

# 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

# Defining Business Capability

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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

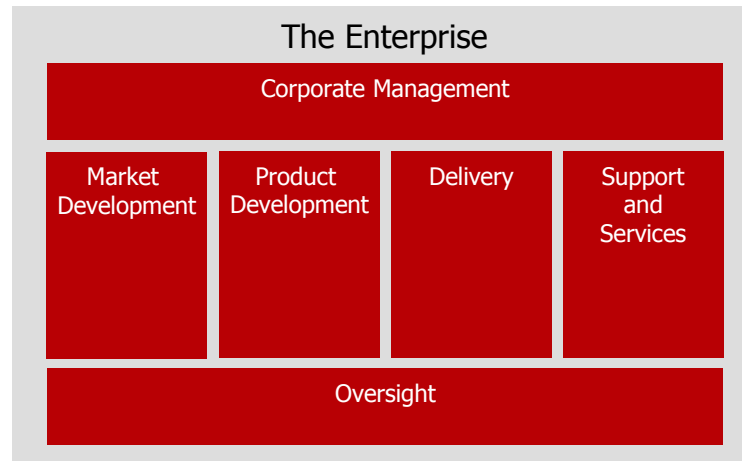
A **business capability map** is:

- 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

# Capability Map: Example of Level 1

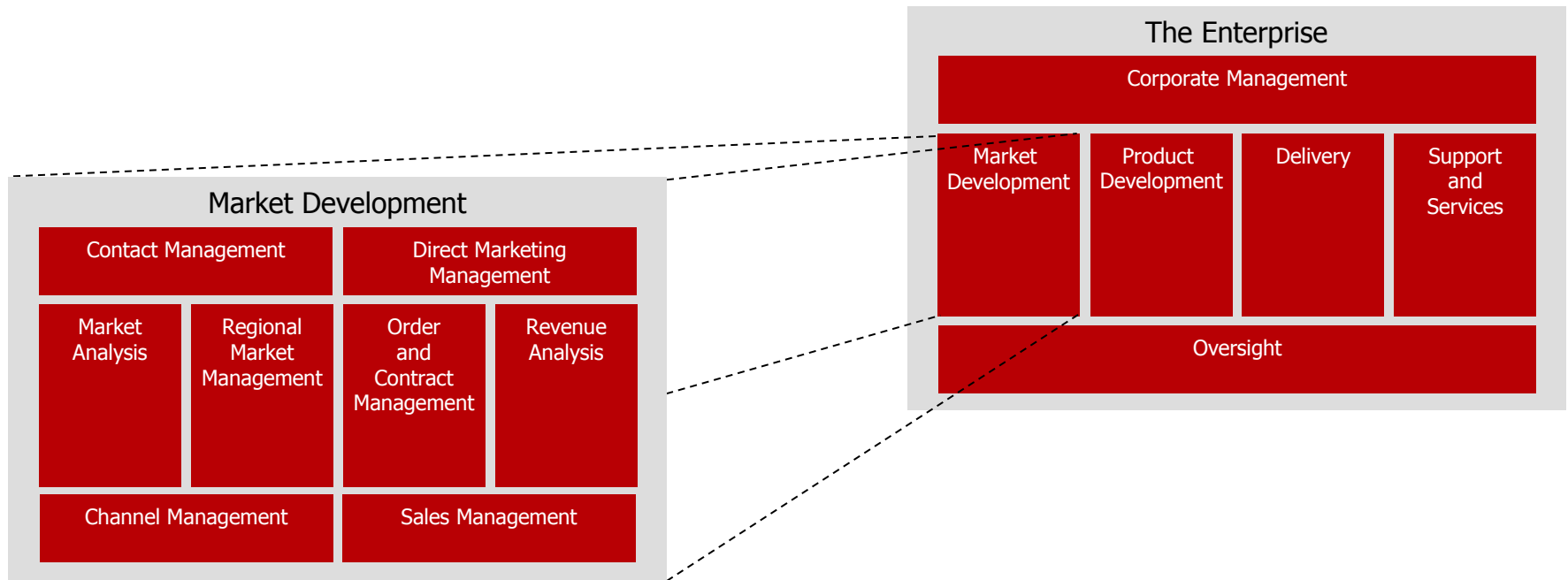
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Capabilities should:

- 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

# Capability Map: Example Levels 2 and 3



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”)

# Business Capability Map of a Financial Institution

## Sales, Markets & Relationships

### Trading

Market Making	Quoting	Asset Class Trading
Hedging	Securitization / Issuance	Structured Products

### Sales & Relshp. Mgmt

Sales & Advisory (incl. Offering)	Relshp. & Contact Mgmt.
Financial Institution (Insourcing)	EAM Support

### Capital Mkt.

## Product, Client & Trade Support

### Trading Support

Order Completion & Routing	Order Capture	Order Execution	Funding & Liquidity Management
Pricing, Contribution	Trade Booking & Amendments	Lifecycle & Market Event Management	Trade Capture, Allocation & Completion
Product Control	Position Management	Order Monitoring & Management	

### Product Management

Product Development	Product / Servicing Sourcing
Product Management	Product Catalog Management

### Research

### Marketing

### PB Specific Services

## Processing

### Data

Counterparty & Account Maintenance
Instrument Static Data Maintenance
Market Data Management
Document Management

### Product Specific

OTC/Derivatives/ Structured Products Processing	Funds Processing
Commodities & Banknotes Processing	Subscription processing
SLB & Repo Processing	FX/MM Processing
Securities Processing	Depot Bank Controlling

### Client Facing Common Proc.

Credit Approval Management	Client Accounting
Vault Services	Client Reporting
Client Tax Reporting	Fees, Comm. & Billing Mgmt (Cust. & 3rd party)
Cash Services	

### Common Processing

Reconciliation	Clearing & Settlement (CLS Control)	Confirmations Processing & Trade Matching
Payments	Custody Services	Collateral Handling
Corporate Actions & Entitlements	Credit Admin.	Nostro & Vostro Account Management
		Investigations & Exceptions Handling

## Risk, Compliance & Financial Management

### Risk

Market Risk Analysis & Mgmt.	Credit Risk Analysis & Mgmt.
Operational Risk Analysis & Mgmt.	Risk Report
Liquidity Risk & ALM	Econ. Cap Mgmt.

### Finance

Financial Accounting & Reporting	Decision Support
Company Tax	

### Compliance

Internal Audit	Regulatory Compliance
	Internal Compliance

### Management Information

MIS
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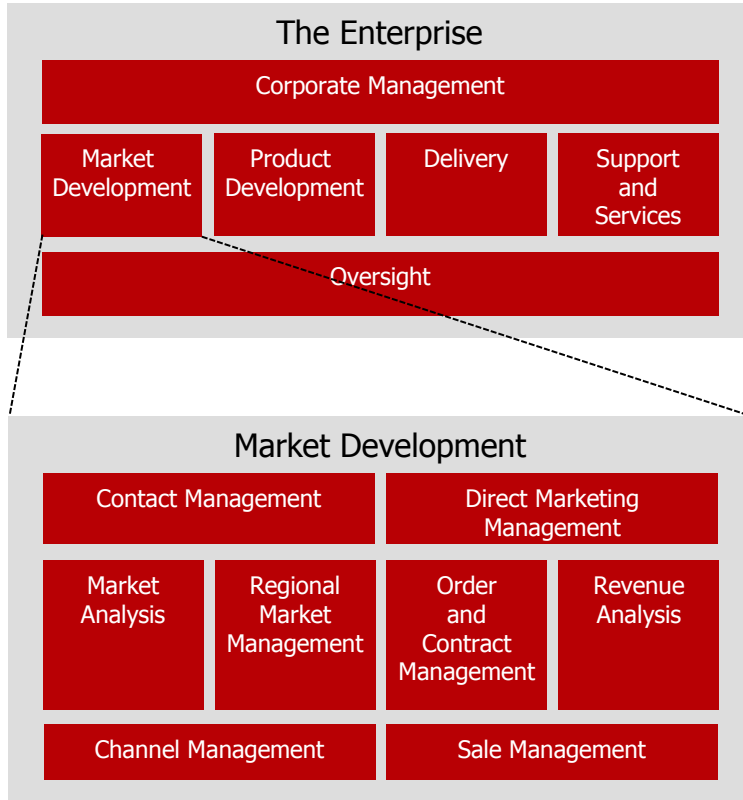
## Strategy & Governance

## Support Infrastructure

- Tier 1: Supported by IT Domains
- Tier 2: Capabilities influencing Tier 1 capabilities
- Not in focus

# From Business Capability to Business Value

## Business Capability Map



## 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

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

# Demand Management according to Strategy

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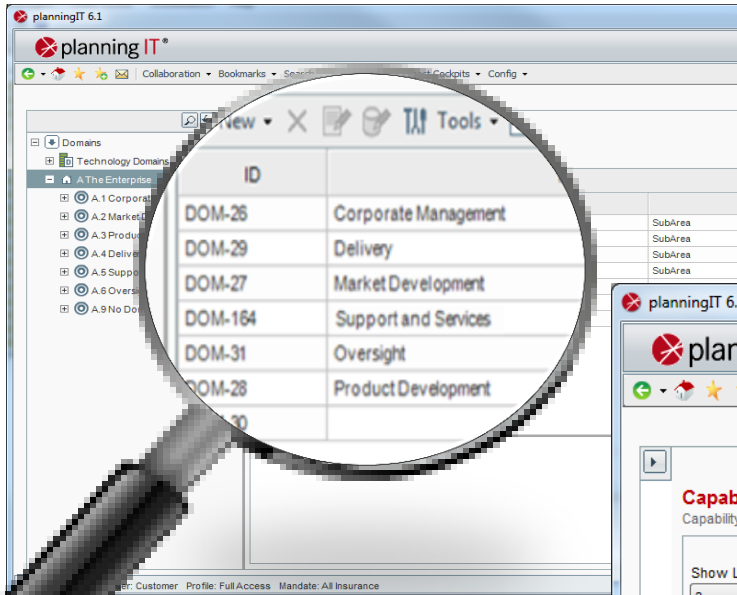
## IT Planning activities:

- 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.

The screenshot shows the 'planningIT 6.1' interface with the 'Capability Map: Capabilities' evaluation. The 'Evaluation Type' is set to 'Market Differentiation'. The table displays various capabilities and their evaluation scores. A magnifying glass highlights a portion of the table, showing fire icons in the 'Uniqueness' and 'Competitiveness' columns for several capabilities, indicating high importance or 'hotspots'.

Capability	Uniqueness		Competitiveness	
	C	P	C	P
Technology Domains				
A The Enterprise				
A.1 Corporate Management				
A.1.1 Corporate Planning	High	High	Low	Low
A.1.2 Collaboration	Low	Low	Low	Low
A.1.3 Corporate Portfolio Development	Low	Low	Low	Low
A.2 Market Development				
A.2.1 Contact Management	High	High	Low	Low
A.2.2 Direct Marketing Management	Low	Low	Low	Low
A.2.3 Channel Management	High	High	Moderate	Moderate
A.2.4 Market Analysis	High	High	Low	Low
A.2.5 Regional Markets Management	Low	Low	Low	Low
A.2.6 Order to Contract Management	High	Low	Low	Moderate
A.2.7 Contract Management	Low	Low	High	High
A.2.8 Revenue Analysis	Low	Low	High	High

# Relating Operational IT Cost to Business Value

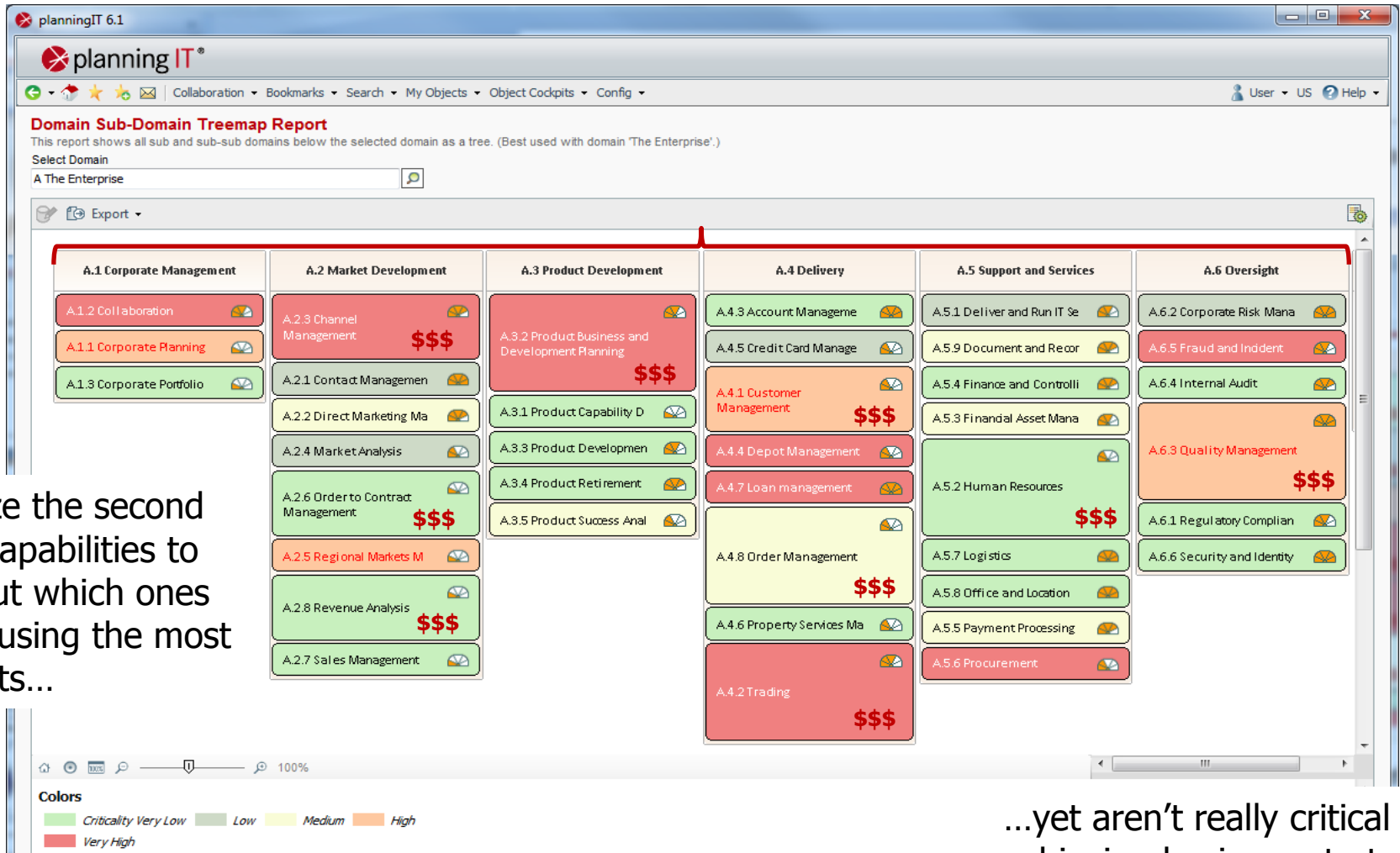
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IT Planning activities:

- 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...

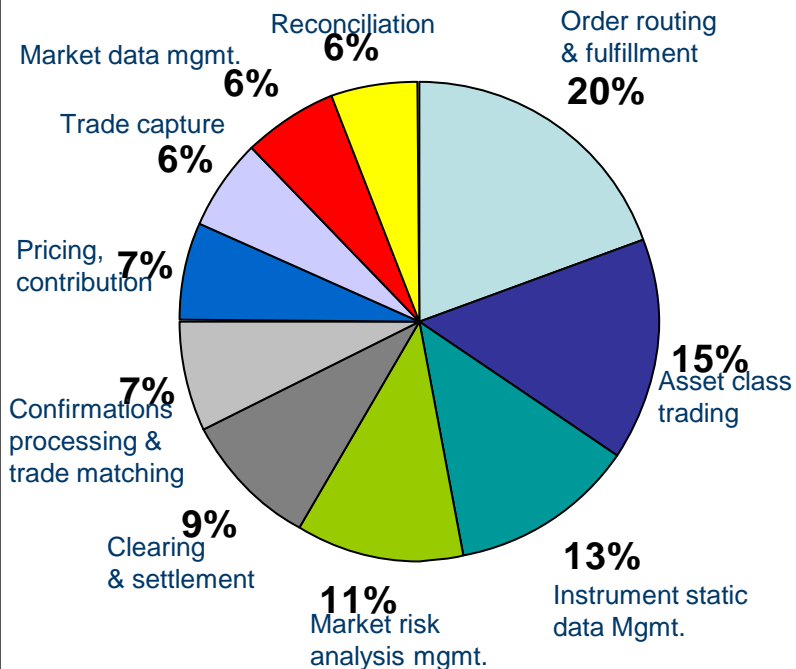
...yet aren't really critical to achieving business strategy.

# Relating Operational IT Costs to Business Value

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

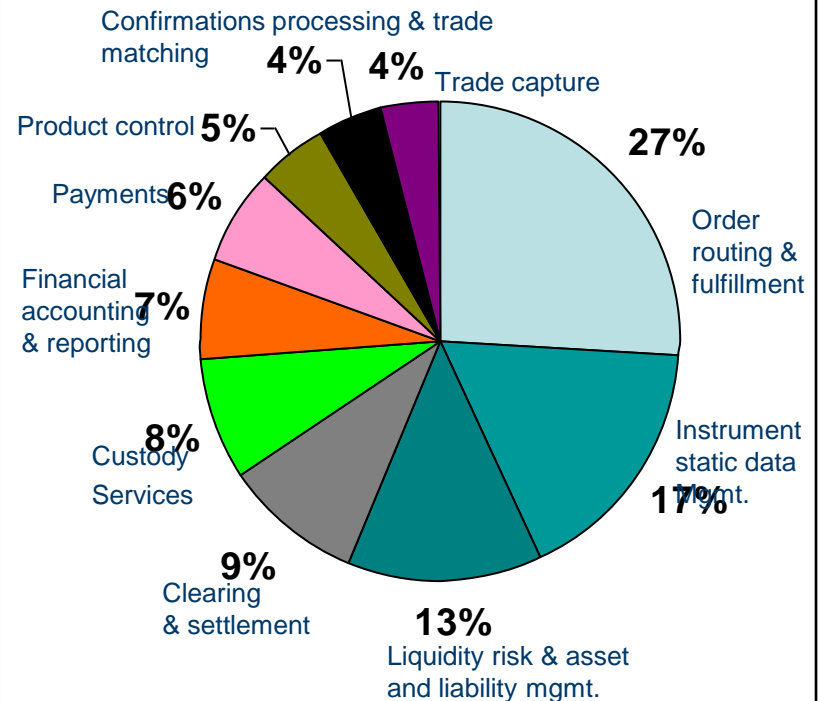
## Run the Bank

10 capabilities account for approx. 60% of costs



## Change the Bank

10 capabilities account for approx. 60% of costs



# Application and Process Rationalization

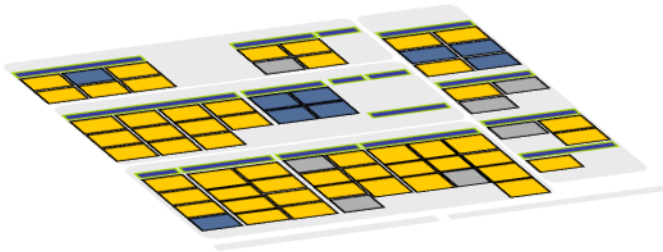
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## IT Planning activities:

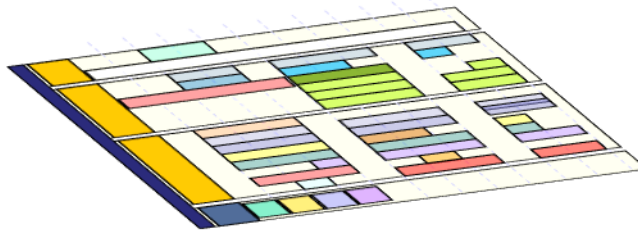
- Map IT solutions to Business Capabilities
- Find synergies and duplications
- Identify the business capabilities the organization should invest in
- Analyze the impact of changes
- Analyze strengths and weaknesses of IT supports to critical Business Capabilities
- Appropriate project scope

# Use the Application Architecture to Map Capabilities to Technology

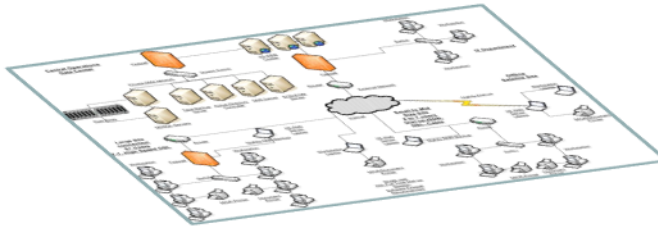
Business  
Architecture



Application  
Architecture



Technology  
Architecture



- 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)
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- 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?

		Product 1	Product 2	Product 3	Product 4	Product 5	Product 6	Product 7	Product 8	Product 9	Product 10	Product 11
Data	Counterparty & Account Maintenance			Basic Treasury Info (BTI)								
		CIF										
	Instrument Static Data Maintenance			ERAT			Evaluation Rate (ERAT)				ERAT	
				BOT			SPECTER				SPECTER	
		CB					RIT					BRT
							BRT					
Data	Market Data Management						V-Master data				V-Master data	
							V-Services				V-Services	
				Foreign Holiday Treasury Base (FHTB)								
				Market Services Data Hub (MSDH)			Market Services Data Hub (MSDH)				Market Services Data Hub	
				Fin Data Server (FDS)			Fin, Data Server (FDS)				Fin, Data Server (FDS)	
				Rate Services (RS)			PROTINF				Rate Services	
				Market Info Server (MIS)			Market Info Server (MIS)				MIS	
Data	Document Management				MRAT		Market rate (MRAT)				MRAT	
				Currency Base (CB)				RETWEB				
				ISS			NLF Gateway & Processing				NLFGAT	
		NA	DI	MT	ER							

# Design and Delivery of Agile Technology Solutions

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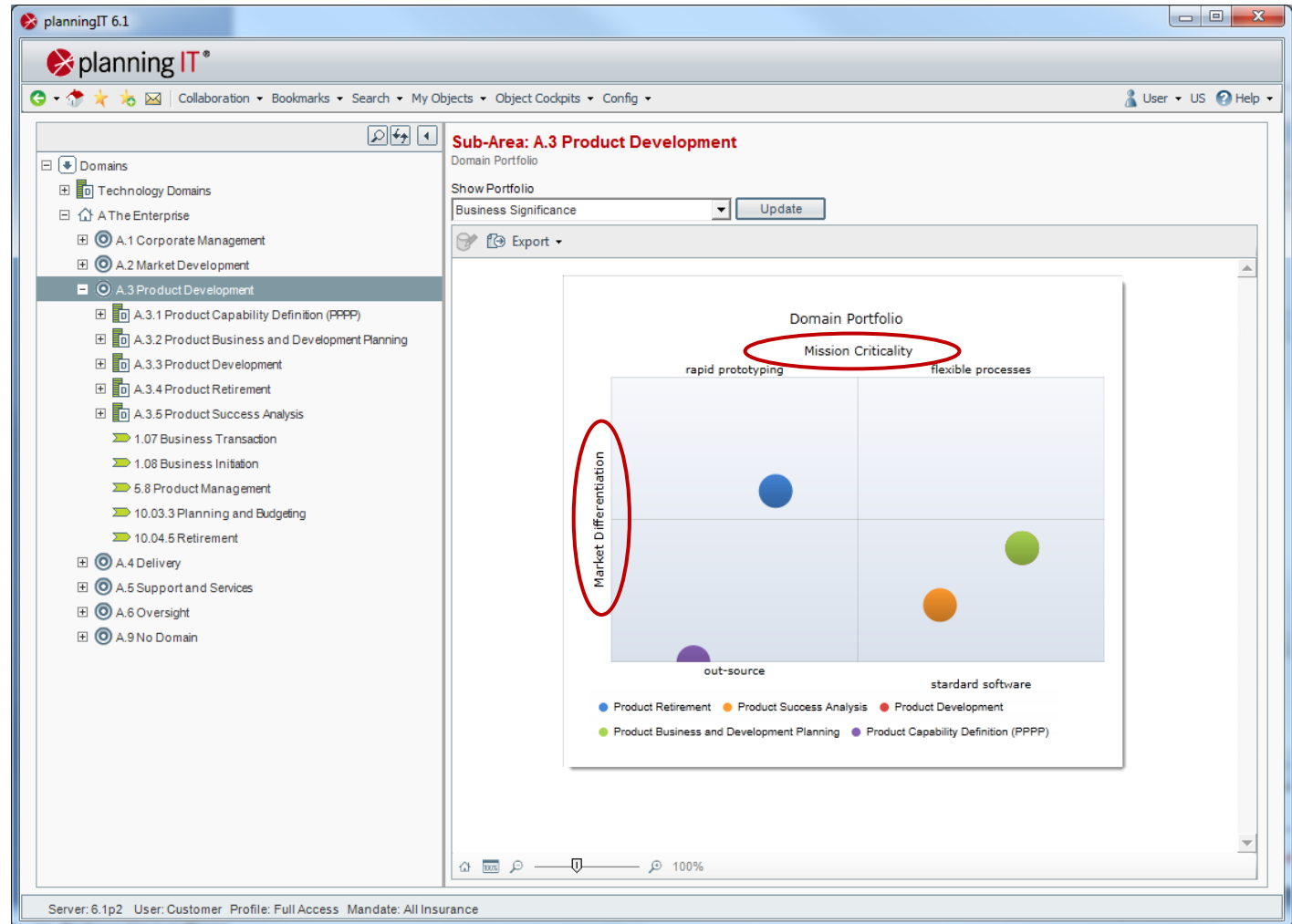
## IT Planning activities:

- 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.

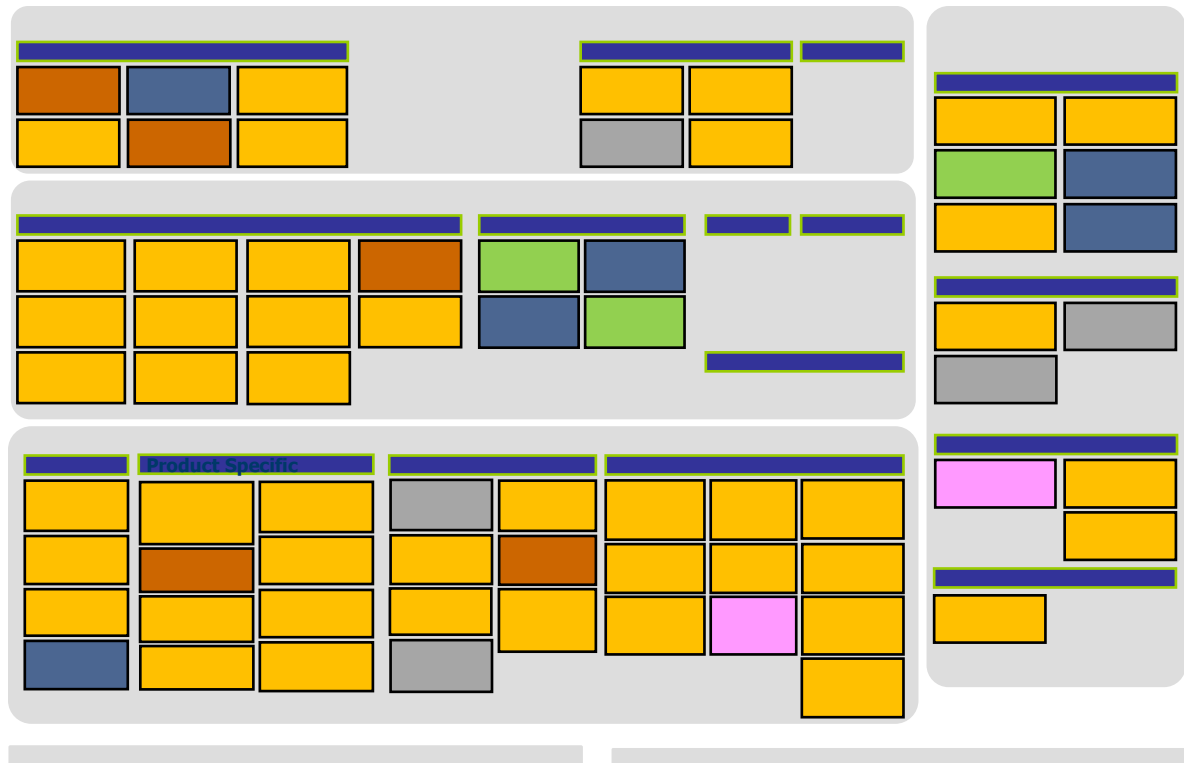


# Design and Delivery of Agile Technology Solutions

Where do I want to think about adopting SOA and where should COTS be used?

## Strategy in a nutshell

- 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



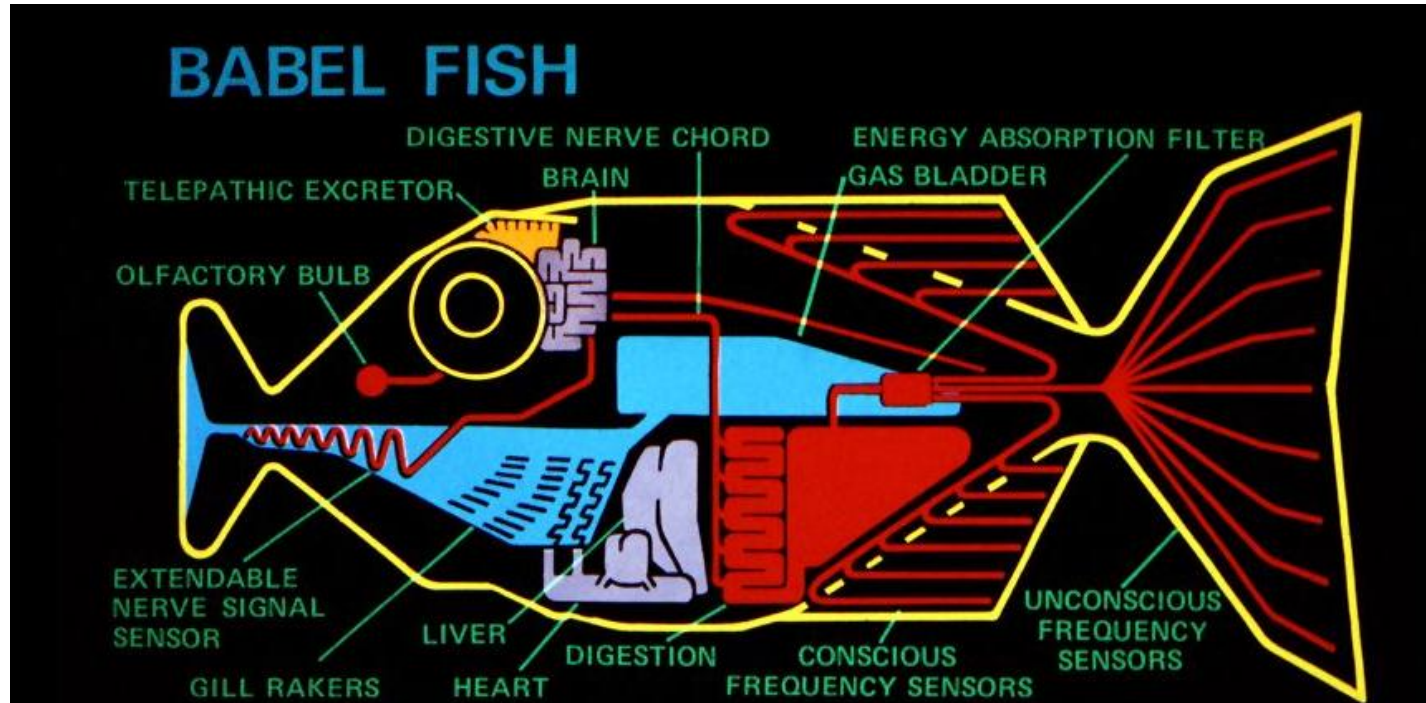
## So when the Board asks...

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They'll understand with ...

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*Thank you*

