Capability-based Planning
in 7 moves!

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What is CBP and why is it so effective?

Capability-based Planning (CBP) is the process of business change planning in terms of business capabilities. A Business Capability (BC) is a collection or container of people, processes, and technology needed to execute a business function. Human resources management, procurement management, product development management, etc. are all examples of BCs. Each business needs a set of BCs in order to fulfill its mission and strategies. On the other hand, since every single people, process, or technology component of any organization lies in some BC, a complete set of BCs provides a high-level partition of the organization. Modeling BCs by Business Capability Maps (**CapMap**) is an appropriate way to provide a single-page view of the business.

Classical approaches to business change planning put focus on different aspects of business change by defining several actions in parallel streams of actions (i.e., projects and programs) to re-organize the enterprise, improve business processes, and provide IT support of business services. These silos of actions often fail to make real and persistent change aligned with the strategic directions of the organization, due to issues like delayed pre-requisite actions, not-synched BC, broken capability architecture, and unbalanced workload. Shifting to a capability-based approach to change planning, which means setting overall and increment change goals in terms of BCs, enables the business to avoid all of these issues.

CBP is a simple, intuitive, and yet effective approach to change planning which:

❑ Integrates re-organization, process improvement, and technology-oriented projects in a unified and consistent way, in terms of BCs move-forward actions,

❑ Links strategy directly and traceably to architecture changes,

❑ Facilitates communication with top-level business managers by hiding architecture complexities behind the BC landscape.

❑ Provides a good starting point for enterprise architecture development, by offering a whole-scope, long-time, and low-depth strategic architecture roadmap.

In this guide, it will be introduced a simple and practical 7-step method to perform CBP in virtually every organization. Necessary moves are:

Move #1: Identify and model business capabilities
Move #2: Asses maturity
Move #3: Asses strategic importance
Move #4: Analyze capability landscape
Move #5: Set improvement goals
Move #6: Define actions
Move #7: Design change portfolio

Move #1: Identify and model business capabilities

If you don't already have a Business Capability Map (**CapMap**) in place, start creating one. You need to identify your organization's BCs and arrange them in a one-page map. In order to identify BCs, there are several approaches:
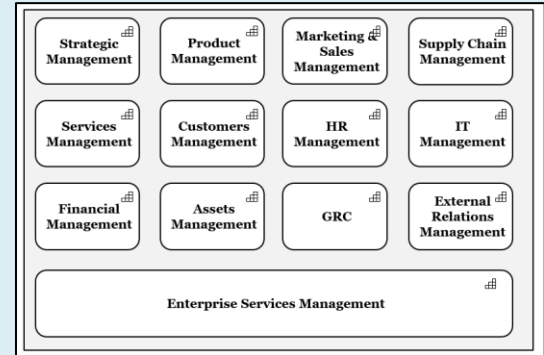
➢ Start with the organization's business model canvas, value chain model, or other strategic documents and model and analytically extract required capabilities to fulfill business strategy;

➢ Analyze value streams and identify needed BCs to support every value stage;

➢ Extract BCs from the current organization structure. Although organization structures must be designed based on CapMap, in reality, there are many organizations with defined explicit org structure and no CapMap. So, it is a good idea to reverse designing CapMap from the explicit structure of org units and their functions;

➢ Use an (or many) applicable reference models to define your BCs. Some industries have generic reference capability models (e.g., BIAN for banking, or Panorama 360 for insurance, to name a few). Some other industry-specific reference models do not have explicit capability maps (TMF-Frameworx for telecom, etc.) but one can use top-level process groupings to draft the initial capabilities list.

Usually, it is necessary to use more than one approach to compile the draft CapMap. Then go to the field and communicate this draft with business owners and iteratively refine and finalize the CapMap.

Cover all required BCs to fulfill the mission and strategy, whether they already exist and functioning or not. It means that your CapMap could include non-existing capabilities, as well.

This is a simplified CapMap,
for example:

Strategic Management	Product Management	Marketing & Sales Management	Supply Chain Management
Services Management	Customers Management	HR Management	IT Management
Financial Management	Assets Management	GRC	External Relations Management
Enterprise Services Management			

Start with a top-level CapMap with up to 30-50 BCs and break each BC down to more detailed sub-capabilities, to model level-1 and level-2 CapMaps, if needed. Usually, there is no need to go further than 3 levels. Move down and up capabilities between levels to assure that all BCs in a certain level are of the (relatively) same level of detail and granularity.

Support the CapMap by filling in a Capability Profile for each BC, describing the capability definition, related business unit(s), process(es) and application component(s), strategic elements, measures, etc.

Move #2: Assess maturity

After creating the CapMap, you must assess the maturity of BCs.

Not all BCs have the same level of maturity, at any given time. The more mature is a BC, the more it can deliver its services and support the business. Any BC's maturity could be measured by its maturity level (ML), usually an integer number ranged between zero and a highest score, let say 4. Since every BC is made up of 3 counterparts or dimensions (people, process and technology), it is a good idea to assess each dimension first, and then sum-up the entire BC maturity level based on its dimensions' maturity level.

Here is a simple BC maturity level assessment procedure:

1) Assess the PEOPLE dimension maturity level of BC, based on following criteria:

   Level 0 = there is no business unit within the organization, which is accountable for the BC tasks and functions;

   Level 1 = there is at least one business unit accountable for BC functions, but it has not enough competent human resources;

   Level 2 = there are enough competent human resources within accountable business unit, with clear, detailed job definition;

   Level 3 = performance indicators for related staff were defined explicitly, are monitored, measured, reported and analyzed regularly, and the results are effective in HR compensation system;

   Level 4 = Targets for HR metrics were met, and performance is being improved constantly.

2) Assess the PROCESS dimension maturity level of BC, based on following criteria:

Level 0 = no related process has been performed before;

Level 1 = some related processes were performed or are being performed, but on ad-hoc, non-standard and non-repeatable basis;

Level 2 = there are standard definitions of related processes in form of models, procedures, etc. and process execution compliance is monitored constantly;

Level 3 = performance indicators for related processes were defined explicitly, are monitored, measured, reported and analyzed regularly;

Level 4 = Targets for process metrics were met, and PDCA cycle is running constantly.

3) Assess the TECHNOLOGY dimension maturity level of BC, based on following criteria:

Level 0 = no related process/function is supported by IT services;

Level 1 = some related processes/functions are supported by partial IT services;

Level 2 = there is a full support by IT services for related processes/functions, but not necessarily in an integrated manner;

Level 3 = related processes/functions are fully supported by IT services, provided by an integrated application portfolio (e.g., an ERP);

Level 4 = Data generated by integrated supporting IT services are used to generate analytical services improving performance and quality of the business functions in scope of the BC;

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Level 4 = Data generated by integrated supporting IT services are used to generate analytical services improving performance and quality of the business functions in scope of the BC;

4) Use a weighted mean to calculate BC overall maturity level, based on maturity levels of its dimensions, each weighted by relative importance coefficient of dimensions (e.g., out of 100%).
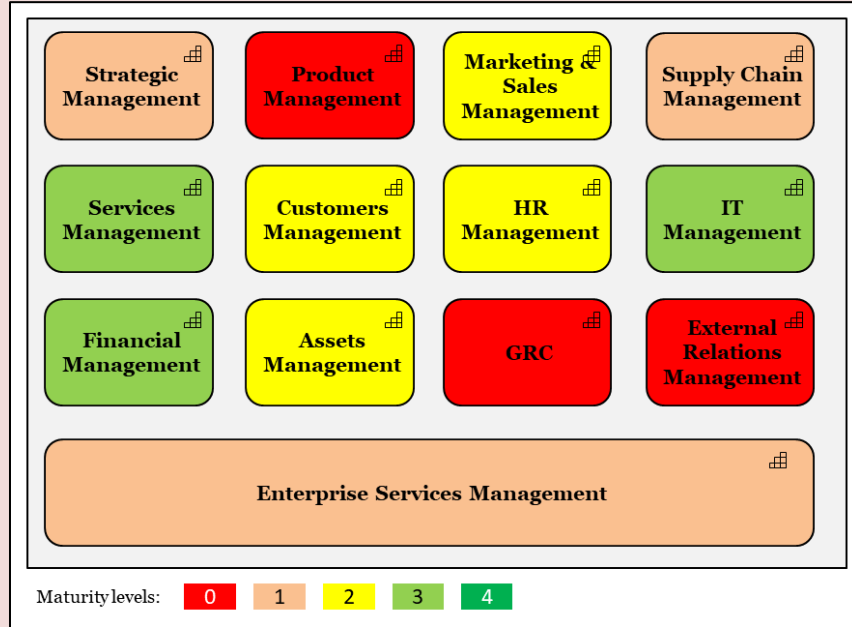
You can use any alternative ML assessment model instead, but be sure that the model remains unchanged during a full lifecycle of CBP, otherwise subsequent results will not be comparable.

After assessing all BCs, show the result on a heatmap, coloring each BC according to its ML. This heatmap itself is a valuable view for board-level managers.

Following is a simple example of ML heatmap:

Strategic Management	Product Management	Marketing & Sales Management	Supply Chain Management
IT Management	Customers Management	HR Management	IT Management
Financial Management	Assets Management	GRC	External Relations Management

Enterprise Services Management

Maturity levels: **0** **1** **2** **3** **4**

Move #3: Asses strategic importance

Although all BCs are necessary for keeping the organization functioning, it is not true that all BCs are equally important from a strategic viewpoint. Take "Resellers Network Management" capability in telecom operators, for instance. Although it is a necessary BC for all telecom operators, the strategic importance of this BC in a certain operator is depend on whether the operator adopts a mass market reach-out business model requiring management a vast network of resellers, or it chooses a niche target market with direct sale strategy. So the strategic importance (SI) of BCs varied between businesses and depends directly on specific business model and strategic direction of the enterprise.

There are various approaches to measure SI of BCs. The simplest way is to survey top managers or strategy setting team members' mental evaluation of SI of each single BC and quantify and consolidate the results.

Alternatively, one can take a more analytical approach as follows:
1) List all strategic elements (e.g., strategies) of the organization and assign a weight to each element, if necessary;
2) Map BCs against above list elements and assign a "impact score" to each BC – STRATEGY couple. For example, use this range:
   0 = BC has no significant effect on the execution of the STRATEGY
   1 = BC has a significant but indirect effect on the execution of the STRATEGY
   2 = BC has a direct effect on the execution of the STRATEGY

3) Calculate the weighted sum of all impact scores for each BC;

4) Normalize BCs total impact ranks in a reasonable range (e.g., 0-4);

5) Visualize the results in a SI heatmap.

Following is a simple example of ML heatmap:
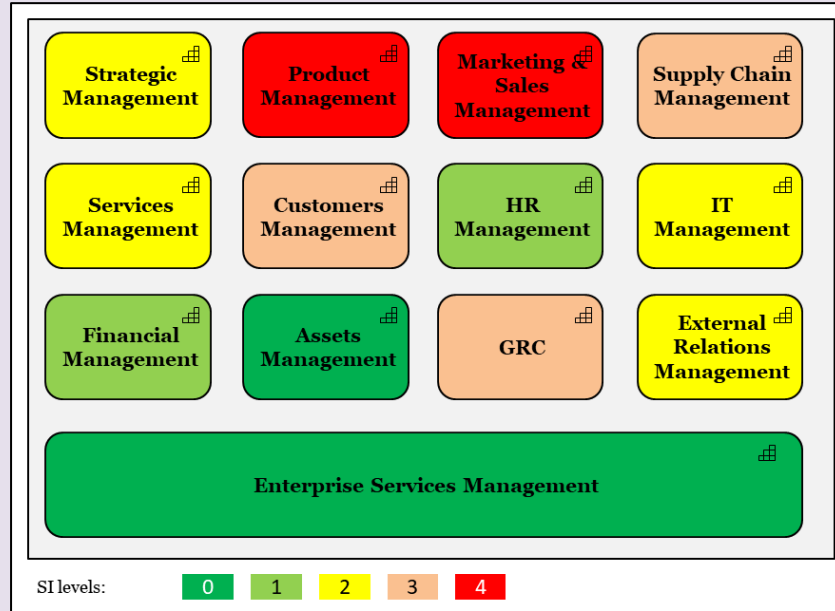
This heatmap shows the relative SI of all BCs in a one-page view, with red BCs showing the most important and green ones showing the least important BCs.

Move #4: Analyze capability landscape

You must combine results of maturity assessment and strategic importance evaluation into a unified view. This is called ML-SI Matrix and is created as follows (given that you have used a 5-value range, 0 to 4, for both assessments):

1) Draw a 5x5 matrix, with a horizontal axis for maturity level (ML) and a vertical axis for strategic importance (SI). Divide each axis into 5 units to make 25 cells of the matrix;

2) Put each BC in the appropriate cell according to corresponding ML and SI index;

This is an example of resulting matrix:
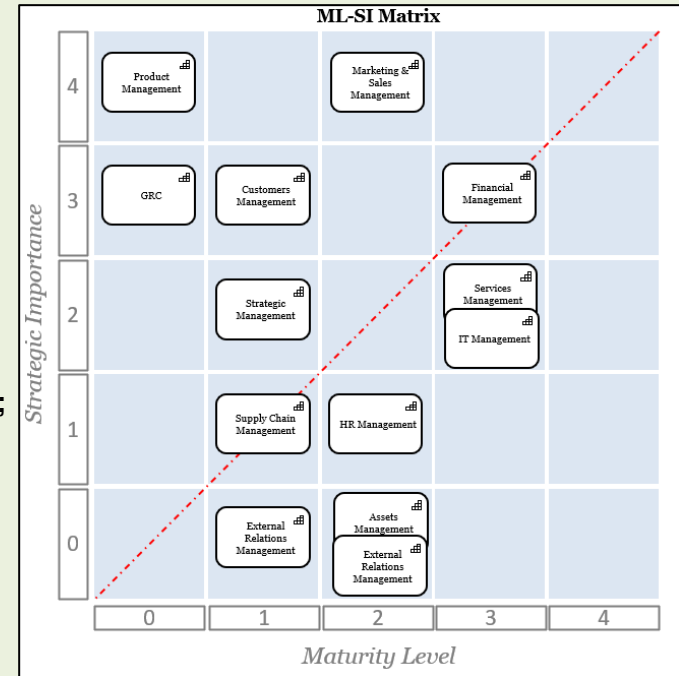
A quick glance at the ML-SI matrix could reveal an interesting insight into the as-is status of the enterprise's capability landscape: BCs on the upper left side of the matrix main diagonal of the matrix (red line), are those with ML below SI index. Thus, these BCs are potential weak points of the enterprise which could make the strategies fail. In contrast, BCs on the below right side of the diagonal are those with ML above SI index, with a low risk of being a bottleneck of strategy execution.

Let us divide the ML-SI matrix into 3 regions, in order to get a more clear view of the landscape:

1) **Gap Zone**: upper left part of the ML-SI matrix, where being a BC in this area means that BC has an ML index less than enough to fulfill its participation in strategy execution;

ML-SI Matrix

Gap Zone

Acceptance Band

Comfort Zone

Strategic Importance

Maturity Level
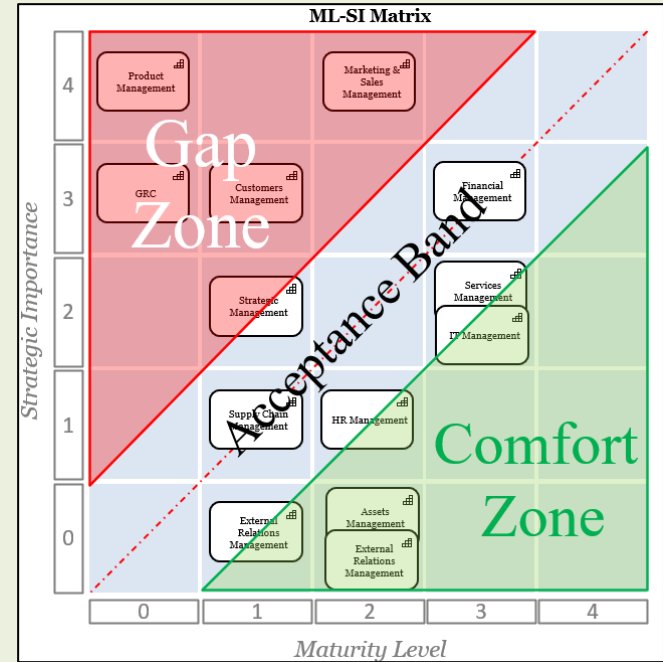
2) **Comfort Zone**: lower right part of the ML-SI matrix where being a BC in this area means that BC may cause low risk to strategy execution because it has low SI or is of high ML.

3) **Acceptance Band**: the area around the main diagonal of the matrix, where corresponding BCs are of enough ML to perform their role in strategy execution.

Location of BCs on ML-SI matrix essentially guides the needed improvements in ML, in the next move…

Move #5: Set improvement goals

It's time to set ML improvement goals for BCs. The main idea is to move forward the BCs in the Gap Zone to bring them out of there and put them in Acceptance Band. But this is only a rule of thumb and in every certain situation, we need a concrete analysis of improvement requirements, based on the as-is landscape, strategy execution time-frame, allocatable resources, etc. to set definitive target ML for each BC.

Since the ML improvement of BCs is, in general, a difficult and time-consuming task, it would be a good idea to break down the path to target ML into some improvement increments, each span for up to 1 year. It makes a set of acceptance lines for BC MLs on the ML-SI Matrix.

Here is an example:

ML-SI Matrix
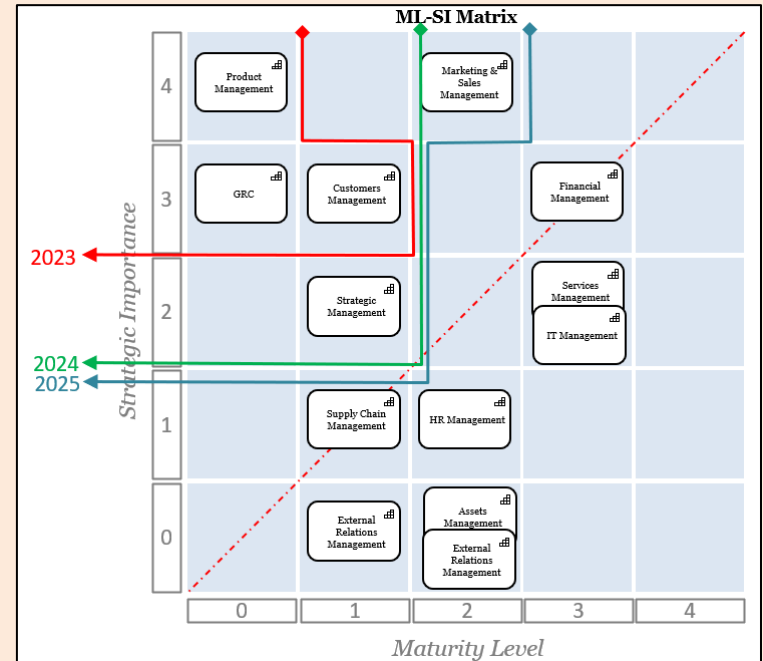
There are 3 acceptance lines set in the above example, for 3 consequent years:

o The first increment, shown by the red line, implies that by the end of 2023, Product Management capability will be improved to ML rank 1, GRC and Customers Management capabilities ML rank will be improved to 2.

o The second increment, shown by the green line, implies that by the end of 2024, Product Management and Strategic Management capabilities will be improved to ML rank 2.

o The third increment, shown by the blue line, implies that by the end of 2025, Product Management and Marketing & Sales Management capabilities will be improved to ML rank 3.

The above targets require a capability improvement roadmap for 5 strategically important capabilities for the period 2023-25, as shown in the following table:

Capability	2022	2023	2024	2025
Product Management	0	1	2	3
GRC	0	2	2	2
Customers Management	1	2	2	2
Marketing & Sales	2	2	2	3
Strategic Management	1	1	2	2

Note that setting target ML ranks for BCs is not an algorithmic rigid process and needs management insight into the future of the business and inter-relations between business strategy and BCs. Therefore, take the above-mentioned procedure just as an illustrative example and pick your own method to set the improvement goals.

Move #6: Define actions

After setting the improvement goals…

You must translate the required transitions in BCs ML into specific actions in 3 dimensions, people, process, and technology. It might be necessary to analyze every single to-be moved BC, in order to find out which dimension ML needs improvement at each increment.

Here is an example:

Capability		2022	2023	2024	2025
Product Management	Total	0	1	2	3
	People	0	1	1	3
	Process	0	1	2	3
	Technology	0	0	1	1

Since Product Management is a people-centered capability, the first transition from zero to 1 ML, needs to move PEOPLE dimension one level forward, which means establishing a new business unit accountable for Product Management or assigning accountability to an existing unit. Accordingly, PROCESS dimension should be improved by performing at least one full lifecycle of product management function, by the accountable business unit, possibly with the assistance of external consultants. TECHNOLOGY dimension will be unchanged during this increment.

In the next increment (from 2023 to 2024), the PROCESS dimension will be improved to ML 2, by standardization of related processes, and the TECHNOLOGY dimension will be improved to ML 1, by providing partial IT support to related processes. PEOPLE dimension remains unchanged during this increment.

Finally, in order to move from ML 2 to 3 in the 2024-25 increment, both PEOPLE and PROCESS dimensions should be upgraded to ML 3.

This roadmap could be different for other BCs, based on which dimension is more important in each BC, and what is the source and destination ML in each increment.

From improvement roadmap of dimensions, it could be derived a list of required actions in each increment.

List of required actions for Product Management				
Year	Dimension	As-Is ML	To-Be ML	Actions Required
2023	People	0	1	Establishment of a BU accountable for PM
	Process	0	1	Run a full lifecycle of PM
	Technology	0	0	-
2024	People	1	1	-
	Process	1	2	Model and standardize PM processes
	Technology	0	1	Provide partial IT support for PM processes
2025	People	1	3	Recruit, train and set metrics for PM staff
	Process	2	3	Define & measure performance metrics for PM processes
	Technology	1	1	-

Move #7: Design change portfolio

After defining all required actions to upgrade BC dimensions, the final move is to consolidate and package the actions into a portfolio of transition projects and programs. As with any other migration planning process, it depends on some contextual factors like the organization's program/project management framework, change readiness assessment, available resources, time and cost limitations, etc.

There are some general strategies to bundle actions in form of projects:

1) **Capability-based**: all actions related to a certain BC during an increment are bundled in a single project. For example, the establishment of the Product Management unit and processes (2022-23).

2) **Dimension-based**: some actions related to a certain dimension, but for different BCs, are bundled in a project. For example, Process design for Product Management and Strategic Management (2023-24).

3) **Hybrid**: projects/programs might be defined with multiple impacts on different dimensions of some BCs. For example, the implementation of an ERP solution could improve ML of both process and technology dimensions of multiple BCs.

To conclude the migration planning phase, you must add details to project definitions and complete project charters.

That's it!

You just finished your first CBP task.

Run the transition projects,

monitor the BCs ML regularly,

and iterate CBP cycle when needed.

Enjoy!