A Process Centric Approach to Business Capability

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Business Process - Business Capability
When Worlds Collide

• Are Business Processes just needed to enable Business Capabilities?
• Are Capabilities needed make Business Processes effective?
• Are they different perspectives on the same thing?
• Are they both just means to an end?
• Does it matter and should we just get over it?
Some Quotes from the BPTrends Discussion Group

In life, I have found, and I am as much at fault as anyone, people tend to speak and act to make their thing the big thing, the centre of the universe.

Howard Smith
Dissecting the words

• Business
  – a commercial or sometimes an industrial enterprise ... serious activity requiring time and effort *
  – an organization or group of organizations with the purpose of providing goods, information or services #

• Process
  – a series of actions or operations conducing to an end *

• Business Processes
  – the work performed by all resources involved in creating outcomes of value for customers and other stakeholders #

* From Merriam-Webster
# From Business Process Manifesto
Some Quotes from the BPTrends Discussion Group: The heart of the debate for process

On one end of a broad spectrum we have a definition which makes a process nothing more than a series of activities, often with the term used in a pejorative sense. At the other end ... a process is a multifaceted thing including activities, resources, intentions, measures – all of the static and dynamic attributes that allow it to create, accumulate and deliver value for customers and other stakeholders in complex and changing environments.

Roger Tregear
Dissecting the words

- **Capability**
  - the quality or state of being *capable*; also *ability* *
  - the ability of an organization or a Business Process to achieve a desired outcome #
  - an ability that an organization, person, or system possesses... typically require(ing) a combination of organization, people, processes, and technology to achieve ^

- **Capable** *
  - having attributes required for performance or accomplishment <is *capable* of ...> *

- **Able** *
  - having sufficient power, skill, or resources to accomplish an object *

* From Merriam-Webster
# From Business Process Manifesto
^ From TOGAF
Some Quotes from the BPTrends Discussion Group

Let's keep in mind that words like "process" or "capability" are used in (a) context. When trying to understanding “how” the business is done the "process" tells the story in a better way. When trying to understand “what" is needed, the word capability conveys the message in better way. In business we of course need both aspects.

Kai Laamanen
An Analogy to the Physical World

- A building resident will live his/her life in the building
- The architect will precisely design the building and its supporting capabilities
- The architect will use professionals for help with room design, plumbing, electrical and HVAC but must know how the facility will be used first
- Have you ever been in a building that had all the right things in place but it did not flow for you?
- Have you been in a building where the usage design was great but nothing worked right?
Why do Businesses Exist?

• To deliver measurable outcomes of value for the core stakeholders of the business
  – Owners
  – Product or Service Recipients
  – Society
• Of concern to other stakeholders
  – Staff
  – Suppliers
  – Regulatory Bodies
  – Community
We can do Better with our Stakeholders if we Understand Them First

Some types of Stakeholders
- Customers
- Consumers
- Suppliers
- Shareholders
- Regulatory Agencies
- Influencers
- Competitors
- Employees
- Unions
- ...

What are their needs and expectations?
What do we have to do to satisfy them?
What do we need to be capable of to do what we have to do?
Who Cares?: Three levels of Aligned Outcomes

**Stakeholder**
The set of results that we must deliver to satisfy the needs and expectations of our stakeholders to sustain healthy *relationships*.

**Strategic**
The 3-7 directional end points on the enterprise North Star (or Southern Cross) that articulate our vision.

**Process**
The outcomes of value from the work we do in our processes for the stakeholders affected by them.
Processes and Capabilities – both are means to the ends and need one another
Some Quotes from the BPTrends Discussion Group

If its the same old silos, calling them capabilities, or processes doesn't make them any less silos.

Ron Segal

I can't really understand why so many of you find the notions of Process and Capability so incompatible. I think they work together very well, once one recognises the hierarchical nature of all the terms that are significant to a Business Architecture.

Ed Walters
Defining & Aligning Goals and Measures (KPIs)

- Organization
  - Value Chain (Businesses)
    - Level 1 Process
      - Level 2 Process
  - Value Chain (Consumers)
    - Level 1 Process
      - Level 2 Process
- Strategic Outcomes of Organization
- Outcomes of Specific Value Chain
- Measures of Value Chain Success (KPIs)
- Measures of Each Level 1 Process Success (KPIs)
- Measures of Each Level 1 Process
- Measures of Each Level 2 Process
  - Level 2 Process

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Process Measures are Traceable to Stakeholder Results

Only a subset of all of the goals and measures of the Organization will get assigned to any given Value Chain and L1 Process

The challenge is to ensure that the goals of the value chain manager do not conflict with the goals of the line managers

Do the two perspectives align?
Business Processes must Perform and Capabilities must Make that Possible

Measures of Current Process’s Performance

Desired Measures of Required Process’s Performance

Process Performance Gap

Existing or As-Is Process

Ideal Process

How we do things Now

How we will Need to do things in the Future

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Some Quotes from the BPTrends Discussion Group

Capability has dual and somewhat recursive meaning - ability and potential. If we use "Capability" absent specific readiness, it awkwardly suggests "we're capable of being capable".

Dave Duggal
We need to Allocate our Scarce Resources Smartly: Prioritize what we should be working on

- You cannot focus equally on everything
- You do not need to be the best at it all
- Some processes will be more important than others (Gain)
- Some will be in better shape than others (Pain)
- Select your process redesign and capability-building plans based on the combined Gain and the Pain
Not All Processes and Capabilities are Equal

Some Business Processes are more important in achieving stakeholder and strategic outcomes than others

- That means that some capabilities are more important than others
- The company’s Value Proposition will tell us which ones
- Not all capability gaps must be closed to the same degree or at all

![Diagram showing performance gaps](image)
Some Quotes from the BPTrends Discussion Group

I suspect that a lot of it(money) is spent developing capabilities that don't, in fact turn out to be useful or needed.

Paul Harmon
Assuming High Pain

- Even if there is Pain the solution for capability enhancement depends on the Gain

- For **High Gain**
  - Determine your value proposition carefully
    - Operational Excellence
    - Customer Intimacy
    - Innovation
  - Build specialized capabilities that differential your business from the competition

- For **Medium Gain**
  - Follow industry best practice but do not go beyond
    - no one cares if you are better just if you are below the others
  - Do NOT customize your ERP to do it

- For **Low Gain**
  - Just do the least you need to do to get by
Business Processes and Business Capabilities

• A true and measurable ‘Business’ Capability is comprised of everything that we have to be able to do to achieve the outcomes of the processes.

• An aligned set of Business Capabilities is built around end-to-end Business Processes. (N:N)

• There are support capabilities needed and available from each professional domain.

• To get your Capability Map – build your Business Process Architecture in terms of what delivers outcomes for stakeholders
Some Quotes from the BPTrends Discussion Group

Zachman describes process very narrowly. I describe it very broadly.

Howard Smith
My Perspective

• Two ways of looking at Zachman:
  – Architectural - primitives
  – Work - composites
• I admit a composite and methodological bias and an Outside-in Point of View
Business Processes as Composer of Multi-Domain Capability Primitives: *More than Just IT Needs* *

- **Intent & Strategy:**
  - Enterprise
  - Stakeholder
  - Process

- **Policy & Rules:**
  - Regulations
  - Policies
  - Business Rules

- **Human Capital:**
  - Competency
  - Capacity
  - Motivation

- **Organization Structure:**
  - Formal
  - Roles and Responsibilities
  - Incentives

- **Supporting Infrastructure:**
  - Facilities
  - Equipment
  - Locations

- **Enabling Technology:**
  - Software Services
  - Applications
  - Datastores

*Burlton Hexagon*
### Decomposition, Alignment and Traceability

<table>
<thead>
<tr>
<th>Vision</th>
<th>Organization /Process</th>
<th>Stakeholders</th>
<th>KPI/Measures</th>
<th>Capabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>The organization goals</td>
<td><strong>Organization</strong></td>
<td>The Organization Stakeholder.</td>
<td>The organization scorecard</td>
<td>The capabilities of the Organization</td>
</tr>
<tr>
<td>The Value chain goals</td>
<td><strong>Value Chains or Level 1 Processes</strong></td>
<td>The Value Chain Stakeholders</td>
<td>The value chain scorecard</td>
<td>The capabilities of the Value Chain</td>
</tr>
<tr>
<td>The Process goals</td>
<td><strong>Level 2 Processes</strong></td>
<td>The Process Stakeholders</td>
<td>The process scorecard</td>
<td>The capabilities of the process</td>
</tr>
<tr>
<td>The Sub process goals</td>
<td><strong>Level 3 Process, Etc.</strong></td>
<td>The Sub-process Stakeholders</td>
<td>The subprocess scorecard</td>
<td>The capabilities of the subprocess</td>
</tr>
</tbody>
</table>

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Some Quotes from the BPTrends Discussion Group

If it says capability then it is a capability of something to do something (a process) so the capability is a characteristic of something and not a thing in its own right.

*Roger Burlton*
Closing Thoughts

- Businesses must be capable of conducting work that has value for someone outside the organization
- Business processes have a unique connection to business performance
- Business processes are natural aligners of resources used to do work
- Business capabilities make it possible to do the right work in the right way
Business Process

- Includes the identification of work actions from opening event to closing event
  - Value Chain
  - Value Stream
  - Process
  - Activities
  - Tasks
  - Steps
- Includes the interrelationships among work actions
  - Inputs and outputs for actions
  - Flow within actions
  - Dependencies among actions
  - Timing of actions
  - Artifacts of the actions
    - Physical
    - Informational
    - Knowledge oriented
- These can be documented or not
- These are measurable
Business Performance

- Includes the measures of value for the processes:
  - Units of measure by process hierarchy level
  - Dependencies among work units being measured
  - Lagging and leading components of scorecards
  - Current performance data
  - Objectives of ideal and future performance (targets and timings)
- Covers multiple measurement types
  - Effectiveness (value creation)
  - Quality (Compliance)
  - Adaptability (ease of change)
  - Efficiency (resources)
- These can be formal or informal
- They are the basis for managed accountabilities (Organizational Structure and Human Capital segments)
Information & Knowledge

- Includes the identification of Information created, consumed, updated and referenced in the business processes of the organization in focus.
  - Inputs
  - Outputs
  - Reference Information

- Includes the interrelationships between the process models and the information models and the segments of the hexagon.

- Includes the knowledge
  - Needed (as process guides) to execute business processes
  - Created by business processes to be used by other business processes
Intent & Strategy

- Defines the ‘Raison d’Etre’ for the business and the basis for traceability

- Includes the perspectives of:
  - Enterprise
  - Stakeholder
  - Process

- Includes the strategic intent and strategy aspects of:
  - Ends:
    - Vision
    - Goals
    - Objectives
  - Means
    - Mission
    - Strategies
    - Tactics
Policies & Rules

- Includes the guiding impact from:
  - Legislation/legal opinion
  - Business strategies and policies
  - Decision criteria
  - Specifically articulated rules
  - Governance requirements
  - Compliance needs
  - Business principles
  - Culture norms

- These can be explicit or tacit, perceived or documented, in software or peoples’ heads
- There can be high or low levels of enforcement or consequences (motivation segment)
Organization Structure

- Includes the structural aspects of the organization:
  - Formal structure
  - Informal reporting (e.g., matrix)
  - Governance
  - Roles
  - Jobs
  - Responsibilities
- Includes the formal alignment of performance:
  - Organizational goals and objectives
  - Positional goals and objectives
  - Incentives for met and failed performance
- Implied or documented, public or private, objectively measurable or subjective
- Aligned to support the performance objectives (Business performance segment)
Human Capital

- Includes the enabling human ability to perform as needed:
  - Skills
  - Abilities
  - Knowledge
  - Competencies
  - Style
  - Education requirements
  - Training needs
  - Experience levels
  - Capacities
  - Individual Motivation
  - Team Culture
- These can be capability and capacity oriented
- These should align to the process optimization needs
Enabling Technology

- Includes the enabling impact from:
  - Software applications / ERP
  - Software tools
  - BPMS/ Workflow/ EAI
  - Services (SOA)
  - Databases
  - Personal devices
  - Network infrastructure
  - Communications
  - Other Hardware and software

- These can be highly coordinated through strong Enterprise Architectures or loosely managed in a highly localized manner
Supporting Infrastructure

- Includes the physical enabling capabilities:
  - Work locations
  - Physical plant and production facilities
  - Distribution capabilities
  - Equipment
  - Fleet and vehicles
  - Office space
  - Work infrastructure
  - Health and safety
  - Work environment

- These can be central or distributed
- There may be a close tie to management of the work and reporting (Organization Structure segment)