Introduction

What is a Business Capability?

* Business capability defines the organization’s capacity to successfully perform a unique business activity. ([How to Create a Capability](https://jam4.sapjam.com/profile/2gh8qmizROrLPnNqM6pSQc/documents/XM7W3tpcTnUmDf7RnqircS))
* Capabilities:
  + represent stable business functions
  + are unique and independent from each other
  + are abstracted from the organizational model

What is a Business Capacity Model?

* Business Capability Modeling is a technique for the representation of an organization’s business anchor model, independent of the organization’s structure, processes, people or domains. ([Gartner](http://www.gartner.com/it-glossary/business-capability-modeling))
* A Business Capacity Model:
  + *describes WHAT a business needs to do in order to fulfill its objectives and responsibilities, e.g. to be succesful in the market.*
  + does not describe how it's done, by whom, where, ....
  + is typically stable over time - independent from reorganization, outsourcing, continous improvement, ...
  + is the stable anchor to link / overlay other business or technical artefacts / information
  + supports the understanding of business and IT
  + helps to align business, technology and organizational aspects
  + is a common starting point of Enterprise Architecture and for the analysis of an organization
  + supports heat mapping and investment priorization
  + is simply a hierarchy of business functions or capabilities
  + breaks the business capabilities down into several (in our case two to three) levels.
  + describes WHAT companies in an industry or industry segment typically do
  + helps to answer the question “What do the others do?”
  + is independent from SAP or any IT solution.
* Usage as an anchor: In Industry Reference Architect, we will later link Business Capabilities
  + to business processes they support
  + to concrete solution recommendations
  + to application maps
* Business Capability Models are abstracted from organization models. Customer shall be able to easily overlay their own organization. The good knowledge of multiple organizations in an industry (segment) helps to create a good Business Capability Model.
* Business Capabilities support Business Processes.
* In Customer Engagements, Business Capability Models
  + help to identify the needs of organizations
  + prioritize investments
  + help to align business, IT and SAP

*There is a potential many-to-many relationship between business processes and business capabilties / functions.*  
*Informally speaking, processes describe some kind of “flow” of activities, whereas functions group activities according to required skills, knowledge, resources, etc. (Archimate 2-1 specification)*

A business capability model describes what a (typical) company of an industry does. It is not specifc to a software vendor's solution portfolio.   
It might help a software vendors

* to oversee what an industry/customer does
* to undestand a customer's needs
* to explain what a solutions does
* to identify soluton portfolio whitespaces

Business Capability Models in Customer Engagements

In a Customer Engagement you might

* + create a customer specific business capability model with the customer
  + refer to a already existing customer business capability models
  + use an capability model already established in the industry
  + utilize the business capability model included in the Industry Reference Architecture content

You use Business Capability Maps

* + analyze an organization by discussing the companies capability model
  + create a heat map for the company
  + use an existing reference Business Capability Model as a starting point

How to Create a Business Capability Model

|  |  |
| --- | --- |
| 1 | Consider TYPICAL Organizations in your industry   * First Level of an typical Org-Structure   + Capability Level 1: e.g. Sales, Marketing, Production, HR, … * Business Area   + Capability Level 2: e.g. Customer Relationship Management, Sales Planning & Forecasting, … * Departments   + Capability Level 3: e.g. Client Analytics, Client Segmentation, ….     **You are not expected to think about level 3, in areas you are not an industry expert for.**  **Try to cover Level 1 & 2 first.** |
| 2. | Reuse  Check  the organization of BSR Solution Capabilities   * BSR - Lines of Business (LoB) ~ Business Capability Level 1 * BSR – “Solution Areas” as a starting point ~ Business Capability Level 2 * Solution Capabilities themselves describe the capabilities of our products and shall not be mixed up with Business Capabilities   **Check that, but do not simply take over LoBs or Solution Areas.** **Collect differences between Business Capability Level 1&2 and LoBs and Solution Areas** |
| 3. | Reuse **Are there already Business Capability Models from other industries?**  We create a common Cross-Industry Reference Capability Model in PowerDesigner: ReferenceArchitectures\IndustryReferenceAchitectures\IndRA\_Reference\_BizCapModel   * That model will grow during the program. * Inheritance of partial models in Power Designer is currently in discussion with Power Designer engineering. * You may break out and create an Industry Reference Capability Model for your industry or industry cluster. (Please discuss with us the reasons to break out). |

Tips and Tricks

|  |
| --- |
| * **Determine if a capability is actually a capability because it describes what – not how – something is being done.** “Faxing and emailing” are not capabilities because they describe ‘how’ a capability fulfilled. “Invoicing and Dunning” may be a capability, a company most probably will not be succesul without. Similarly, mailing an invoice is not a capability. Capital Management is a capability because it describes what is being done. |
| * **Make sure a capability is not a process.**  A sequence of activities fall into a process category. A process stands out because it veers into “how” something is being done. |
| * **Capabilities must be clearly defined.**  Capabilities must have clear descriptions/definitions at every level. Calling something Account Management requires not just a description/definition of the management portion but also the account portion of the term. This forces a common view of your business. |
| * **Capabilities are unique in terms of intent.** If two capabilities seem alike, question their intent. For example, if a Customer Management capability appears to be the same as a Partner Management capability, consider that customers are inherently different than partners (the fact that they may be one in the same notwithstanding) and demand a different set of management capabilities. Conversely, managing customer information could easily double for managing prospect information if the business can align it terminology and thinking around this concept. |
| * **Capabilities are framed by their parents.** The relationship within a given capability between a parent and its children is not process centric but just a detailed refinement of the parent. For example, if a capability called Risk Rating is contained within a higher level capability called Solution Management, then this case of risk rating is focused on delivering or furthering a solution. If a Risk Rating capability is shown under a Risk Management capability within a Capital Management capability, it is mostly likely furthering an aggregate view of risk management that is not tied to a given solution. |
| * **Capabilities are purely business views of the business.** It does not matter if a capability is automated or not. It is a capability if the business can and does have this ability – even if it is weak. Keep the discussion of systems on the sidelines as you go through this exercise. Later, when your capability map has matured, you can begin validating and using it through value stream, organization and IT asset mappings. |