BUSINESS CAPABILITIES
VS
BUSINESS AND TECHNOLOGY SERVICES

'A critical decision point for company success'

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INTRODUCTION

Deploying your Architecture value through Services Planning and Business Capability planning enables a stronger fit and strategy alignment between business and technology teams. If you are a mature Architecture organization, the opportunity exists to enhance your Architecture outputs and value to the business through a hybrid Architecture approach that does not focus solely on developing and uplifting business capabilities.

There is an alternative to consider and it doesn't require you to own all of your IT Assets nor require you to spend long project delivery time building and embedding business capabilities that can be sourced, managed and enabled through business

and technology services. ITIL defines a Service as "a means of delivering value to customers by facilitating outcomes customers want to achieve without the ownership of specific costs and risks".

In a business or technology sense, this enables significant agility, risk management and financial control but requires a strong planning, contract management and internal ownership base to ensure you are actively managing the service outcomes according to your business and technology needs. The term XaaS refers to "Everything as a Service" or "Anything as a Service" and reflects a growing market for developing technologies in the cloud and enabling subscription based cost models that can rise and fall with business demand.

On the other hand, techtarget.com defines a business capability as the expression or articulation of the capacity, materials and expertise an organization needs in order to perform core functions. The longer term needs of the business may or may not be better met through actual ownership of business capabilities. More and more companies in industries such as Banks and Telecommunications are questioning whether leveraging external service providers that are not core to the main business is a more effective value proposition.

I will explore the new Architecture landscape with the advent of XaaS enabling lower Total Cost of Ownership, less impact on business stakeholders, agile project delivery and improvements in the way you manage your Application Portfolio, free of the longer term costs to owning and retaining business capabilities.

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HOST OF CHALLENGES

The root cause of many company's problems in managing technology services is a weak Application governance process. Technology teams react to requests from many entities across your organization based on politics or funding sources, without an enterprise wide consensus on priorities. This creates pressures to keep up with business demand, but rarely do they have an Application plan for the future.

What's missing is a fact-based process for making Application decisions. The string of business requests may be based on local needs and perceptions but is usually disconnected from the enterprise wide business strategy. Part of the problem may be that the business strategy has not been clearly articulated and communicated.

As a result, each group has its own parochial view of the strategy and a clear consensus on action requires a common view of the organizational outcomes. The Application governance processes used to develop and execute the Application strategy must collect a fact base from the business leaders, and use it to analyze the state of the portfolio.

For these Application governance processes to work, business leaders must be engaged in the process rather than throwing requests over the wall. The business must be engaged in the decision-making process, take ownership of the Applications, and be jointly accountable for the implementation of projects and the business value delivered by the Applications.

Limited engagement with the business is a common problem for many enterprises, as well as a lack of clear connections between business strategies and investments. Inefficient allocation of limited budgets and slow legacy waterfall Application development, leave the portfolio out of step with the business. Technical and business risks are also unclear.

'For these Application governance processes to work, business leaders must be engaged in the process rather than throwing requests over the wall'.

Other common problems faced by technology teams include:

- A staff of developers with outdated skills wedded to past ways of developing Applications
- Lack of technical documentation and financial records i.e. licensing, maintenance, operations and support making it difficult to determine cost of ownership
- Insufficient data to prove the business value of Applications
- Demand for Applications from business is overwhelming IT's ability to deliver causing the rise of shadow IT, integration and security problems

# THE ARCHITECTURE OPPORTUNITY

The Architecture Team is faced with a number of opportunities to connect the business to the technology teams and the customer to the enterprise as follows:

- Connecting information and insights to the management team
- Connecting strategy to daily execution
- Connecting all the parts of the enterprise to the adopted strategy
- Connecting departmental goals to corporate goals
- Connecting technologies to functions and business outcomes

A critical question for the Architecture and Executive team is:

"How can we simplify and co-ordinate activities to leverage the opportunities above"?

The opportunity to create value by Architecture Teams is significant in guiding the strategy, planning and scoping activities across the organization. Executive champions need to prioritize Application functionality investments based on the organizational capabilities available and the Capabilities and Services required to support corporate strategy. Often the decision around a Services or Capabilities based approach can be complex depending on the appetite and long term value to the organization.
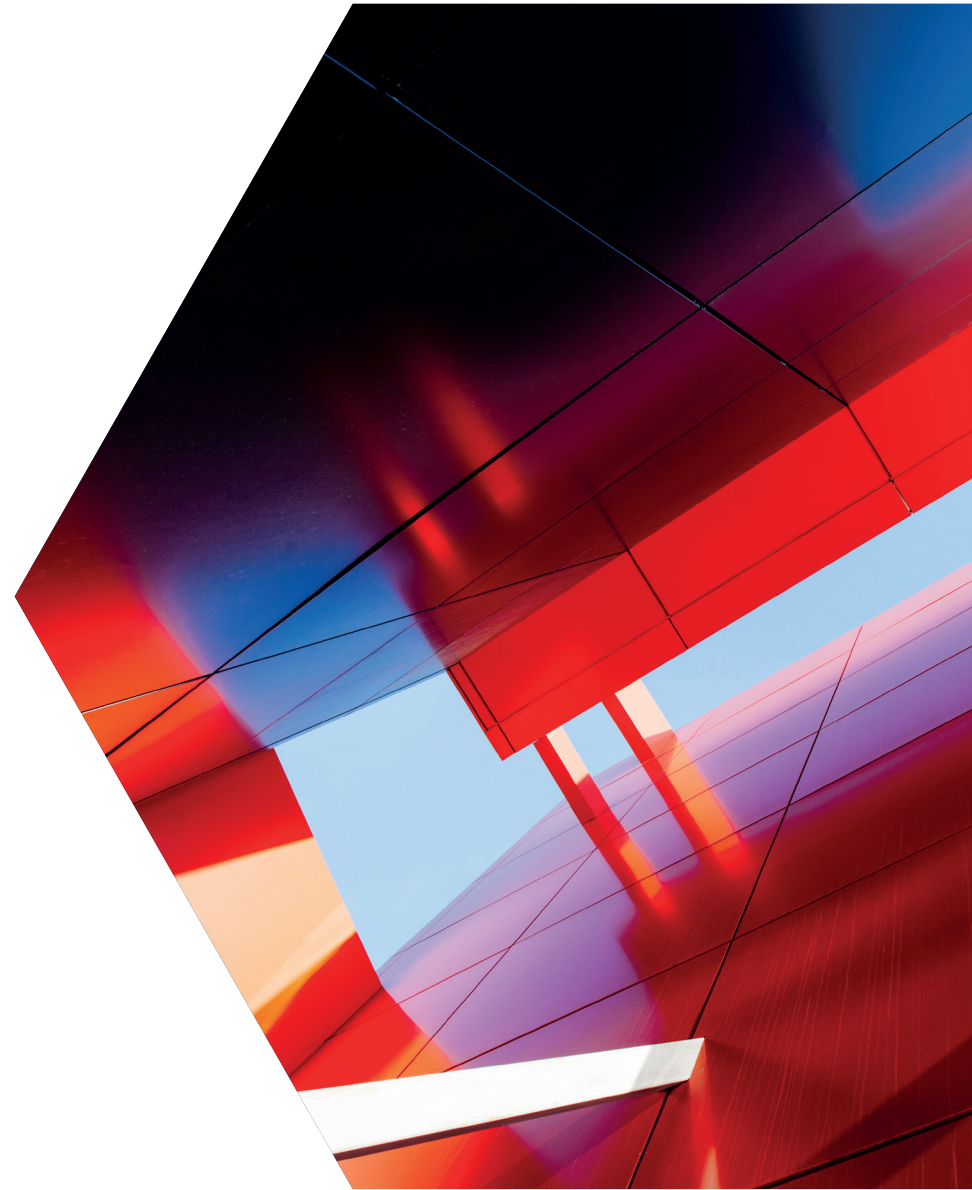
ARCHITECTURE OF SERVICES AND CAPABILITIES

A Services and Capabilities based Architecture framework enables flexibility and agility in delivering business outcomes and ideally provides a base for the ongoing management of your business and technology responses. There are a number of different models available for depicting these inputs and I will explore 3 different models and the approaches that can be used.

TOGAF provides a clear distinction between Business Capabilities and Services and positions them both within the model in **figure 1**. In reality, Business Capabilities act as the point guard and mapping station for a range of architecture inputs including Business Functions, Data Entities, Applications and Infrastructure and can be utilized by a range of different business units and functions.

Services have a similar set of inputs but are characterized by inputs and outputs that include a set of measures such as SLA's. These measures provide an efficient and effective monitor of service effectiveness and efficiency and enable the service to be optimized. The TOGAF model also distinguishes between business services and technology services which enables a more flexible management of the architecture portfolio.

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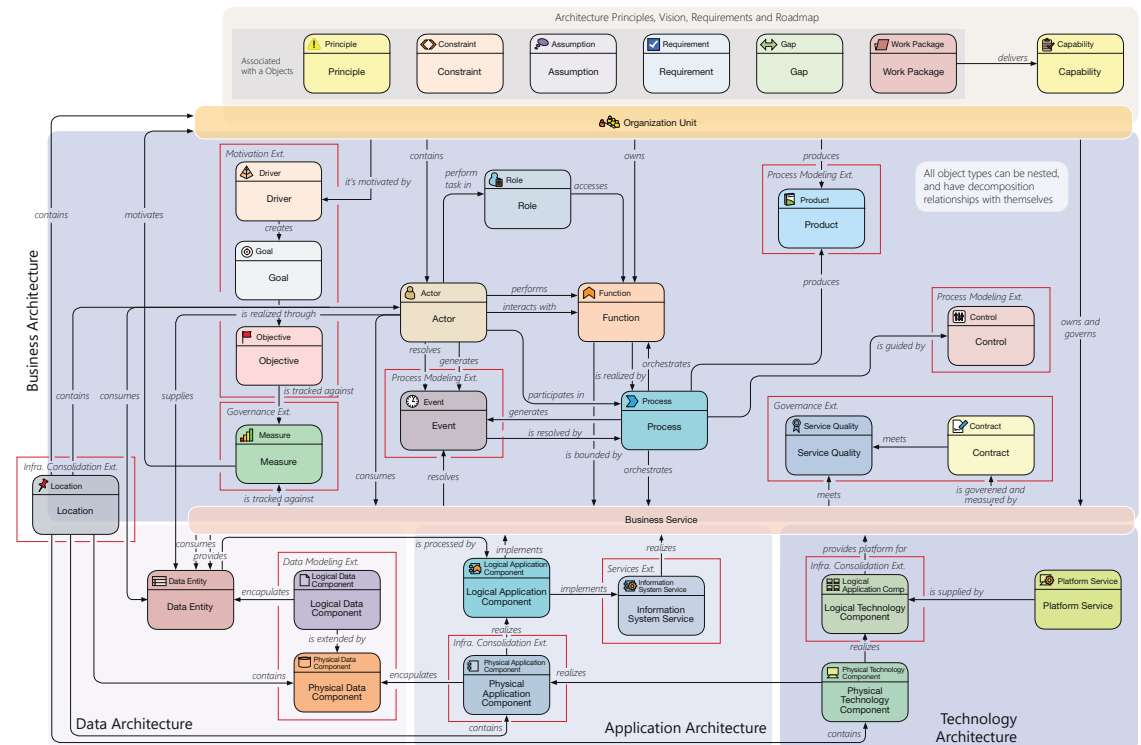

Figure 1 : TOGAF Model

ARCHITECTURE OF SERVICES AND CAPABILITIES (CONT...)

Figure 2 provides a different perspective on the business capabilities and services, and enables business capabilities to be leveraged by a number of business functions and the business services to be delivered to customers. Again, it depends on the questions being asked and the focus of the audience as to which model is most effective in supporting your planning decisions.

The Line of Sight model **(figure 3)** provides a perspective on some of the key inputs required to deliver on your business and technology strategy. A clear and agreed business strategy, supported by a Business Capabilities model and Architecture Framework enable effective management of your technology assets and change management to be delivered. Each of these inputs needs a level of definition and management oversight to ensure they are available and working to identify gaps and optimize your market opportunities. The model doesn't highlight Services specifically but these are implied in the Architecture Framework.
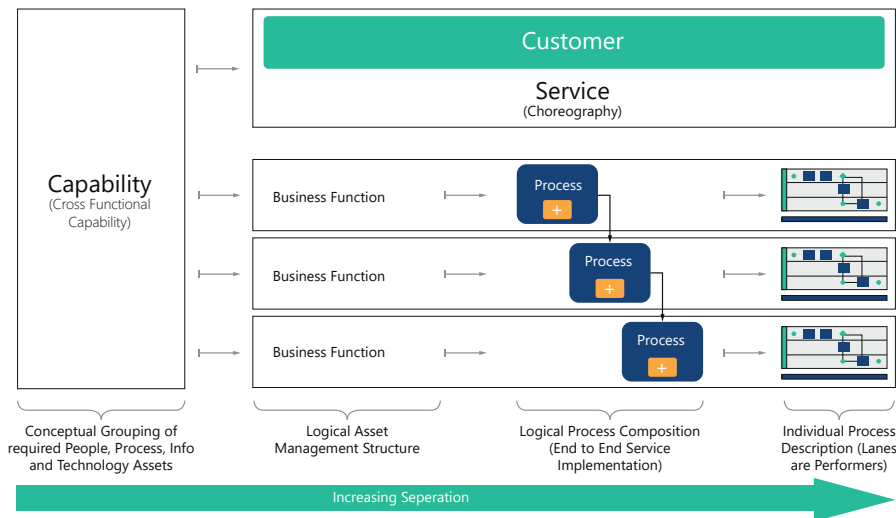

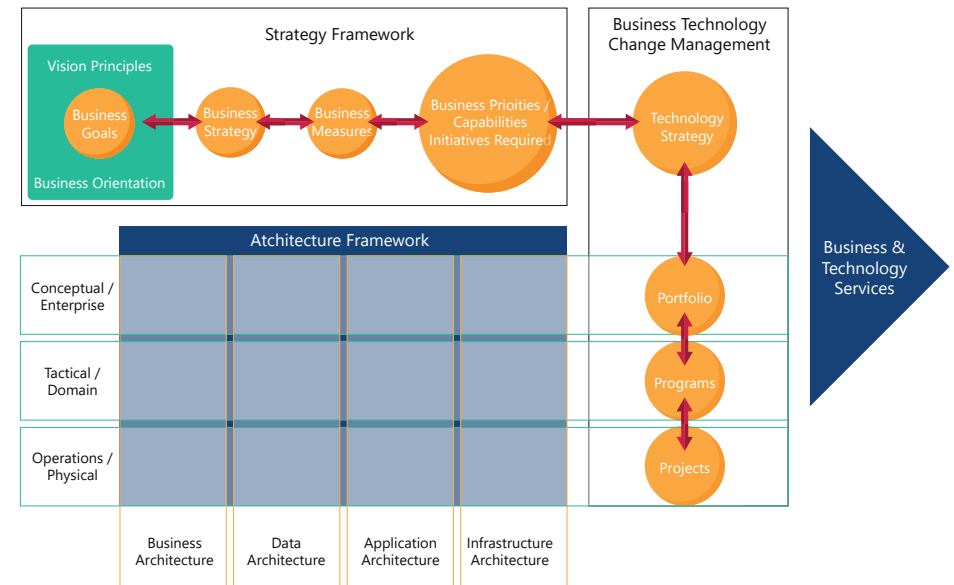**Figure 2 :** Business Capabilities and Services

Figure 3 : Line of Sight Model

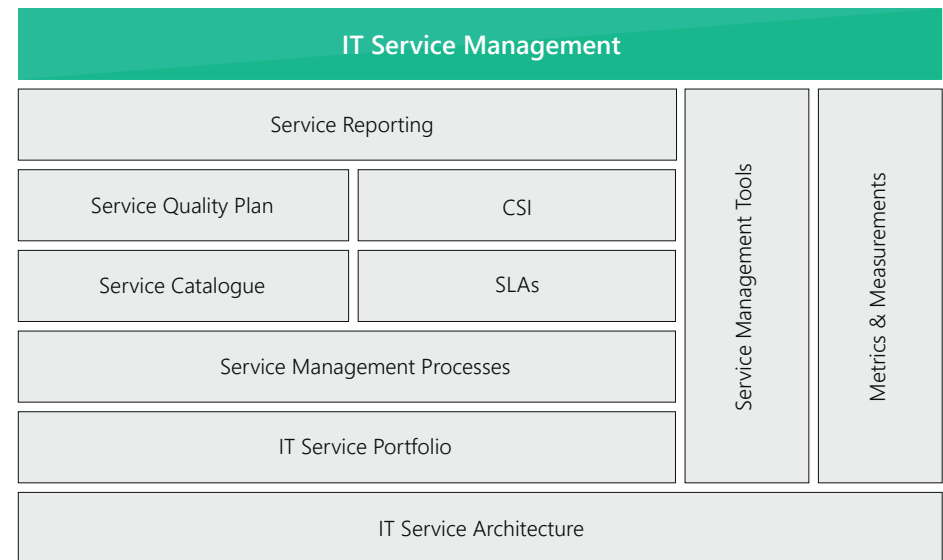# TECHNOLOGY AND BUSINESS SERVICES

SERVICES STRATEGY

Developing a compelling and shared vision for the business to specifically address your source of differentiation in the marketplace requires a future vision and work plan to achieve this vision. A Services strategy is a critical input to achieving agility, responsiveness and enabling your business vision. However, an ineffective or non-existent Services strategy is the norm, and organizations struggle to handle the new demands of digital transformation and mobility. Slow delivery processes resulting from traditional waterfall development methods, and many outdated Applications also linger and are hard to retire.

Both Business and IT can articulate clearly the reasons for investing in Information Technology Services Management (ITSM) and the business case for doing so rests on business outcomes rather than the need for self-defence within Operations. The basis for such investments could include;

- Enhanced Stability of Service Provisioning
- Enhanced Responsiveness of Services
- Ability to Support Complex Operational Models
- Achieving Realistic Outcomes in relation to Worlds' Best Practice
- Ability to increasingly automate currently manual processes
- Continuous Improvement
- Compliance

TECHNOLOGY SERVICES

Management of your Technology Services requires a disciplined approach if you are going to optimize delivery outcomes to your business units. **Figure 4** is a Technology Services Model that outlines the range of inputs that need to be addressed to enable your Services strategy;

A Services strategy is a critical input to achieving agility, responsiveness and enabling your business vision.

IT Service Management			
Service Reporting		Service Management Tools	Metrics & Measurements
Service Quality Plan	CSI		
Service Catalogue	SLAs		
Service Management Processes			
IT Service Portfolio			
IT Service Architecture			

Figure 4 : Technology Services Model

TECHNOLOGY AND BUSINESS SERVICES (CONT...)

BUSINESS SERVICES

The distinction is real between Business and Technology Services with business services reflecting those services consumed by internal and external customers and technology services primarily provided by technology teams and consumed by business units. **Figure 5** is an example of a Business Services architecture that can be re-created across all channels accessed by the customer.

Visibility and management of business services consumed by the customers is just as critical as managing technology services as the customer experience is directly impacted by the viability and performance of your business services.
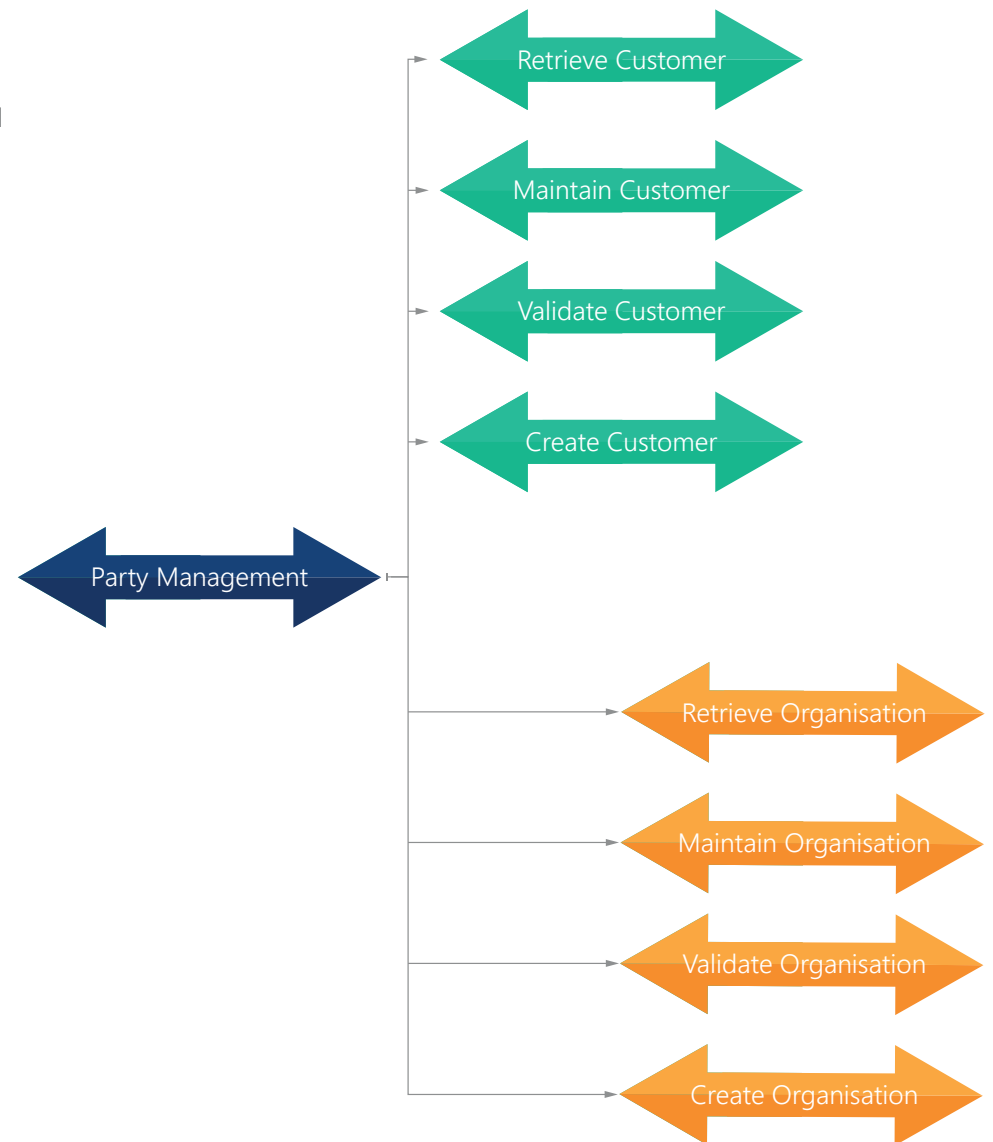
Figure 5 : Example of a Business Services Architecture

THE NEED FOR STRATEGIC AND ARCHITECTURAL ALIGNMENT

Alignment between enterprise strategy, business processes and technology is often missing in the planning and scoping of initiatives. Although Senior Executives can espouse corporate strategies, the Executives making process transforming technology decisions are often unable to articulate which software Applications will best support the enterprise's goals. Another reason enterprises end up with less-than-optimal results is that the technologies support a departmentally focused view.

The value of Architects who understand the important role technology plays in transforming business processes are able to articulate the end to end representation from business outcomes to capabilities to technologies, functions, services, products through channels and customer segments.

Some potential actions to consider for the Architecture team include:

'Reasons enterprises end up with less-than-optimal results is that the technologies support a departmentally focused view'.

High Priority Year 1

- Evaluate the fitness and value of existing Applications and assess how well an application fits current business needs and technical requirements
- Review and prioritize projects and IT investment in projects flowing from the fitness and value review, understand and articulate the impact of your current project portfolios while building trust with business colleagues
- Start transforming the IT culture into agile development and services based planning i.e. understand which capabilities or Applications could be best met through a Services based model

Medium Priority Year 2

- Complete an updated and detailed assessment of Application fitness and value
- Complete the transition to agile through transition of appropriate Applications to agile and product management by Year 2, and continue shifting resources to differentiating activities supporting agile developments
- Establish fact-based governance processes and ensure optimal use of resources
- Formalize the Application strategy using business context and Application Principles

PROACTIVELY MANAGING YOUR SERVICES AND CAPABILITIES ARCHITECTURE

In creating the critical Services and Capabilities Architecture models to support executive decision making, key data management tasks need to be addressed:

1. Data Collection: Developing your architecture models is all about the data. Without a strong base of accurate data, models will add to the confusion or at worst provide inaccurate insights for action
2. Data Sharing: Capabilities and Services are a critical source of organizational DNA and should be shared across the organization
3. Data Analysis: Draw on your analysis and insights for specific recommendations and business and technology conversations
4. Customer and internal client Interactions: Contract and Vendor Management become critical functions to enabling Services based Architecture and ensuring business outcomes are generated

The Architecture function plays a critical role in consolidating this information, bringing these functions together and creating a number of architecture outputs reflecting work flows as follows:

- To include all major processes and connections
- To identify customer, business partners, and all participants in the value chain
- To represent the current state of operations – the existing capabilities and services of the enterprise
- To connect customers with the work streams that deliver value to them
- To serve as the starting point for all strategy and planning activities

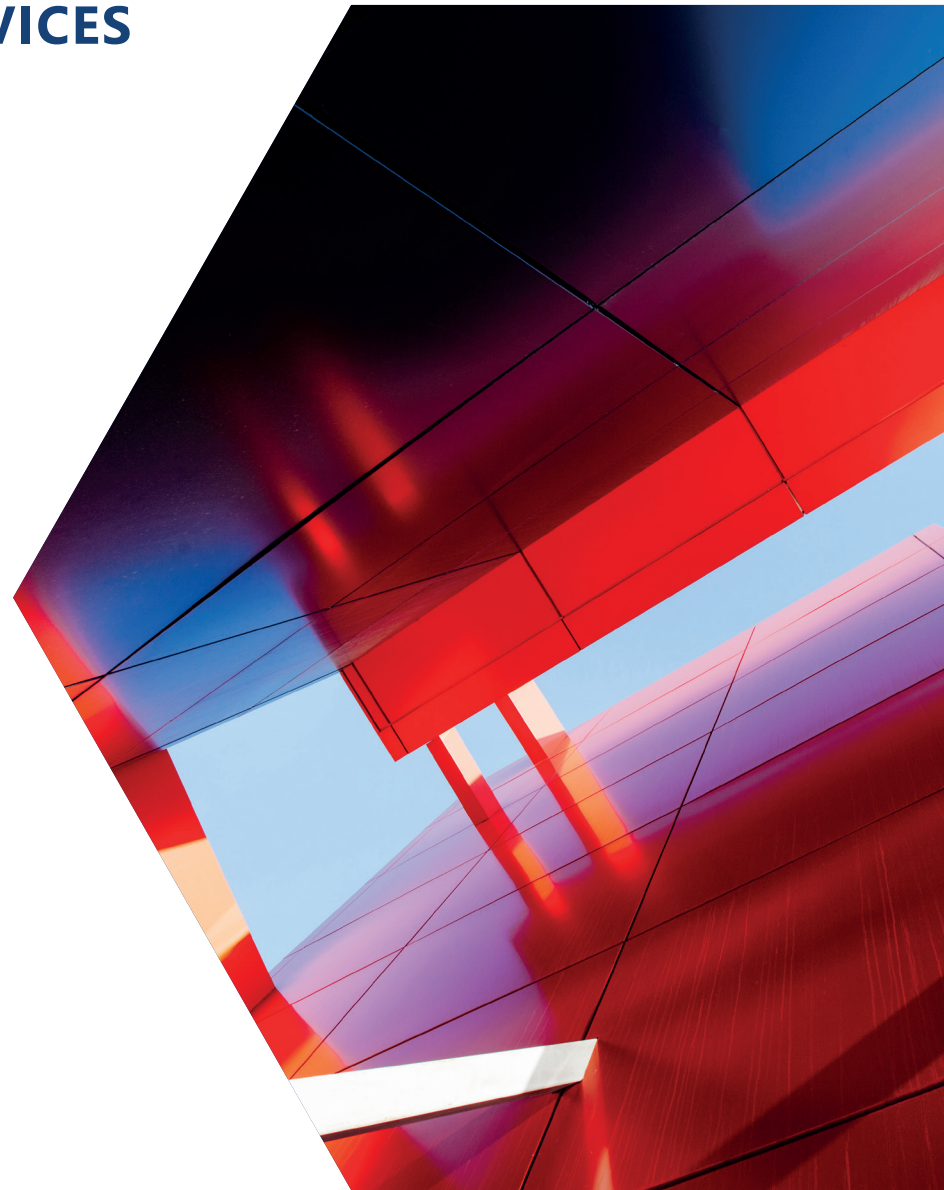*'The Architecture function plays a critical role in consolidating this information'.*

LAST WORD ON CAPABILITIES AND SERVICES

CEOs, CIOs and your business executives are battling to keep your organization relevant to a constantly changing external environment with customer demands changing on a regular basis, cost and revenue jaws impacting on investments to be made, a digital world that is in constant change mode and a legacy set of company assets to be managed.

The use of both Capability and Services based planning is a great opportunity for the Architecture function to add significant value to your Strategy and Planning activities and transform the profile of your business and technology change portfolio, programs and projects.

Business Outcomes are still the cornerstone of your Strategy, Planning and Architecture activities and a more agile and responsive approach to these outcomes will emanate from a hybrid use of Capabilities and Services.