Business Capability Management: Your Key to the Business Board Room

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The Confusion of Tongues

Why IT fails to meet business expectations

No common vocabulary between IT and Business

- Processes are too detailed
- Strategies and projects are too variable
- Applications are functionally isolated and too technical
- Business can’t relate technology costs and business value

The result:

- No common understanding of business and IT strategy
- No common view of IT support
- Plans not synchronized
A **business capability** defines the organization’s capacity to successfully perform a unique business activity. Capabilities:
- are the building blocks of the business
- represent stable business functions
- are unique and independent from each other
- are abstracted from the organizational model
- capture the business’ interests

A **business capability map** is:
- a model of the firm associating the business capabilities, processes, and functions required for business success with the IT resource that enables them*

* Source: Forrester Research
Capabilities should:

- mean something to the business answering questions like “what are the 6 main activities required to run your business?”
- at the high level represent the 5-9 main generic capabilities of the organization
  - could be same as high-level process model
  - could in part coincide with the high-level product groups
- have a clear management responsibility within the business organization
  - who IT talks to when supporting this capability
  - have clear responsibilities for a capability area within IT
Capabilities should:

- be hierarchal in structure for drill-down
- be stable and process-independent
- have no more than 3-4 levels in the hierarchy (providing stability)
- be defined – independent of current IT support for that capability
- non-overlapping, capsulated (self-contained, “outsource-able”)

The Enterprise

- Corporate Management
- Market Development
- Product Development
- Delivery
- Support and Services
- Oversight

Market Development

- Contact Management
- Direct Marketing Management
- Market Analysis
- Regional Market Management
- Order and Contract Management
- Revenue Analysis
- Channel Management
- Sales Management
From Business Capability to Business Value

The path from the Business Capability Map to Business Value is described in the IT planning process.

Business Capability Map

The Enterprise
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Business Capability Uses

- Demand Management according to strategy
- Relating operational IT cost to business value
- Application and process rationalization
- Design and delivery of agile technology solutions
Demand Management according to Strategy

IT Planning activities:

- Define Business Capability Map

- Map Business Capabilities to Business Strategy

- Assess current/required strength/performance of Business Capabilities

- Derive Demand strategies from performance gap for Business Capabilities

- Analyze project requests based on Business Capabilities

- Assure that aggregate demand reflects business goals

- Understand demand impact on application/technology architecture at an early stage
Assess Current/Required Strength of Business Capabilities

First level business capabilities are defined in domains.

Second level business capabilities are evaluated as to importance for achieving strategy and to identify hotspots.
Relating Operational IT Cost to Business Value

IT Planning activities:

- Capture IT costs at object level
- Relate IT costs to business capabilities
- Reconcile SLA’s with actual business needs
- Reduce IT OPEX (without risk to the business)
- Identify capability outsourcing candidates
Relate IT Costs to Business Capabilities

First level business capabilities are defined in domains.

Analyze the second level capabilities to find out which ones are causing the most IT costs...

...yet aren’t really critical to achieving business strategy.
Relating Operational IT Costs to Business Value

What are the operational costs and where should these be controlled more thoroughly?

### Run the Bank
10 capabilities account for approx. 60% of costs

- Market data mgmt.: 6%
- Trade capture: 6%
- Pricing, contribution: 7%
- Confirmations processing & trade matching: 7%
- Clearing & settlement: 9%
- Market risk analysis mgmt.: 11%
- 13%

### Change the Bank
10 capabilities account for approx. 60% of costs

- Confirmations processing & trade matching: 4%
- Trade capture: 4%
- Product control: 5%
- Payments: 6%
- Financial accounting & reporting: 7%
- Custody Services: 8%
- 9%
- 13%

Market risk analysis mgmt.

Instrument static data Mgmt.

Asset class trading

Order routing & fulfillment

Order routing & fulfillment

Instrument static data Mgmt.

Liquidity risk & asset and liability mgmt.
Application and Process Rationalization

IT Planning activities:

- Map IT solutions to Business Capabilities
- Find synergies and duplications
- Identify the business capabilities the organization should invest in
- Analyze the impact of changes
- Analyze strengths and weaknesses of IT supports to critical Business Capabilities
- Appropriate project scope
Use the Application Architecture to Map Capabilities to Technology

- All activities (automated / non-automated)
- Used to assist in prioritization and translation of business strategy into core/non-core
- Used to assist in Business Architecture decisions (e.g. sourcing)

- Application domains
- Application sub-domains
- Applications
- Programs

- Infrastructure (hardware, networks, other basic services such as databases) – qualities of service (throughput, availability, security etc.)
High Heterogeneity Shows Rationalization Potential

Where do I want to reduce business process and business support variation?

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Design and Delivery of Agile Technology Solutions

IT Planning activities:

- Define and prioritize Capabilities
- Map Services to Capabilities
- Identify redundancies and relationships
- Identify SOA services to build
Identify the Capabilities the Firm Needs to Invest in

Base services’ potential business value on capability outcomes.
Where do I want to think about adopting SOA and where should COTS be used?

- Cross-selling across Divisions
- Centralization of activities in Centers of Excellence (incl. off-shoring where appropriate)
- **Standardization** and **re-use** of applications globally
- Aggressive international growth in private banking
- Continually enhance PB value proposition
- IB: refocus and build further capabilities in certain areas
- Expand capabilities in Structured Products
So when the Board asks...

Why does IT cost so much?
What’s the business value of this?
Are we investing IT resources on the right areas?
They’ll understand with ...
Thank you