 Competition and Litigation		13.7 Legal Compliance		
13.2 Corporate Legal		13.4 Global Public Policy		13.6 Business Unit and Sales Support		13.7 Corporate Affairs		

Source: Intel Corporation.

BUSINESS CAPABILITY MODEL: **IBM'S COMPONENT BUSINESS MODEL**

1. Insight

1.1 Segment Analysis and Planning	1.4 Customer Portfolio and Analysis	1.7 Business and Resource Planning	1.10 Fixed Asset Register
1.2 Customer Behavior and Models	1.5 Acquisition Planning	1.8 Alliance and Authority Management	1.11 Business Unit Tracking
1.3 Market Research	1.6 Customer Servicing & Sales Planning	1.9 Business Architecture	

2. Distribution

2.1 Sales	2.6 Advertising Campaigns	2.11 Case Handling	2.16 Self-Service Channel (ATM, Web)
2.2 Bank Teller Services	2.7 Channel/Distribution Management	2.12 Customer Contact Handler	2.17 Applications
2.3 Correspondence	2.8 Local Branch Administration	2.13 Inbound Call Center	2.18 Smart Routing
2.4 Financials Consolidation	2.9 Dialogue Handler	2.14 Services/Sales Administration	
2.5 Campaign Execution	2.10 Relationship Management	2.15 Market Information	

3. Manufacturing

3.1 Product Development and Deployment	3.5 Retail Securities	3.9 Merchant Operations	3.13 Product Directory
3.2 Product Management	3.6 Portfolio Trading	3.10 Rewards Management	3.14 Production and Operations Management
3.3 Marketing	3.7 Fund Management	3.11 Retail Lending (Mortgages)	
3.4 Securities Market Analysis	3.8 OTC Services	3.12 Inventory Management	

Source: "Simplifying the Business Model," Bankwatch.

IBM's Component Business Model is an industry-standard model that can be adapted and customized.

BUSINESS CAPABILITY MODEL: IBM'S COMPONENT BUSINESS MODEL (CONTINUED)

4. Processing

4.1 Payments	4.8 Deposits (DDA)	4.15 Product Processing	4.22 Collateral Handling
4.2 Customer Account	4.9 Application Processing	4.16 Acquisition Administration	4.23 Custody Administration
4.3 Customer Profile	4.10 Operations Administration	4.17 Retail Portfolio Administration	4.24 Trading (Back Office)
4.4 Alliance SLA Administration	4.11 Servicing Management	4.18 Trading (Front Office)	4.25 Settlements
4.5 Document Management	4.12 Wireroom/Networking	4.19 Billing	4.26 Valuations
4.6 Product Tracking	4.13 Authorizations	4.20 Financial Capture	4.27 Confirmations Contract Notes
4.7 Reconciliations	4.14 Collections & Recovery	4.21 Statements	4.28 Contact/Event History

5. Risk/Financial Management

5.1 Credit Management	5.5 Asset and Liability Policy and Planning	5.9 Customer Credit Administration	5.13 Accounting General Ledger
5.2 Financial Control	5.6 Securitization	5.10 Business Policies and Procedures	5.14 Customer Accounting Policies
5.3 Risk Management	5.7 Loan Syndication	5.11 Audit/Assurance/Legal	5.15 Consolidated Book/Position Maintenance
5.4 Treasury	5.8 Branch Cash Inventory	5.12 Finance Policies	

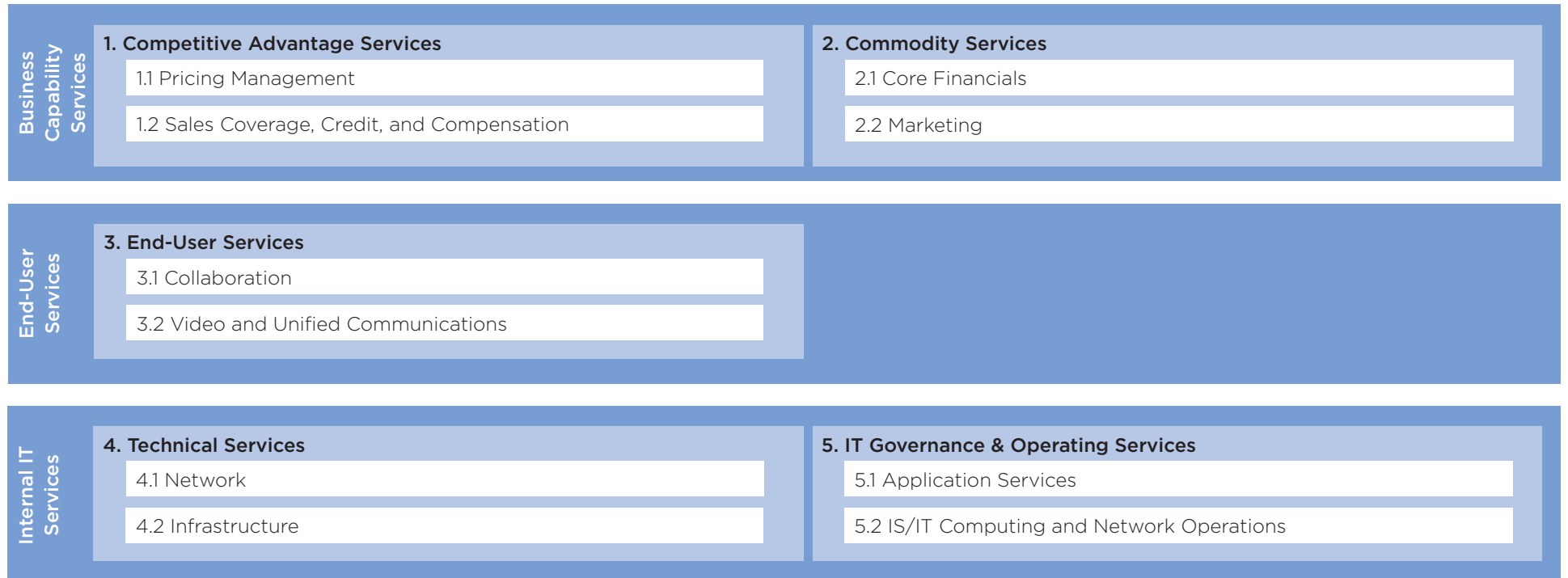
6. Infrastructure

6.1 Human Resources Management	6.3 Facilities Operation and Maintenance	6.5 Product Assurance (Help Desk)
6.2 Systems Development and Administration	6.4 Brand Network Operations	

Source: "Simplifying the Business Model," thebankwatch.com.

BUSINESS CAPABILITY MODEL: CISCO'S SERVICE MODEL

Partial



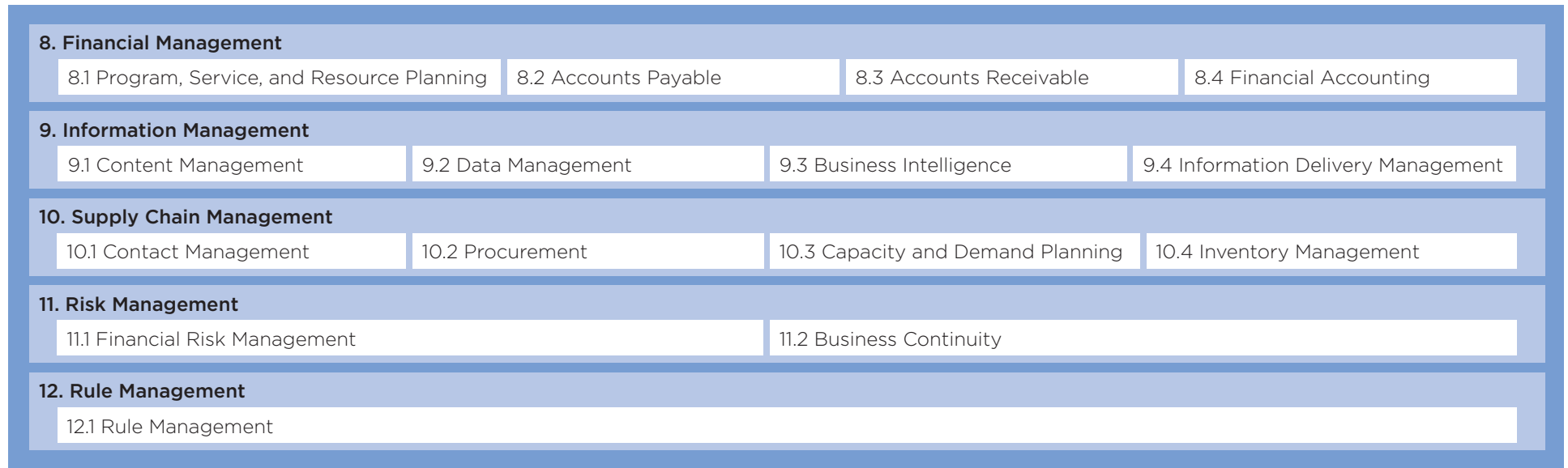
Source: Cisco.

BUSINESS CAPABILITY MAP: CITY OF TORONTO



Source: City of Toronto Business Architecture Overview, www.iccs-isac.org.

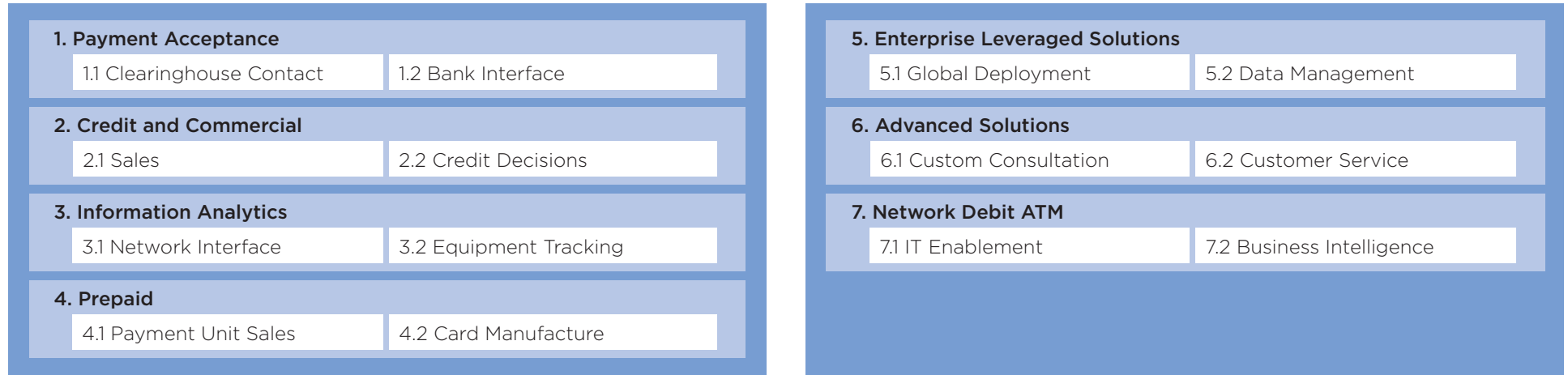
BUSINESS CAPABILITY MAP: CITY OF TORONTO (CONTINUED)



Source: City of Toronto Business Architecture Overview, www.iccs-isac.org.

BUSINESS CAPABILITY MAP: **FIRST DATA CORPORATION**

First Data's High Priority Business Capabilities



Source: First Data Corporation.

BUSINESS CAPABILITY MODEL: APQC CROSS-INDUSTRY

Though APQC's Process Classification Framework is organized around processes, not capabilities, its nodes are a useful proxy for business capabilities and are an effective way of organizing the enterprise's activities.

1.0 Develop Vision and Strategy	1.1 Define the Business Concept and Long-Term Vision	
	1.1.1 Assess the External Environment	1.1.3 Perform Internal Analysis
	1.1.2 Survey Market and Determine Customer Needs and Wants	1.1.4 Establish Strategic Vision
	1.2 Develop Business Strategy	
	1.2.1 Develop Overall Mission Statement	1.2.5 Create Organizational Design (Structure, Governance, Reporting, Etc.)
	1.2.2 Evaluate Strategic Options to Achieve the Objectives	1.2.6 Develop and Set Organizational Goals
	1.2.3 Select Long-Term Business Strategy	1.2.7 Formulate Business Unit Strategies
	1.2.4 Coordinate and Align Functional and Process Strategies	
	1.3 Manage Strategic Initiatives	
	1.3.1 Develop Strategic Initiatives	1.3.3 Select Strategic Initiatives
	1.3.2 Evaluate Strategic Initiatives	1.3.4 Establish High-Level Measures

Source: APQC Cross-Industry.

BUSINESS CAPABILITY MODEL: APQC CROSS-INDUSTRY (CONTINUED)



Source: APQC Cross-Industry.

BUSINESS CAPABILITY MODEL: APQC CROSS-INDUSTRY (CONTINUED)

3.0 Market and Sell Products and Services	3.1 Understand Markets, Customers, and Capabilities		
	3.1.1 Perform Customer and Market Intelligence Analysis		
	3.1.2 Evaluate and Prioritize Market Opportunities		
	3.2 Develop Marketing Strategy		
	3.2.1 Define Offering and Customer Value Proposition		3.2.3 Define and Manage Channel Strategy
	3.2.2 Define Pricing Strategy to Align to Value Proposition		
	3.3 Develop Sales Strategy		
	3.3.1 Develop Sales Forecast		3.3.4 Establish Sales Goals and Measures
	3.3.2 Develop Sales Partner/Alliance Relationships		3.3.5 Establish Customer Management Measures
	3.3.3 Establish Overall Sales Budgets		
	3.4 Develop and Manage Marketing Plans		
	3.4.1 Establish Goals, Objectives, and Metrics for Products by Channels/Segments		3.4.5 Develop and Manage Promotional Activities
	3.4.2 Establish Marketing Budgets		3.4.6 Track Customer Management Measures
	3.4.3 Develop and Manage Media		3.4.7 Develop and Manage Packaging Strategy
	3.4.4 Develop and Manage Pricing		
	3.5 Develop and Manage Sales Plans		
	3.5.1 Generate Leads	3.5.3 Manage Customer Sales	3.5.5 Manage Sales Force
	3.5.2 Manage Customers and Accounts	3.5.4 Manage Sales Orders	3.5.6 Manage Sales Partners and Alliances

Source: APQC Cross-Industry.

BUSINESS CAPABILITY MODEL: APQC CROSS-INDUSTRY (CONTINUED)

4.0 Deliver Products and Services	4.1 Plan for and Align Supply Chain Resources	
	4.1.1 Develop Production and Materials Strategies	4.1.6 Establish Distribution Planning Constraints
	4.1.2 Manage Demand for Products and Services	4.1.7 Review Distribution Planning Policies
	4.1.3 Create Materials Plan	4.1.8 Assess Distribution Planning Performance
	4.1.4 Create and Manage Master Production Schedule	4.1.9 Develop Quality Standards and Procedures
	4.1.5 Plan Distribution Requirements	
	4.2 Procure Materials and Services	
	4.2.1 Develop Sourcing Strategies	4.2.3 Order Materials and Services
	4.2.2 Select Suppliers and Develop/Maintain Contracts	4.2.4 Manage Suppliers
	4.3 Produce/Manufacture/Deliver Product	
	4.3.1 Schedule Production	4.3.3 Perform Quality Testing
	4.3.2 Produce Product	4.3.4 Maintain Production Records and Manage Lot Traceability
	4.4 Deliver Service to Customer	
	4.4.1 Confirm Specific Service Requirements for Individual Customer	4.4.3 Provide Service to Specific Customers
	4.4.2 Identify and Schedule Resources to Meet Service Requirements	4.4.4 Ensure Quality of Service
	4.5 Manage Logistics and Warehousing	
	4.5.1 Define Logistics Strategy	4.5.4 Operate Outbound Transportation
	4.5.2 Plan and Manage Inbound Material Flow	4.5.5 Manage Returns; Manage Reverse Logistics
	4.5.3 Operate Warehousing	

Source: APQC Cross-Industry.

BUSINESS CAPABILITY MODEL: APQC CROSS-INDUSTRY (CONTINUED)

5.0 Manage Customer Service	5.1 Develop Customer Care/Customer Service Strategy
	5.1.1 Develop Customer Service Segmentation/Prioritization (e.g., Tiers)
	5.1.2 Define Customer Service Policies and Procedures
	5.1.3 Establish Service Levels for Customers
	5.2 Plan and Manage Customer Service Operations
	5.2.1 Plan and Manage Customer Service Workforce
	5.2.2 Manage Customer Service Requests/Inquiries
	5.2.3 Manage Customer Complaints
	5.3 Measure and Evaluate Customer Service Operations
	5.3.1 Measure Customer Satisfaction with Customer Requests/Inquiries Handling
5.3.2 Measure Customer Satisfaction with Customer Complaint Handling and Resolution	
5.3.3 Measure Customer Satisfaction with Products and Services	

Source: APQC Cross-Industry.

BUSINESS CAPABILITY MODEL: APQC CROSS-INDUSTRY (CONTINUED)

6.0 Develop and Manage Human Capital	6.1 Develop and Manage Human Resources (HR) Planning, Policies, and Strategies		
	6.1.1 Develop HR Strategy	6.1.2 Develop and Implement HR Plans	6.1.3 Monitor and Update Plans
	6.2 Recruit, Source, and Select Employees		
	6.2.1 Create and Develop Employee Requisitions	6.2.3 Screen and Select Candidates	6.2.5 Manage New Hire/Re-Hire
	6.2.2 Recruit/Source Candidates	6.2.4 Manage Pre-Placement Verification	6.2.6 Track Candidates
	6.3 Develop and Counsel Employees		
	6.3.1 Manage Employee Orientation and Deployment	6.3.4 Manage Employee Development	6.3.5 Develop and Train Employees
	6.3.2 Manage Employee Performance	6.3.3 Manage Employee Relations	
	6.4 Reward and Retain Employees		
	6.4.1 Develop and Manage Reward, Recognition, and Motivation Programs	6.4.3 Manage Employee Assistance and Retention	
	6.4.2 Manage and Administer Benefits	6.4.4 Administer Payroll	
	6.5 Redeploy and Retire Employees		
	6.5.1 Manage Promotion and Demotion Process	6.5.5 Develop and Implement Employee Outplacement	
	6.5.2 Manage Separation	6.5.6 Manage Deployment of Personnel	
	6.5.3 Manage Retirement	6.5.7 Relocate Employees and Manage Assignments	
	6.5.4 Manage Leave of Absence	6.5.8 Manage Expatriates	
	6.6 Manage Employee Information		
	6.6.1 Manage Reporting Processes	6.6.4 Manage HR Information Systems	6.6.7 Manage Employee Communication
6.6.2 Manage Employee Inquiry Process	6.6.5 Develop and Manage Employee Metrics		
6.6.3 Manage and Maintain Employee Data	6.6.6 Develop and Manage Time and Attendance Systems		

Source: APQC Cross-Industry.

BUSINESS CAPABILITY MODEL: APQC CROSS-INDUSTRY (CONTINUED)

7.0 Manage Information Technology	7.1 Manage the Business of Information Technology	
	7.1.1 Develop the Enterprise IT Strategy	7.1.4 Perform IT Research and Innovation
	7.1.2 Define the Enterprise Architecture	7.1.5 Evaluate and Communicate IT Business Value and Performance
	7.1.3 Manage the IT Portfolio	
	7.2 Develop and Manage IT Customer Relationships	
	7.2.1 Develop IT Services and Solutions Strategy	7.2.4 Manage IT Customer Satisfaction
	7.2.2 Develop and Manage IT Service Levels	7.2.5 Market IT Services and Solutions
	7.2.3 Perform Demand-Side Management (DSM) for IT Services	
	7.3. Develop and Implement Security, Privacy, and Data Protection Controls	
	7.3.1 Establish Information Security, Privacy, and Data Protection Strategies and Levels	
	7.3.2 Test, Evaluate, and Implement Information Security, Privacy, and Data Protection Controls	
	7.4 Manage Enterprise Information	
	7.4.1 Develop Information and Content Management Strategies	7.4.3 Manage Information Resources
	7.4.2 Define the Enterprise Information Architecture	7.4.4 Perform Enterprise Data and Content Management
	7.5 Develop and Maintain IT Solutions	
	7.5.1 Develop the IT Development Strategy	7.5.4 Create IT Services and Solutions
	7.5.2 Perform IT Services and Solutions Lifecycle Planning	7.5.5 Maintain IT Services and Solutions
	7.5.3 Develop and Maintain IT Services and Solutions Architecture	

Source: APQC Cross-Industry.

BUSINESS CAPABILITY MODEL: APQC CROSS-INDUSTRY (CONTINUED)

7.0 Manage Information Technology (Continued)	7.6 Deploy IT Solutions		
	7.6.1 Develop the IT Deployment Strategy	7.6.2 Plan and Implement Changes	7.6.3 Plan and Manage Releases
	7.7 Deliver and Support IT Services		
	7.7.1 Develop IT Services and Solution Delivery Strategy	7.7.4 Manage IT Infrastructure Operations	
	7.7.2 Develop IT Support Strategy	7.7.5 Support IT Services and Solutions	
	7.7.3 Manage IT Infrastructure Resources		

Source: APQC Cross-Industry.

BUSINESS CAPABILITY MODEL: APQC CROSS-INDUSTRY (CONTINUED)

8.0 Manage Financial Resources	8.1 Perform Planning and Management Accounting		
	8.1.1 Perform Planning/Budgeting/Forecasting	8.1.3 Perform Cost Management	
	8.1.2 Perform Cost Accounting and Control	8.1.4 Evaluate and Manage Financial Performance	
	8.2 Perform Revenue Accounting		
	8.2.1 Process Customer Credit	8.2.4 Manage and Process Collections	
	8.2.2 Invoice Customer	8.2.5 Manage and Process Adjustments/Deductions	
	8.2.3 Process Accounts Receivable (AR)		
	8.3 Perform General Accounting and Reporting		
	8.3.1 Manage Policies and Procedures	8.3.3 Perform Fixed-Asset Accounting	
	8.3.2 Perform General Accounting	8.3.4 Perform Financial Reporting	
	8.4 Manage Fixed-Asset Project Accounting		
	8.4.1 Perform Capital Planning and Project Approval	8.4.2 Perform Capital Project Accounting	
	8.5 Process Payroll		
	8.5.1 Report time	8.5.2 Manage Pay	8.5.3 Process Payroll Taxes
	8.6 Process Accounts Payable and Expense Reimbursements		
	8.6.1 Process Accounts Payable (AP)	8.6.2 Process Expense Reimbursements	

Source: APQC Cross-Industry.

BUSINESS CAPABILITY MODEL: APQC CROSS-INDUSTRY (CONTINUED)

8.0 Manage Financial Resources (Continued)	8.7 Manage Treasury Operations	
	8.7.1 Manage Treasury Policies and Procedures	8.7.4 Manage Debt and Investment
	8.7.2 Manage Cash	8.7.5 Monitor and Execute Risk and Hedging Transactions
	8.7.3 Manage In-House Bank Accounts	
	8.8 Manage Internal Controls	
	8.8.1 Establish Internal Controls, Policies, and Procedures	
	8.8.2 Operate Controls and Monitor Compliance with Internal Controls Policies and Procedures	
	8.8.3 Report on Internal Controls Compliance	
	8.9 Manage Taxes	
	8.9.1 Develop Tax Strategy and Plan	
	8.9.2 Process Taxes	
	8.10 Manage International Funds/Consolidation	
	8.10.1 Monitor International Rates	
	8.10.2 Manage Transactions	
8.10.3 Monitor Currency Exposure/Hedge Currency		
8.10.4 Report Results		

Source: APQC Cross-Industry.

BUSINESS CAPABILITY MODEL: APQC CROSS-INDUSTRY (CONTINUED)

9.0 Acquire, Construct, and Manage Assets	9.1 Design and Construct/Acquire Nonproductive Assets			
	9.1.1 Develop Property Strategy and Long-Term Vision	9.1.3 Plan Facility		
	9.1.2 Develop, Construct, and Modify Sites	9.1.4 Provide Workspace and Assets		
	9.2 Plan Maintenance Work			
	9.2.1 Perform Routine Maintenance	9.2.3 Overhaul Equipment		
	9.2.2 Perform Corrective Maintenance	9.2.4 Manage Facilities Operations		
	9.3 Obtain and Install Assets, Equipment, and Tools			
	9.3.1 Develop Ongoing Maintenance Policies for Productive Assets			
	9.3.2 Obtain and Install Equipment			
	9.4 Dispose of Productive and Nonproductive Assets			
	9.4.1 Develop Exit Strategy	9.4.2 Perform Sale or Trade	9.4.3 Perform Abandonment	

Source: APQC Cross-Industry.

BUSINESS CAPABILITY MODEL: APQC CROSS-INDUSTRY (CONTINUED)

10.0 Manage Enterprise Risk, Compliance, and Resiliency	10.1 Manage Enterprise Risk	
	10.1.1 Establish the Enterprise Risk Framework and Policies	10.1.4 Manage Business Unit and Function Risk
	10.1.2 Oversee and Coordinate Enterprise Risk Management Activities	10.1.5 Manage Regulatory Compliance
	10.1.3 Coordinate Business Unit and Functional Risk Management Activities	
	10.2 Manage Business Resiliency	
	10.2.1 Develop and Manage Business Resiliency	
	10.3 Manage Environmental Health and Safety (EHS)	
	10.3.1 Determine Environmental Health and Safety Impacts	10.3.4 Monitor and Manage Functional EHS Management Program
	10.3.2 Develop and Execute Functional EHS Program	10.3.5 Ensure Compliance with Regulations
	10.3.3 Train and Educate Functional Employees	10.3.6 Manage Remediation Efforts

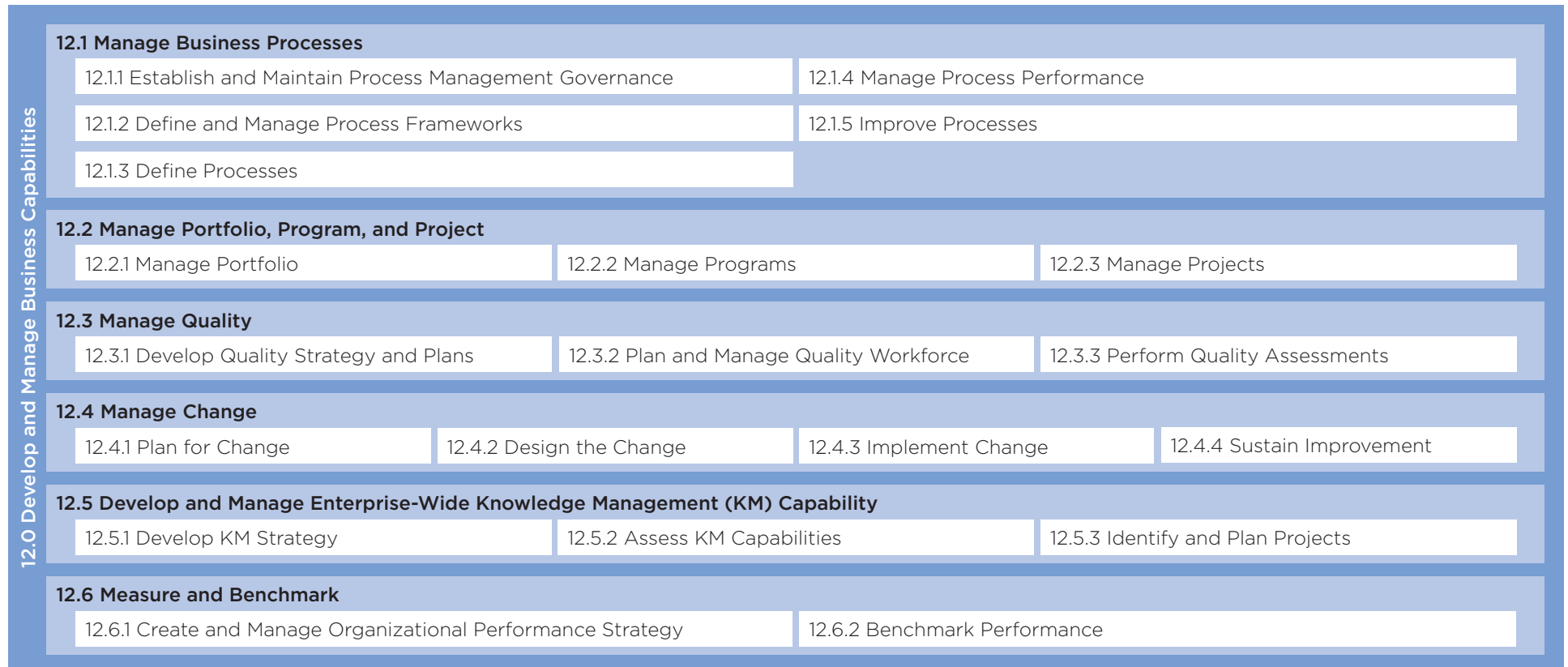
Source: APQC Cross-Industry.

BUSINESS CAPABILITY MODEL: APQC CROSS-INDUSTRY (CONTINUED)

11.0 Manage External Relationships	11.1 Build Investor Relationships		
	11.1.1 Plan, Build, and Manage Lender Relations	11.1.2 Plan, Build, and Manage Analyst Relations	11.1.3 Communicate with Shareholders
	11.2 Manage Government and Industry Relationships		
	11.2.1 Manage Government Relations	11.2.3 Manage Relations with Trade or Industry Groups	
	11.2.2 Manage Relations with Quasi-Government Bodies	11.2.4 Manage Lobby Activities	
	11.3 Manage Relations with Board of Directors		
	11.3.1 Report Results	11.3.2 Report Audit Findings	
	11.4 Manage Legal and Ethical Issues		
	11.4.1 Create Ethics Policies	11.4.6 Protect Intellectual Property	
	11.4.2 Manage Corporate Governance Policies	11.4.7 Resolve Disputes and Litigations	
	11.4.3 Develop and Perform Preventive Law Programs	11.4.8 Provide Legal Advice/Counseling	
	11.4.4 Ensure Compliance	11.4.9 Negotiate and Document Agreements/Contracts	
	11.4.5 Manage Outside Counsel		
	11.5 Manage Public Relations Program		
	11.5.1 Manage Community Relations	11.5.3 Promote Political Stability	11.5.5 Issue Press Releases
11.5.2 Manage Media Relations	11.5.4 Create Press Releases		

Source: APQC Cross-Industry.

BUSINESS CAPABILITY MODEL: APQC CROSS-INDUSTRY (CONTINUED)



Source: APQC Cross-Industry.