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Basic Capability Principles

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Understanding, using, and representing a set of business capabilities for a business is challenging for many management teams. Establishing certain principles ("agreed-upon truths to guide our actions") streamlines efforts to understand, explain, define, map, and use capabilities for planning and executing business/IT transformation efforts. These 10 principles are:

1. **Capabilities define what a business does, not how a business does something.** Resist temptation to mix these concepts because it will destabilize the use of business capabilities downstream. This is the number one test to determine if a capability is actually a capability and not a value stream or a process.
2. **Capabilities are nouns, not verbs.** The passive approach to specifying a capability (e.g., investment management) reflects one of the differences between the capability and a value stream or business process -- where an active verb/noun construct is used (e.g., issue license). This principle helps reinforce Principle 1.
3. **Capabilities are defined in business terms, not technical terms.** Business professionals, from the front lines to the executive suite, should be able to look at one or more capabilities and immediately understand what they mean in terms of their unique business environment. Just because an application automates a capability is no reason to put a technical spin on the name and replicate it in the capability map. (Capability mapping will be introduced in a later section.)
4. **Capabilities are stable, not volatile.** There is a fundamental set of

capabilities that are required for a particular organization to conduct business. These capabilities rarely change within an organization, although there are many capabilities that are deployed in suboptimal ways. For example, management may argue that customers have the ability to manage a portfolio of products or services, but doing so may be cumbersome and lack basic automation and reconciliation abilities. The capability still exists but is considered to be weakly deployed. These capabilities should still be defined so they can be considered in planning activities. Adding a new capability occurs, but this is generally not done at the highest level unless there is an executive-level change to the business model or business strategy. For example, if a company that sells its products to other manufacturing companies moves into the retail business, new capabilities to manage the retail business are likely to emerge.

5. **Capabilities are not redundant.** Capabilities show up on a capability map once and only once for a business, regardless of how many business units possess that particular capability, how many business processes deploy it, or how many application systems implement it. For example, claims management would only show up once on a capability map, even though multiple product lines of an insurance business have this capability.
6. **There is one capability map for a business.** Any given business should have one capability map that spans organizational boundaries. Unfortunately, this principle is violated constantly. In one case, we worked with a financial institution that had multiple capability maps -- one for each business unit. There was no effective way to view the business in aggregate because each map was a view of the organization from a singular perspective. When this occurs, the ability to bring transparency to the business typically required by strategic initiatives is clouded to the point where these capability maps offer marginal, if any, value outside a given business unit.
7. **Capabilities map to, but are not the same as, an LOB, business unit, business process, or value stream.** An LOB is not a capability. The names may have similarities and LOBs are a useful consideration when building capabilities, but there is rarely a one-to-one correspondence between LOBs and capability. Similarly, when a capability decomposes to a given level, it does not become a process, task, or activity. These are distinct abstractions of the business and

mingling them compromises the value they offer in business analysis and transformation planning and deployment. For example, a capability maps succinctly to a business unit, initiative, information asset, and application or service. Mapping processes to these business and IT abstractions, however, creates a muddled view because a given process may cross dozens of business units and IT deployments in extraneous ways that have little to do with the capability under review. A capability does not decompose into a process; a process does not decompose into a capability.

8. **Capabilities have relationships to IT deployments and future-state IT architecture.** Capabilities identify the fundamental functions, activities, and abilities that are required for an enterprise to thrive. Capabilities align directly to SOA implementations. Keep in mind, however, that capabilities may or may not be automated via back-end application architectures, SOA business services, COTS software, or even desktop environments. Capabilities may be entirely manual in nature.
9. **Automated capabilities are still business capabilities -- not IT capabilities.** This principle refers to a common trap. IT occasionally introduces the concept of an "IT capability," which means that it is a business capability implemented in an application. This is not an IT capability; it is an automated business capability. IT as a business unit does, however, have certain capabilities related to provisioning IT infrastructure, building software, and managing operational solutions.
10. **Capabilities are of most value when incorporated into a larger view of an enterprise's ecosystem.** While useful as a stand-alone planning and discussion paradigm, leveraging capabilities to their fullest potential requires that they be incorporated into the overall picture of the business/IT ecosystem.

These principles are useful in guiding implementation actions for defining, communicating, and leveraging business capabilities in analysis, planning, and transformation exercises. Evaluating transformation analysis and planning against these principles should ensure that your efforts are balanced and are applying best practices, which in turn should keep projects focused and on track.

We welcome your comments about this *Advisor* and encourage you to send

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