

The Power of Business Capabilities

A Metis Strategy Perspective

November 2018



About Metis Strategy



Metis Strategy is a management and strategy consulting firm focused on the intersection of business and technology. We are trusted advisors to *Fortune* Global 500 companies and their leadership teams, helping them meet their most critical business objectives.

We are a relationship-oriented firm, tailoring our work to our clients' unique needs. Our clients partner with us at critical junctures in their business journey -- from ideation and research, through strategic roadmapping, to executive decision-making and execution.

We work across industries on topics related to business strategy, digital transformation, information technology strategy, operations, international growth strategy, and organizational change.

We help identify, develop, or optimize strategies at different levels of the organization. Together with our clients and partners we find effective and efficient ways to execute and operational strategy in ways to improve the customer experience through digital technology, and continually advise our clients on how to harness business and technology capabilities for maximum business value.



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Introduction

There is no question that technology is at the heart of almost every business capability in today's business environment. Traditional IT organizations that may operate in a functional silo, separated from the other business functions, will no longer allow organizations to compete successfully and at scale.

In a recent [interview](#) with Metis Strategy, Art Hu, the Global CIO of Lenovo said

 *Technology will only continue to accelerate as it moves from backstage to center stage, and I believe this evolution puts a premium on the technology leader's ability to act as a bridge and translator between the technology and the business world... technology leaders must speak in a language that is concise, compelling, and easy to understand* 

Unfortunately, in our work with senior technology and business leaders across industries, we still see many of them struggle with how to create effective convergence between the technology and business worlds. Business function leaders often communicate high-level objectives that are difficult for technology leaders to translate into concrete actions, while technology leaders often approach a business issue by addressing the technology first, and the business outcome second. For example, they end up six months into a “digital transformation” effort with a disparate collection of initiatives, but no cohesive sense of business-value oriented prioritization or interdependence to create a more technology-driven future.

So, how do IT organizations make that leap from operating as a task-taker to being a strategic partner on technology enabled business capabilities throughout the organization? In Metis Strategy's experience, working with organizations across various industries, grounding IT plans in well-defined business capabilities helps align business and IT partners around a common set of principles and terminology that the all stakeholders can understand and execute against.

Benefits of Business Capabilities

At Metis Strategy, we define business capabilities as *an integrated set of processes, technologies, and deep expertise that are manifested as a functional capacity to capture or deliver value to the organization*. They outline “what” a business must do to success, as opposed to “how” a business operates.

As the name suggests, business capabilities cover all core business competencies, including technology. Assessing individual capabilities provides valuable insights. However, looking across the entire ecosystem of capabilities provides a holistic view with enormous potential for analyses and improvements. This comprehensive mapping of capabilities allows for wide-ranging assessments, including dependency-mapping, maturity level analysis, identification of improvement opportunities, and the uncovering of possible gaps. Once created, business capability maps are a powerful tool to constantly evaluate an organizations ability to pursue its goals and objectives, and to improve business outcomes. In many cases, business capability maps highlight that only a combination of processes, skills, and technologies offer the

greatest opportunity for organizational improvement.

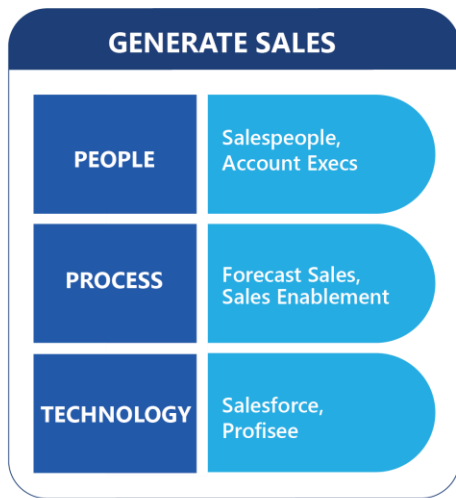


Illustration 1: Components of a business capability

As an example, (see illustration 1), most organization will have a “Generate Sales” business capability that falls into the area of responsibility of a group of sales executives (“People”) who are responsible for bringing that capability to life by generating sales, using a set of associated sales processes (“Process”) to help them plan and manage sales. Additionally, the organization will utilize one or multiple technology systems (“Tools”) to better enable the sales team, such as a CRM platform. The combination of all of these components make up the business capability

Five Simple Steps to Unlock the Power of Business Capabilities

Defining and unleashing the power of your organizations’ business capabilities is a journey that is often led by IT but requires cross-functional collaboration and alignment. At Metis Strategy, we define and undertake this approach in five simple steps (see illustration 2).

1. **Define the Capabilities:** Agreeing on the fundamentals and nomenclature is key. At Metis Strategy, we recommend that Enterprise Architects or Business Relationship Managers work with functional leaders to understand and capture current business processes and needs in the form of a mutually agreed-upon business capability. Additionally, this first step can also be used to identify pain points or other areas of opportunity related to the capability. This exercise elevates technology leaders and their business partners to common ground, on which both can add value to the conversation: one around business process improvement, and the other around technology enablement.
2. **Segment & Prioritize:** Once you define your capabilities, prioritize them to help provide strategic direction to the organization. Not all capabilities will be of equal importance to your company’s ability to remain competitive, so you need to ensure you are not boiling the ocean. In short, capabilities fall on a scale of achieving competitive parity through sustaining competitive advantage, and it is important to evaluate which are the most important to your business’ success.
3. **Evaluate Maturity:** Once you segment and prioritize capabilities, you should evaluate the current state maturity for each capability, as well as the target future state. Understanding where you are today, and where you are trying to go in the next 12-24 months is critical to ensuring business and technology leaders are marching in the same direction.
4. **Define Capability Roadmaps:** Once you have capabilities prioritized and evaluated, IT &

Business stakeholders can work together to understand what you are or are not doing to support these capabilities. You might discover you have various redundant applications supporting the same capability. Alternatively, you might also identify white space opportunity where strategic capabilities are not supported from a technology or business process perspective.

5. **Continuous Improvement:** The creation and usage of business capabilities is not a one-time exercise. Business capabilities should be curated and evolved as the business matures, and as the organization better understand how to harness the benefits of business capabilities. The continuous improvements of business capabilities can vary, from adding or consolidating the initial capabilities to refining them at different levels. Working with a partner such as Metis Strategy, can help ensure that you are considering both the unique aspects of your organization, as well as innovative approaches and “best practices” from other organizations.



Illustration 2: Business Capability Development Process

Business Capability Use Cases

At Metis Strategy, we help organizations develop and leverage business capabilities in various ways depending on where they are in their maturity and growth trajectory. Metis Strategy’s involvement spans across the various business capability lifecycle phase, from their initial development, detailed mapping, to multi-level maturity assessments and refinements. We often undertake this as a focused exercise or as part of broader operating model improvement or transformational efforts. The best use cases for any business capability effort will commence with their definition, establishment, and initial mapping. Once business capabilities are well-defined and ingrained into the fabric of the organization, they can be utilized in many ways. A few use cases include:

- **Capability Based Strategic Planning:** Once business capabilities have been defined and prioritized, they can be used as a mechanism to align business and technology strategies. The alignment and prioritization will serve as the basis to build roadmaps and make investment decisions that will activate those capabilities and unlock strategic business value



Metis Strategy Use Case 1

Client: CIO, Multi-Billion Dollar SaaS Company

The client IT organization had historically been viewed as an order-taker, and often struggled to obtain budget considerations for more strategic initiatives that would further improve the value-add to the internal and external customers. The CIO had used business capabilities at a different organization in the past but needed help with the establishment

of a business capabilities framework and baseline with such a large organization. Metis Strategy worked closely with business function leaders to develop prioritized capability maps across the organization. The Metis Strategy team then leveraged the capability maps to identify areas in greatest need of investment (see illustration 3) and allowed leaders to make trade-off decisions that resulted in a meaningful prioritization of focus areas that galvanized the organization and ensured more effective investments.



Illustration 3: Capability Investment Heatmap

➤ **Operating Model Transformation:** A business capability framework can help organizations transition from a traditional “plan, build, run” operating model, towards a value-stream or product-oriented model. As Angela Yochem, CDO of Novant Health, *says, “to create a digital culture, the magic is in the operating model”* and business capabilities provide an effective means to identify operating model improvement opportunities and design a better model in which strategy and core capabilities take center stage.



Metis Strategy Use Case 2

Client: CIO, Fortune 500 B2B Automation & Manufacturing Company

Metis Strategy led this client’s IT organization through an operating model transformation, facilitating the transition from a project-based to a capability-based operating model and corresponding organizational structure. As part of this transformation, strategic capabilities were prioritized across the organization, and teams were aligned to each capability, thereby simplifying portfolio and program management. Capability delivery teams (see Illustration 4) were chartered with end-to-end ownership and accountability for the maturation and delivery of “their” capability resulting in better alignment and faster and more impactful delivery of strategic business outcomes.



Illustration 4: Capability Delivery Teams

➤ **Application Rationalization:** Business capabilities can become the foundation of an organizations business, application, information, or technology architecture. Once the business capability map has been defined, organizations can map applications and supporting technology to them and thereby

identify redundancies, gaps, and otherwise manage life cycles. This allows organizations to optimize their enterprise architecture, including its application portfolio, in way that best supports business objectives and competencies.



systems to business capabilities, we were able to identify more than 30% of redundancies that were subsequently eliminated. The reduction of system and data complexities led to additional efficiency gains. When the Metis Strategy team completed the engagement, the EA team possessed a robust application lifecycle management (ALM) and data governance framework that allowed for continuous management and improvement of these EA capabilities. The ongoing monitoring of business capabilities and the associated applications is effectively done in the LeanIX tool (see illustration 5), which facilitates timely and data-driven decision-making.

Illustration 5: LeanIX Capability and Application Map



Metis Strategy Use Case 3

Client: CTO, Global Healthcare Technology Conglomerate

Together with the CTO and Head of EA of the client organization, the Metis Strategy team devised the company’s first-ever comprehensive EA strategy and, using Metis Strategy’s cascading and metrics-driven framework, connected it to the existing business and technology strategies. In execution of the strategic objective to consolidate the application portfolio, the team developed a business capability and process map. The analysis of the capability map identified the information architecture, data governance, and application lifecycle management as opportunities of greatest need. By aligning data flows, critical

At Metis Strategy, we are passionate about finding innovative ways to leverage and enhance the intersection of business and technology strategy. A robust business capability framework is a powerful way to ensure that alignment, focus, and collaboration across the organization produces meaningful and sustainable business outcomes that manifest themselves through tangible business outcomes such as customer satisfaction, strong market positions, and value-returns to owners, investors, employees, and other stakeholders

If you are interested in discussing business capability analysis in more detail and learning more about how Metis Strategy can help your organization succeed in a fast-paced and increasingly competitive digital world, please contact us at information@metisstrategy.com.