

The Power of Business Capabilities

A Metis Strategy Perspective

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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 to strategic road-mapping, executive decision-making, and execution.

We work across industries on a variety of topics including business strategy, digital transformation, information technology strategy, operations, international growth strategy, and organizational change.

Working alongside our clients and partners, we help identify, develop, and optimize strategies across organizations. We find effective and efficient ways to execute and operationalize strategy to improve the customer experience through technology, and continually advise our clients on how to harness business and technology capabilities to generate maximum value.



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Introduction

There is no question that technology is at the heart of almost every organizational capability inside today's fast-paced digital business environment. That means traditional IT departments that operate in functional silos, separated from other business functions, will no longer allow companies 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 struggle 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 before the desired business outcome. That mismatch can put an organization six months into a "digital transformation" effort with a disparate collection of initiatives but no cohesive set of priorities needed to create a more technology-driven future.

How do IT organizations make the leap from operating as a task-taker to becoming a strategic partner on technology-enabled business initiatives across the organization? In Metis Strategy's experience with organizations across a variety of industries, we have found that grounding IT plans in clearly defined business capabilities helps align business and IT partners around a common terminology and set of principles that all stakeholders can understand and execute against.

Defining 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 succeed, 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. Comprehensively mapping capabilities allows for wide-ranging assessments, including mapping dependencies, analyzing maturity levels, identifying improvement opportunities, and uncovering possible gaps. Once created, business capability maps are a powerful tool that allow organizations to constantly evaluate their ability to pursue stated goals and objectives, and to improve business outcomes. In many cases, these 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, most organization will have a “Generate Sales” business capability (see illustration 1). A group of sales executives (“People”) are responsible for bringing that capability to life by generating sales, using a set of associated processes (“Process”) to help them plan and manage sales. Additionally, the organization will use one or more technology systems (“Tools”), such as a customer relationship management platform, to better enable the sales team. The combination of these components makes 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 of

capabilities 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 mutually agreed upon business capabilities. This first step can also be used to identify pain points or other areas of opportunity related to the capability. This exercise puts technology leaders and their business partners on common ground, allowing both to add value to the conversation around business process improvement and 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 at any given time, and it’s important to ensure your organization is not “boiling the ocean.” 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 of each capability, as well as the target future state. Realistically understanding where you are today and where you want to go in the next 12 to 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 is or is not being done to support these capabilities. During this

process, you might discover you have redundant applications supporting the same capability. Alternatively, you might also identify areas 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 understands how to harness the capabilities' benefits. The continuous improvement of business capabilities may include adding or consolidating initial capabilities or refining them at different levels. 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. Our team works across the business capability lifecycle, from initial development and 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 business transformation efforts. The best use cases will begin by defining, establishing, and mapping initial business capabilities. Once these capabilities are clearly 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 drive value to internal and external customers. The CIO had used business capabilities at a smaller organization in the past but now needed help to establish a business capabilities framework and baseline within 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 in the future.



Illustration 3: Capability Investment Heatmap

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. 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, more impactful delivery of strategic business outcomes.



Illustration 4: Capability Delivery Teams

➤ **Operating Model Transformation:** A business capability framework can help organizations transition from a traditional “plan, build, run” operating model toward a value-stream or product-oriented model. As Letty Nettles, chief information officer at Novant Health, [said in a recent interview](#), “to create a digital culture, the magic is in the operating model.” Business capabilities provide an effective means to identify new operating model improvement opportunities and design a better model in which strategy and core capabilities take center stage.

➤ **Application Rationalization:** Business capabilities can become the foundation of an organization’s business, application, information, or technology architecture. Once the business capability map has been defined, organizations can map applications and supporting technology to them. Doing this can help organizations identify redundancies or gaps and better manage lifecycles. This allows organizations to optimize their enterprise architecture, including the application portfolio, in way that best supports business objectives and competencies.



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,



Illustration 5: LeanIX Capability and Application Map



Metis Strategy Use Case 3

Client: CTO, Global Healthcare Technology Conglomerate

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

After the Metis Strategy team completed its engagement, the enterprise architecture 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.

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 or 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.