Portfolio Management & Architecture

Why Business Capabilities are the cornerstone to your execution strength
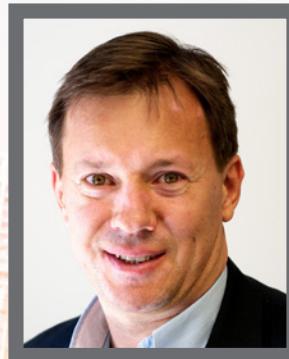
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Introduction

Establishing the linkages between your business strategy, planning and execution are critical and the use of Architecture constructs such as Business Capabilities is a powerful means of bringing "Line of Sight" between what you want to achieve and how you plan to achieve it. The organisational journey is never a straight line and involves a wide range of business and technology decisions on portfolio timing, impact, trade offs, dependencies, budgets, resources, capacity and appetite.

The impact of not having visibility to "Line of Sight" between these inputs is significant dilution, waste of resources, focusing on the immediate priority, misguidance and more hope and luck than a planned, structured and disciplined approach to spending scarce shareholder funds. Missed customer opportunities, poor service outcomes, duplicated functions, bloated Divisions, poor allocation of resources are also symptoms of this misalignment.

The opportunity to align your strategic goals and measures with a dedicated portfolio of change and investment provides significant clarity and comfort to your Executive group and enables a single organisational story to be articulated and embraced. Bringing your business strategy to life for your people and teams can provide powerful momentum and focus generating better business outcomes of higher revenue, lower costs, effective project delivery, efficient allocation of resources and meeting shareholder objectives.

Business Capabilities are the highest and most static form of Architecture input and an effective Business Capability Model can provide the necessary baseline to glue the business strategy and the delivery of change together. Having a defined and agreed set of business capabilities provides the mapping framework that will drive out insight on the appropriateness of your portfolio and enable the validation and pivot of decisions between your various business units and the business strategy.

In this white paper, I will describe how the Portfolio Management function can interact with Business Capabilities. I will also explore a couple of case studies with specific artefacts that highlight how generating "Line of Sight" provides business and technology execution insights, focus and guidance for your Executive teams.

Positioning Portfolio Management & Architecture

Below is a model of "Value Governance" that is useful in framing the discussion and enables the relevant inputs to be addressed and managed. The concept of value is particularly relevant to Portfolio Management as you are dealing with multi million dollars of project spend with Order of Magnitude (OOM) value calculations more important than detailed benefits, time and cost.
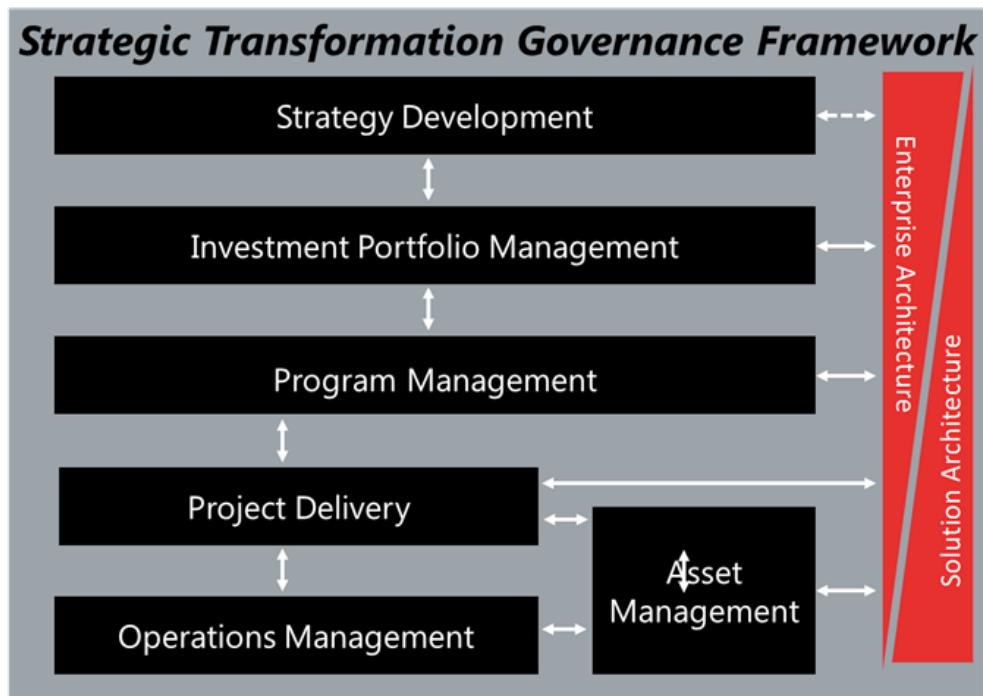
Source: Multiple consulting assignments and refinements – A Swindell

Below is a summary description of each domain:

Strategy Management – the art of developing, communicating and reporting on your business and technology strategy

Portfolio Management – the allocation of financial and people resources and priorities to key Portfolios within the business. This domain focuses on the planning and measuring of business value.

Program Management – the opportunity to design key programs of work that focus on platforms, departments, customer segments etc. This domain focuses on measuring business benefits.

Project Management – reflects the change delivery disciplines required to ensure that project spends are delivered in a timely and cost effective manner. Key measures are time, cost and scope.

Operations Management – reflects the Run activities of existing organisational assets. It can reflect both business and technology operations.

Asset Management – reflects the disciplines required to manage organisational assets such as Applications, Licences, Devices and Infrastructure.

Enterprise and Solution Architecture – focuses on the development of organisational blueprints to describe the organisation as well as direction setting and preferences through target states and Roadmaps. Note the larger focus and impact of Enterprise Architecture in supporting Strategy and Portfolio Management and the larger impact of Solution Architecture at the Asset, Program and Project Management domains.

Each domain has a multitude of books, white papers, methodologies, discussion blogs and significant Executive effort applied to the successful delivery of organisational strategy but unless they are aligned, co-ordinated and managed, the outcomes will be less than optimal.

Each of these domains requires specific management oversight, ownership and governance in their own right to ensure effective use of your organisational resources. However, part of this management task is the need to be aware of the linkages between each of the domains i.e Projects support and deliver Program objectives, Business and Technology Strategy supports Portfolio allocations, Operations support and deliver existing Projects and Strategy and Architecture outputs can be created and applied within all domains to provide clarity and focus.

In this case we are referring directly to the co-ordination between the Strategy, Portfolio and Architecture Management functions and the ability to create alignment at the top Executive level.

Positioning Business Capabilities in Architecture

TOGAF (The Open Group Architecture Framework) is a widely recognised methodology for deploying Architecture services and has defined a Meta Model of architecture content to be applied across the organisation.

Below is the TOGAF v9.1 Content Meta Model which places Business Capabilities firmly at the top of the Architecture stack and enables business, data, applications and infrastructure inputs to be mapped to each capability. The power of the Business Capability Model is that it provides a consistent view of the business and enables all manner of data inputs to be mapped such as FTE's, Risks, Projects to create insights and context for your execution decision making.
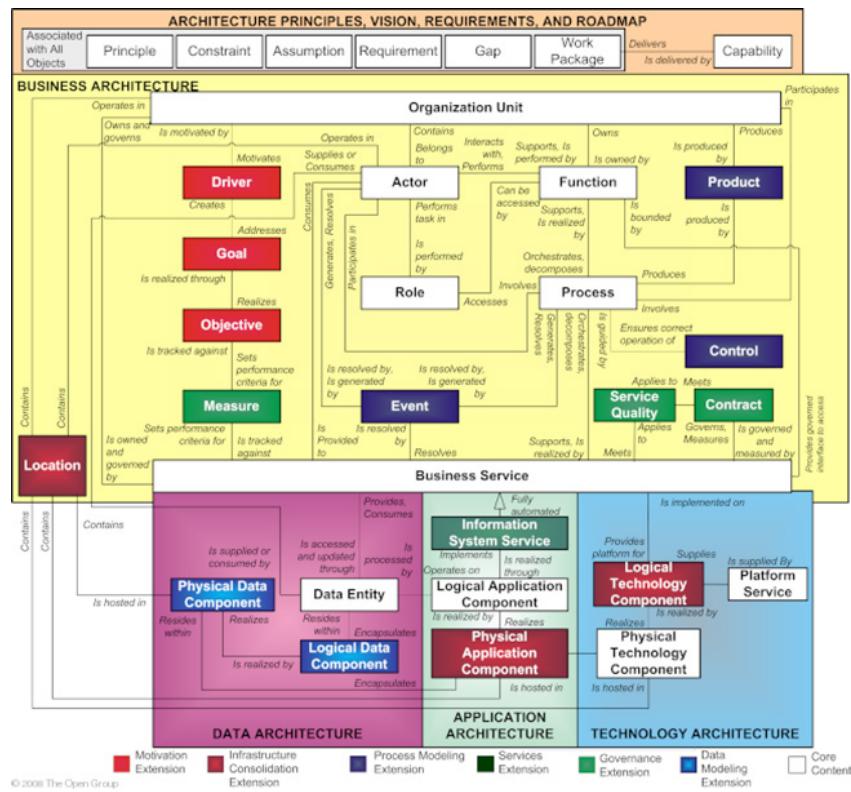
Source: TOGAF v9.1 – Content Meta Model

Understanding your current state as it relates to each of these inputs and domains is a critical first step to establishing your level of organisational alignment and Line of Sight. Alternatively, you can create a target state view to drag your organisation forward. Either approach supports a review of your business and developing a gap analysis which can prioritise your projects and execution next steps.

Where does Alignment Start?

A lot depends on your current maturity, skill sets, executive appetite and the range of business problems being experienced by a lack of alignment. Some initial analysis and quantification of the pain being experienced by your stakeholders will give you a good sense of what management domains should be addressed first.

Obviously at the Portfolio and Enterprise level a top down approach is preferred to ensure the key strategic inputs are identified and mapped. Some of the key Portfolio questions that can be answered through Architecture and business capabilities include:

> Can you identify how much of your budget is spent on customers, on risk and compliance, on products and channels?
>
> How much benefits are being generated and realised by your project spend?
>
> How much of your yearly portfolio budget is spent per capability?
>
> Is this mix appropriate and agreed?

This will build a body of information about your Portfolio and the business capabilities being impacted. Rest assured many organisations have varying degrees of visibility and maturities in aligning their Portfolio spend to the business strategy.

Whilst the above two models introduced Business Strategy, Portfolio Management and Business Capabilities, below is a summary of how the strategic inputs align and can support your Line of Sight. A Strategy Framework supported by a Change Delivery Framework and an Architecture Framework outline all of the inputs required to measure your execution strength.
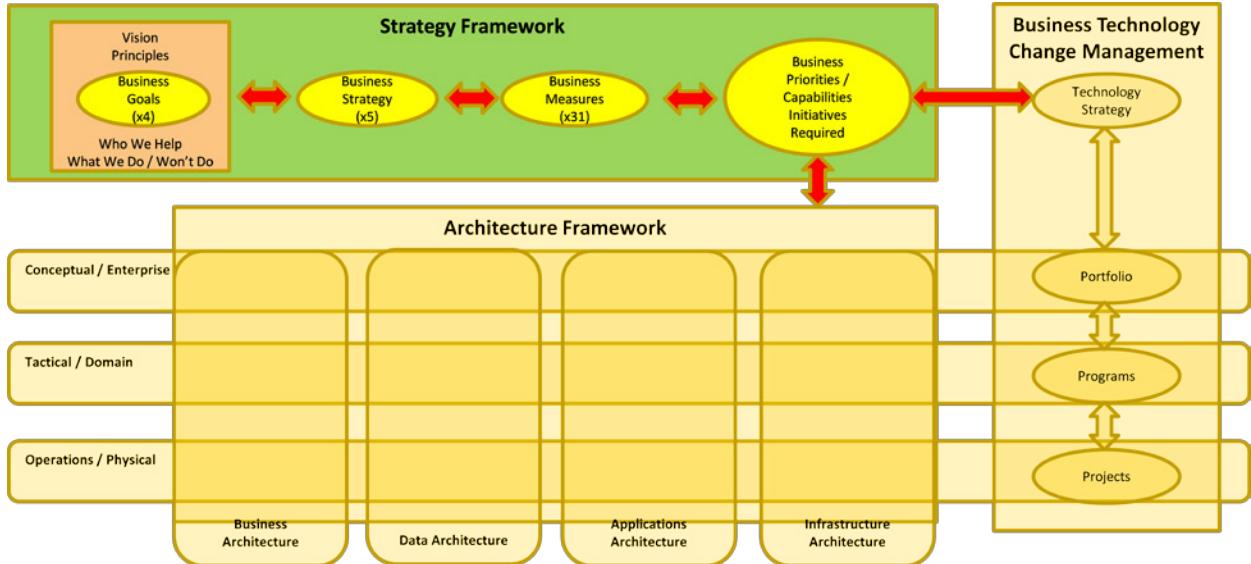
Source: Multi National Bank - A Swindell

The benefits of building Line of Sight between your Business Strategy and Portfolio allocation using business capabilities include:

Illustrating the basic structure of the business to various interested parties (such as business areas, new joiners, consultants, and development teams).

Identifying the major portfolio areas of greatest importance to the business.

The Business Capability model is described in business terms and is intended to promote communication between business areas and IT.

Providing an implementation independent view of the enterprise.

Case Study Examples

Below are a number of case study examples that outline how Business Capabilities can be used and are critical to support your Portfolio Management decisions and approach. These examples are defined below and then explored in more detail:

Business Outcomes to Business Capabilities – example shows a prioritised set of business outcomes with the key business capabilities that need to be matured to deliver these business outcomes

Portfolio Spend to Business Capabilities – example shows the number of projects and total investment being made against each business capability.

Initiatives to Business Strategy and Goals – example shows a series of business initiatives mapped to a business outcome and business strategy

Case Study Example - Business Outcomes Mapped to Business Capabilities

Below is an example of a set of business outcomes that have been defined and prioritised and a set of logical business capabilities can be mapped to support these outcomes. For example, in order to be a "Fast and Efficient Organisation" the company must have "Visibility to all service channels", "Deliver straight through automated processing" and have a "Consolidated Customer View".
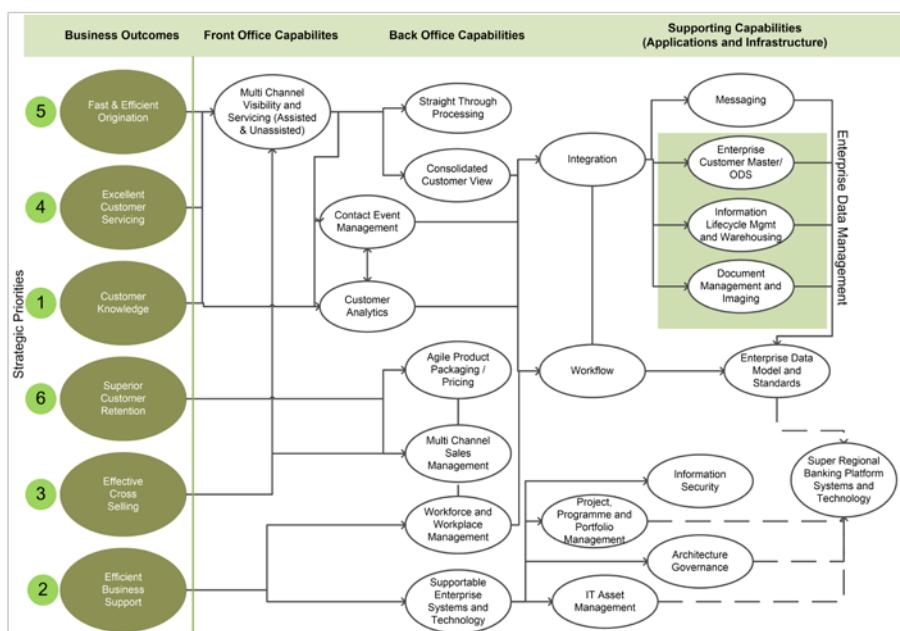
Source: Multi National Bank - A Swindell

The Architecture team were able to take these outcomes and using their Business Capability Model, allocate a primary support role for each business capability to each outcome. Mapping your projects and initiatives to each capability then confirms if you will achieve your optimal business capability and the business outcome is within reach. Whilst some business capabilities can be mapped to multiple business outcomes, it is recommended to focus on the highest priority impact to simplify the analysis and messages for stakeholders.

Without these specific business capabilities matured, the organisation will most likely have difficulty achieving the business outcomes with lots of manual handoffs, systems not integrated, duplicated business model ownership and overlap, not to mention significant customer data issues.

A range of real life insights that maybe applicable for discussion with your stakeholders includes those below:

> *Key capabilities need to be addressed and projects created to support business strategy and outcomes;*
>
> *Multiple brands / divisions have the same technology requirements – no differentiation is required at systems level;*
>
> *Journey to meet your business outcomes has multiple potential delivery paths, especially where funding and resource constraints are considered and benefits need to be realised early in the journey;*
>
> *No business ownership or strategy identified to reduce complexity and consolidate customer views;*
>
> *Business Units continue to scope projects and business requirements by separate Division and brands;*
>
> *Strategic options for each business outcome is not clear in current program of projects;*
>
> *Single Multi Channel business strategy not developed to drive business requirements;*
>
> *Multiple integration projects in play across the group but not scoped to consolidate the multiple integration technologies*

Case Study Example - Portfolio Alignment mapped to Business Capabilities

Below is an example of Portfolio and Project spending that has been mapped to the key business capabilities:
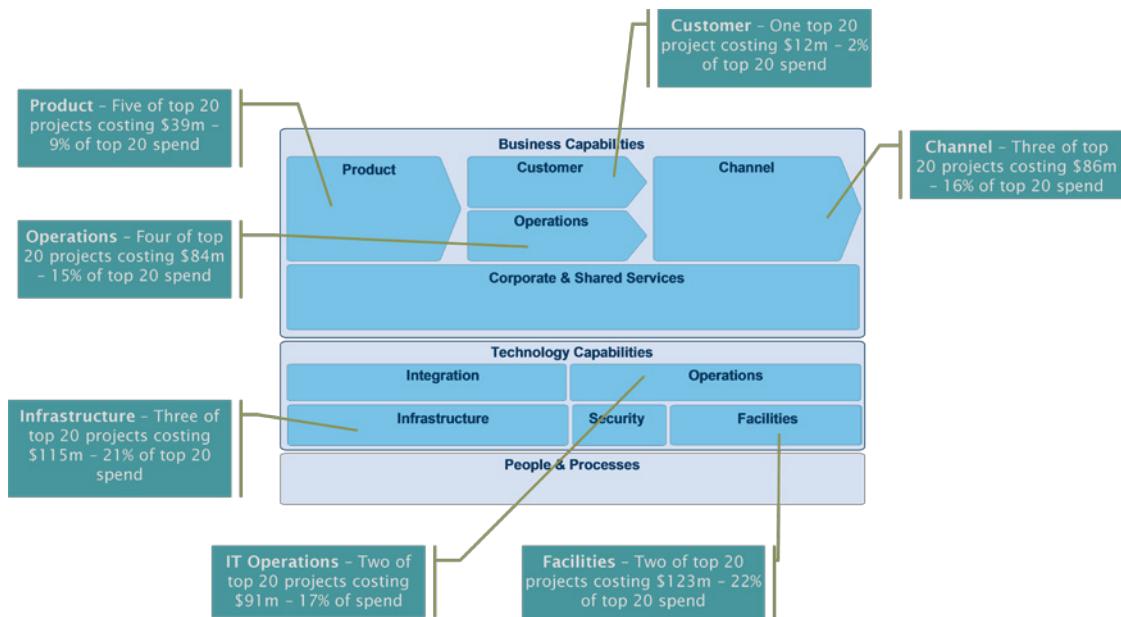
Source: Multi National Bank - A Swindell

A range of questions and insights can be generated from the above mapping of business capabilities to the number of projects and total spend including:

Are we spending too much on facilities?

Should we re-allocate more of the portfolio spend towards our customer capabilities?

Should IT command 38% of the project spend?

Each of these questions will have political ramifications and cause significant debate amongst the Executive Group, however the value is that agreement, compromise and clarity is reached on the most appropriate spend pattern across the Portfolio.

Case Study Example - Initiatives mapped to Business Strategy and Goal

Below is an example of a series of initiatives that have been mapped directly to the Business strategy and goal and enables a holistic approach to analysing do-ability and execution of the business strategy and goal.
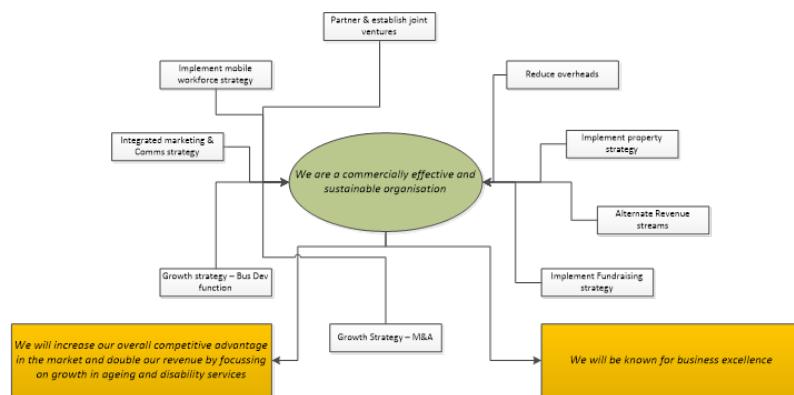
Source: Not for Profit – A Swindell

This model enables a number of questions to be generated for Executives to refine the Portfolio of Projects and investment appetite as follows:

Will these initiatives achieve this strategy and goal?

What other capabilities or initiatives are needed?

What is the relative funding OOM (Order of Magnitude) or contribution required for each initiative?

What is the initiative timing and execution profile that will generate the greatest business benefits and ensure strategy achievement?

What is the appropriate sponsor / ownership profile of this group of initiatives?

Is it better to have a single strategy owner for these set of initiatives, or based on skill sets, appetite and organisational priorities, is it better to distribute accountability for executing these initiatives across the Executive group.

Final Word

Whilst both bottom up and top down approaches have proven successful in starting your alignment journey, developing visibility of your "Line of Sight" from Business Strategy to Portfolio Management using Business Capabilities is a critical first step. Executive stakeholders can relate to the clarity of organisational outcomes more so than specific divisional outcomes so there are genuine arguments for using either approach depending on the momentum, traction and culture within your organisation.

Positioning the data inputs using these types of Architecture models enables all Executives to engage with the business strategy, goals, priorities and approach and make the necessary adjustments to your project execution and business processes.

About Andrew Swindell

Andrew Swindell is the Head of Planning & Architecture at The Benevolent Society, a Not For Profit Health Care organisation who have been in business for over 200 years and is supporting the organisation in its transformation efforts. Andrew has over 25 years experience in the field of Information Technology and Architecture, published a number of white papers on Enterprise and Information Architecture topics and has successfully supported a number of country and company-wide initiatives in Australia and New Zealand. Andrew has extensive experience in the Mining, Financial Services, Utilities, Health Insurance and Tourism industries and will be presenting at the European EA conference in London in June 2016.