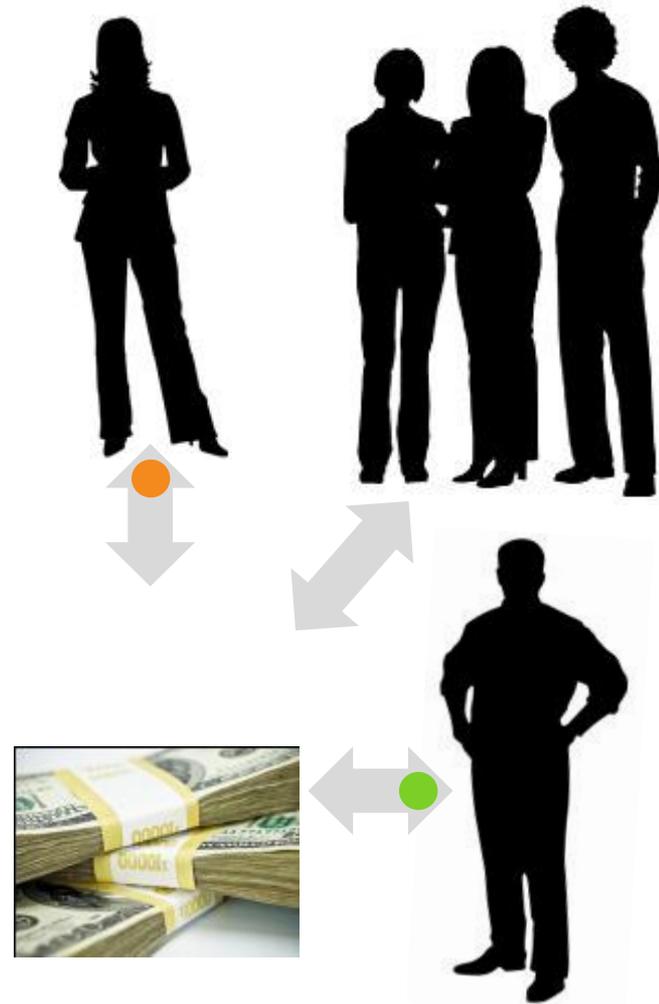


Capability Maturity Assessment



The Assessment Phase of Business
Blueprinting efforts help provide a fact-based
method for determining where to invest
limited resources.



Patrick Salaski

Twin Cities Business Architecture
Forum

January 15, 2013

Common Terms

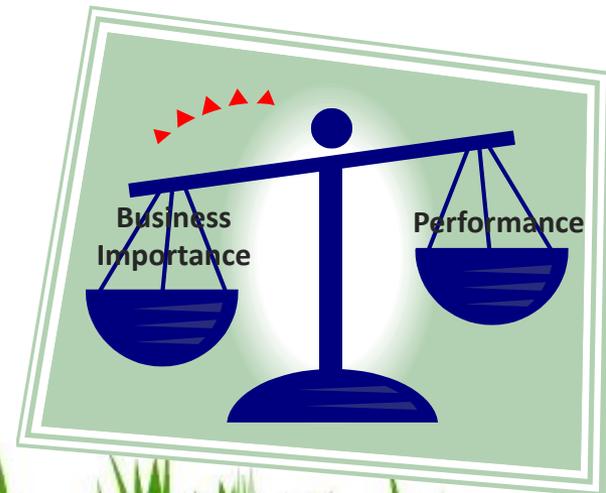
- Capability Performance
- Capability Health
- Capability Maturity

USE THE TERM THAT MAKES MOST SENSE
FOR YOUR ORGANIZATION.



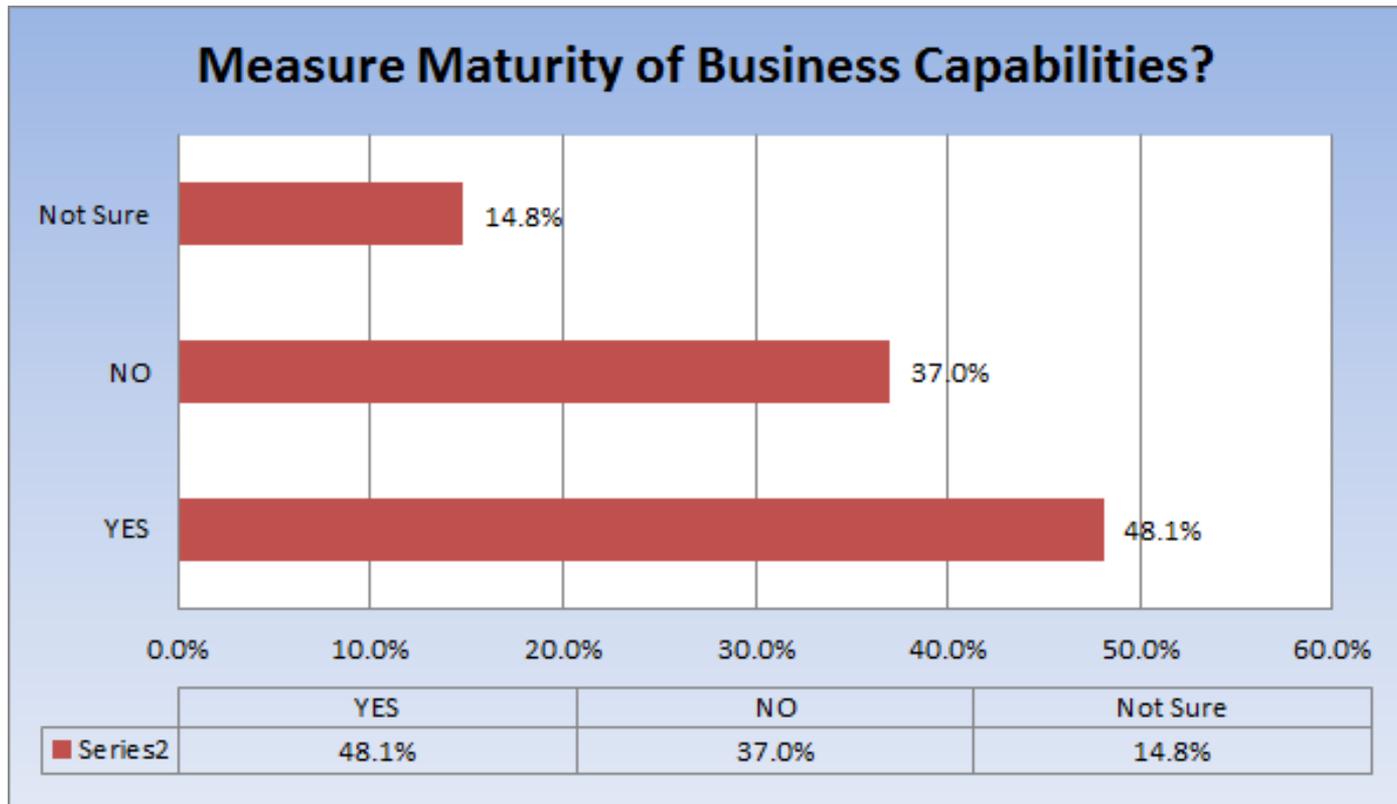
What is it?

- This activity involves assessing your company's business capabilities on one or more perspectives
- The most frequently used perspectives:
 - Performance
 - Business Importance



Conducting a Capability Assessment

QUESTION: Has Your Organization Measured Maturity of Business Capabilities?



Source: P. Salaski – Survey of Twin Cities organizations, March 2012

Business Benefits

Assessing your business capabilities offers these business benefits:

- ✓ Provides a fact-based method for identifying strengths and weaknesses
- ✓ Can help identify those business capabilities that may limit the organization's ability to achieve business goals
- ✓ Acts as an input into the planning and prioritization of investments
- ✓ Can help uncover business opportunities for enhanced growth



**FACT-Based
Decisions**

Conducting a Capability Assessment

- **Step 1:** Identify which business capabilities to assess

Option A: Select all business capabilities within your business capability framework and complete a high-level assessment.

Option B: Only select those business capabilities that the organization has identified as being most important**.

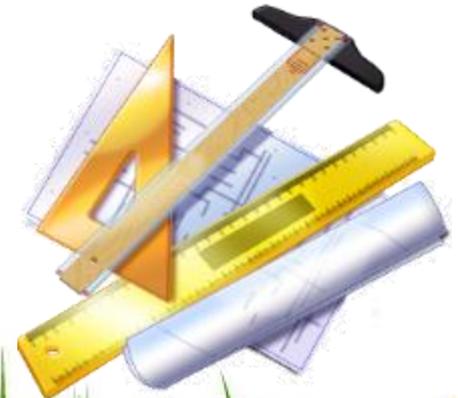


Conducting a Capability Assessment

- **Step 2:** Create a standard unit of measure.

This is one of the most critical steps to performing a business capability assessment.

Each individual completing the assessment will be asked to use the same unit of measure to “score” their answers.



Common Units of Measure

3 Point vs. 5 Point Scales

Attributes	3 point scale	5 point scale
Ease of Administration	✓	
Ease of Presentation of Results	✓	
Reliability of Data		✓
Ability to take Action on the Information Collected		✓

Neither Scale is Perfect
CONSISTENCY IS THE KEY!



5-pt Scale Performance Attributes

	CAPABILITY PERFORMANCE LEVELS				
Attributes	1	2	3	4	5
Large Variation in How Capability is Performed	✓				
Some degree of Performance Consistency		✓			
High Degree of Performance Consistency			✓		
All attributes in Level 3, PLUS some measurement of performance				✓	
All Level 4, PLUS Action is taken based on results of Measurement					✓

Scales – How to Decide?

- **Recommendation -- Hybrid Approach**

Start with the simple approach for the broad assessment of all business capabilities that are “in-scope” for your assessment

Once the simple approach is completed, take a deeper dive into those business capabilities that are determined to be the most important



Scales – A Hybrid Approach

- **Hybrid Scale**

This approach combines the simplicity of a three point scale, yet maintains the integrity/reliability of the five point scale.

Respondents are given three choices that are well-defined. They have to select the choice that most closely reflects current state of that business capability.



Start Simple (Hybrid Approach)

Business Capability Performance - This capability delivers what the business expects.

- ❖ 1-strong pain point
- ❖ 3-consistently delivers what's needed
- ❖ 5-is a recognized leader

Pros	Cons
Easy for the business to understand	Lack of details - does not provide actionable information
Any level of business leadership can complete	
Easy to visualize	

Conducting a Capability Assessment

Once you have captured a high-level assessment, you can take a deeper dive with those business capabilities that indicate the greatest areas of concern.

People	Process	Technology	Information
1 – Poorly resourced or unskilled	1 – Adhoc	1 - Difficult to use or frequent errors	1 – Needed information is not available
3 - Adequately resourced and skilled	2 – Somewhat consistent	3 – Supports the business needs	3 – Information is available but difficult to gather
5 – Adequately resourced and highly skilled	3 – Consistent	5 – Contributes to the efficiency of the capability	5 – Information is readily available and easily accessible
	4 – Measured		
	5 – Continuous Improvement		

People	Process	Technology	Information	Overall Performance
1	1	3	1	1.50

Record answers

Conducting a Capability Assessment

- ✓ **Step 1:** Identify which business capabilities to assess
- ✓ **Step 2:** Create a standard unit of measure.



Conducting a Capability Assessment

- **Step 3:** Identify who to include in the assessment
 - **Option A:** Include wide-range of impacted individuals (inside and outside the organization)
 - **Option B:** Include a small internal group associated with planning investment decisions
 - **Option C:** Include a range of internal individuals to get a broad perspective.



Conducting a Capability Assessment

- **Step 4: Perform the assessment**

The number of people you have selected to participate in the assessment will dictate the method for collecting results.



Best Practices Tips:

- Maintain consistency from respondent to respondent
- No “right” or “wrong” answers
- Participant’s answers should be kept confidential
- Evaluator should ask for clarification, where needed, but not “confront” answers
- Participant’s role should be captured for reporting purposes only

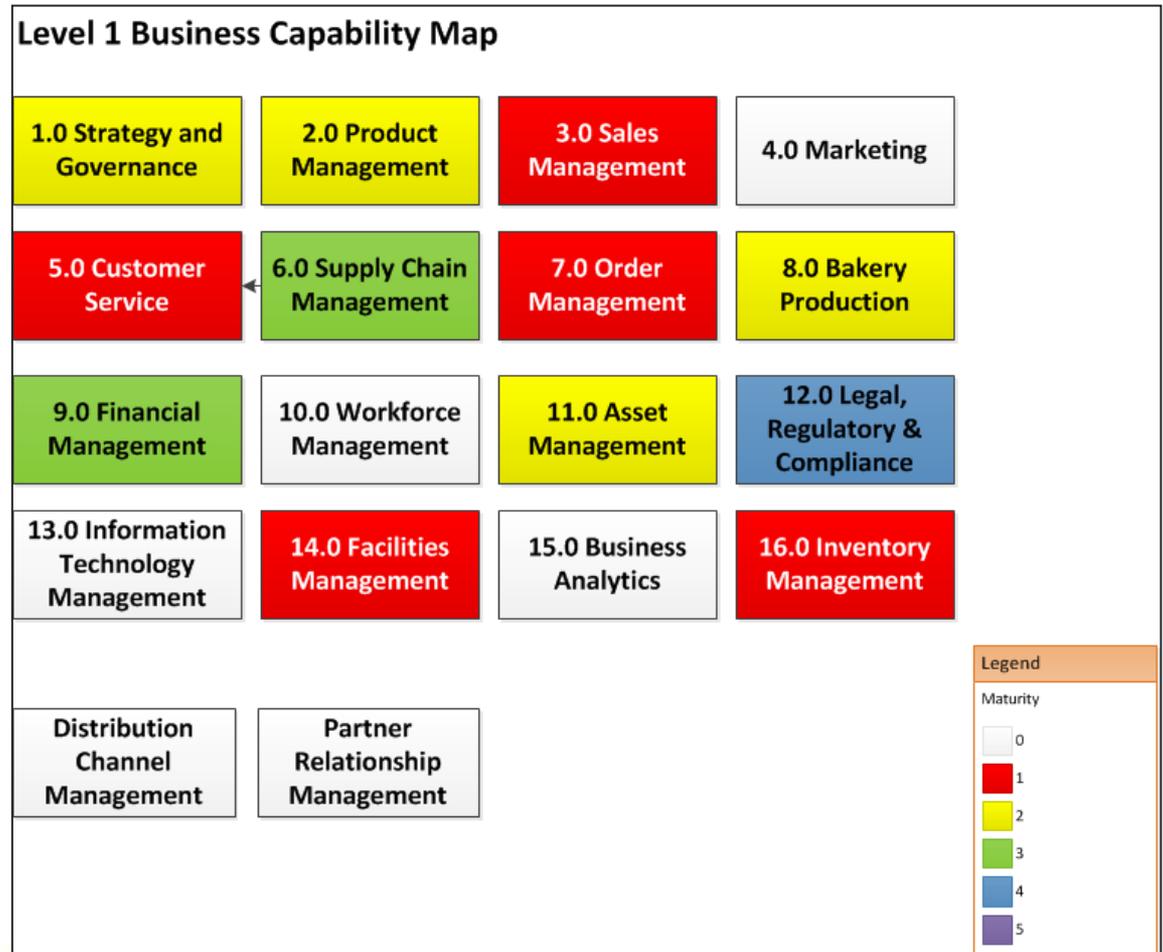


Conducting a Capability Assessment

- **Step 5: Report the Results**

A common approach to report Assessment results is to create a Business Capability heat map.

This approach indicates Business Capability Performance only, no representation of business importance for each business capability.



BIZBOK™ Comments on Heat Mapping

The Business Architecture Body of Knowledge (a.k.a. BIZBOK™) discusses the concept of heat maps and colors (see page 56).

The color mechanism they define for heat maps is as follows:

- Red = Poor
- Yellow = Problematic
- Green = Performing Well
- Purple (or other color) = does not exist, but should
- No Color = Not Evaluated

Important note: The colors suggested are merely conventions and do not align to hard and fast rules.

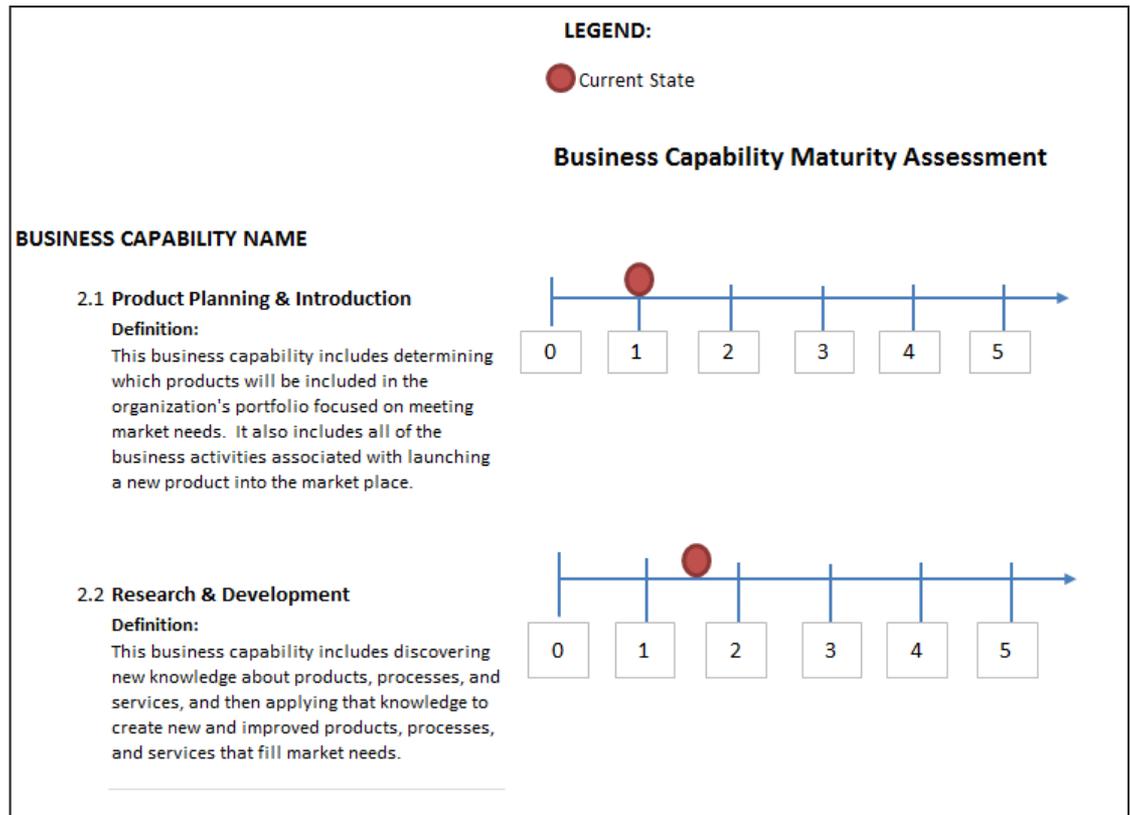


Conducting a Capability Assessment

- **Step 5: Report the Results**

Another common approach to report Assessment results is to create a simple graph that indicates the current state assessment.

This picture can help set the stage for a discussion about desired future-state.



Conducting a Capability Assessment

- ✓ **Step 1:** Identify which business capabilities to assess
- ✓ **Step 2:** Create a standard unit of measure.
- ✓ **Step 3:** Identify who to include in the assessment
- ✓ **Step 4:** Perform the assessment
- ✓ **Step 5:** Report the Results



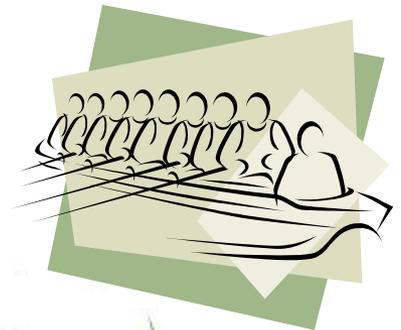
Conducting a Capability Assessment

- **Step 6: Gaining Business Alignment**

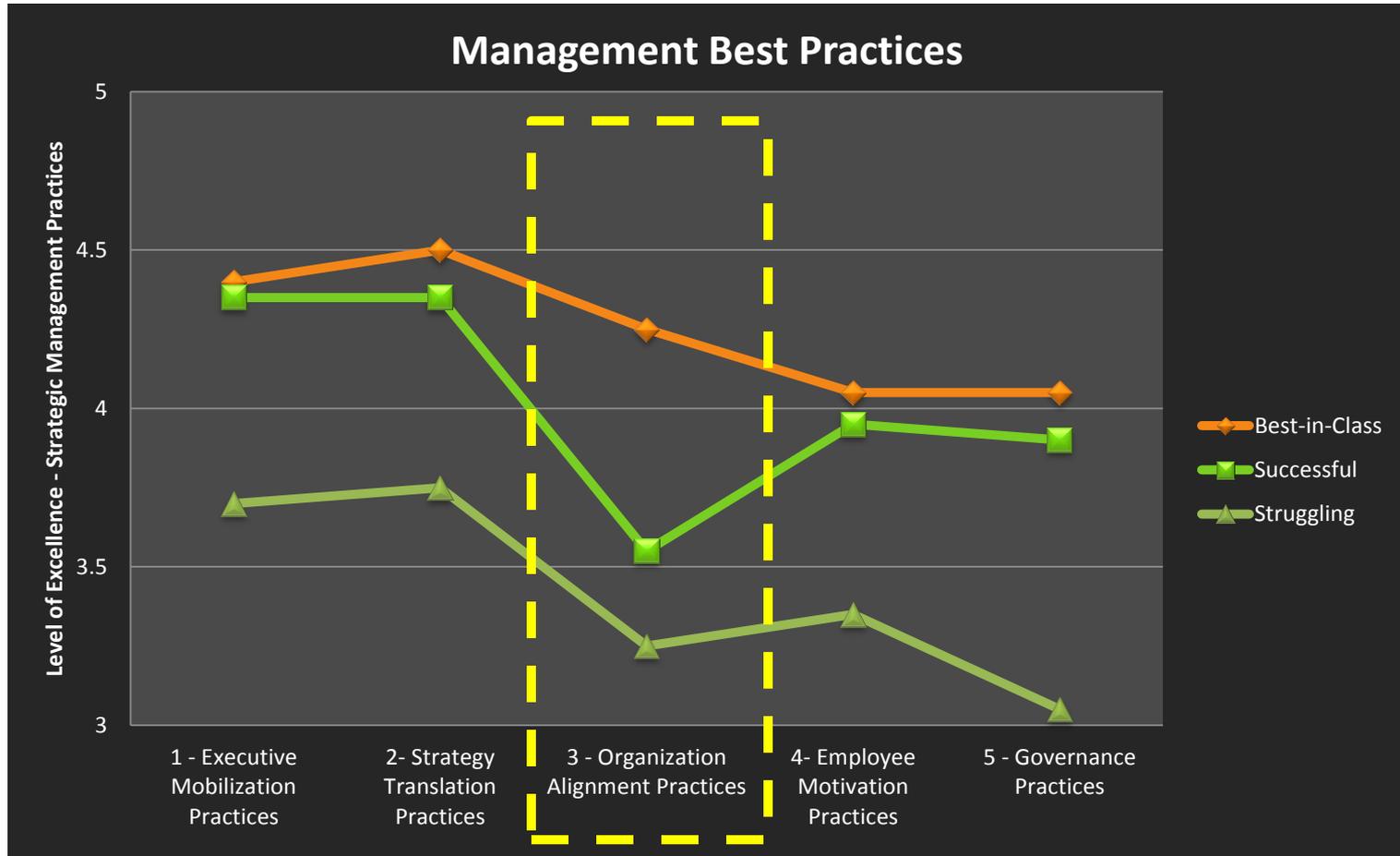
Have you experienced a high amount of disagreement about the performance level of your business capabilities?

Recommended approach is to conduct a workshop with key stakeholders and try and reach alignment before moving forward.

Business Alignment Matters



Lessons Learned



Source: Alignment, Robert S. Kaplan and David P. Norton, Harvard Business School Publishing Corporation, page 4.

Conducting a Capability Assessment

- **Step 7: Use the Results**

Business Capabilities	Current Project	Estimated Spend	% of Total	Business Impact of Doing Nothing
6.1 Vendor Relationship Management	Developing new module for CRM suite to more effectively manage vendor relationships.	\$2.0M	25.5%	The business will not have an effective method for knowing how much revenue is being generated through different vendor relationships.
6.2 Purchasing	Designing new purchasing processes and procedures.	\$200K	2.5%	The purchasing processes are very adhoc and chaotic. Unless changes are made to these processes the organization will continue to experience delays in acquiring needed supplies.
2.2 Research & Development	New PC's and server for R&D Department.	\$450K	5.7%	The research and development department was promised new computer equipment in order to deploy a new R&D application recommended by the VP of R&D.
7.1 Customer Order Management	Implement new Customer Order Management software suite.	\$5.0M	63.7%	Unless we implement the new Customer Order Management suite we will not be able to receive software updates from our vendor as they are expiring the old platform within 3 years.
4.2 Brand Management	No Projects Planned	\$0	0%	Unless we invest in creating brand awareness we are not likely to achieve the market share projections in new markets.
5.1 Complaint Management	Designing new complaint management processes and procedures.	\$200K	2.5%	The complaint management processes are very adhoc and chaotic. This has caused us to lose key customers. Additional customer erosion is expected unless changes are made.
6.3 Inventory Quality Control	No Projects Planned	\$0	0%	Unless we invest in improving our inventory quality control we are likely not going to be able to meet the demand for new products in our new markets.
TOTAL ESTIMATED SPEND		\$7.85M	100%	



**HELP GUIDE
INVESTMENT
DECISIONS**

Business Blueprint
Layer 2 – Capability View

Layer 2 of the Business Blueprint decomposes into specific sub-capabilities. Each of these sub-capabilities has an associated business process flow. We also identified key players and systems at this level.



Business Blueprint
Capability Maturity Assessment



Note: For illustrative purposes only. Business Capability names and assessment rankings have been changed to protect company confidentiality.

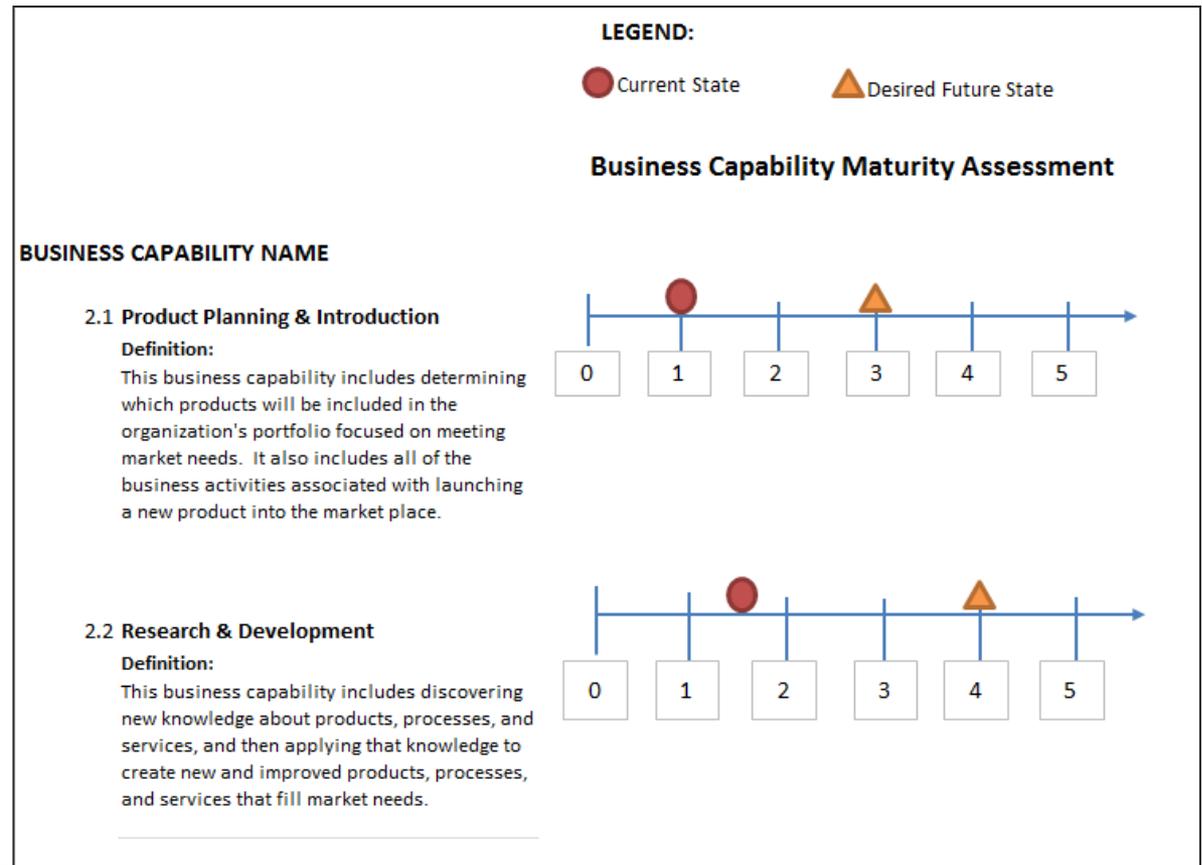
Legend:

- Level 1 – Adhoc
- Level 2 – Inconsistent
- Level 3 – Consistent
- Level 4 – Measured
- Level 5 – Cont. Imp.

Conducting a Capability Assessment

- **Step 7: Using the Results**

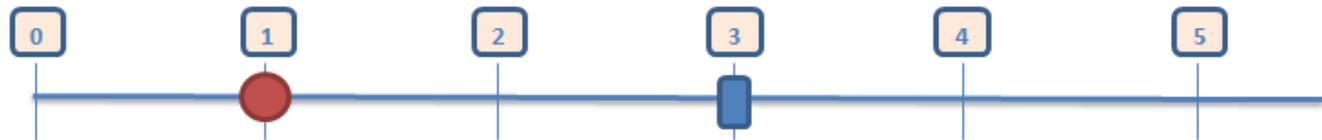
Leveraging information obtained in the current-state assessment can help drive the conversation about how to close the gap between current state and desired future-state.



Capability: Define Product Portfolio

Definition: Integrate products into a coherent portfolio of products focused on solving customer's problems or capitalizing on known market opportunities.

Capability Effectiveness Assessment



Current Maturity Level



Desired Maturity Level – One Year Horizon

Gap Assessment – Desired Future State

This is an example of applying the concept for arriving at a **Desired Future State** at a lower level.

Participants are asked to identify a desired future state for each of these components:

- People
- Process
- Technology
- Information

2.1 - Product Planning & Introduction

	People	Process	Technology	Information	Overall Capability Performance
Current State	2	2	3	1	2
Desired Future State	3	3	4	3	3.25

Next Steps: (How will we achieve desired future state)?

PEOPLE – Identify lead bakers for each location by January 1. Train all lead bakers on the new product planning process by April 30.

PROCESS – Invite lead bakers to comment on draft product planning process by January 21. Complete the redesign and introduction of the new product planning process by February 15.

TECHNOLOGY – Complete the deployment and testing of the new product planning system by March 30. Put key measures in place to assess use of the new system.

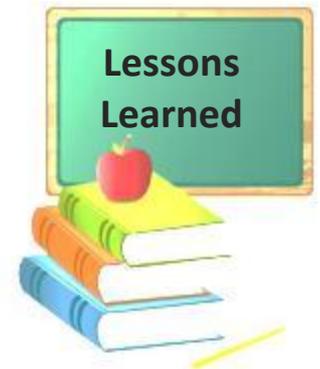
INFORMATION – Load all of our existing products in the product planning system no later than April 15.

Writing Gap Statements

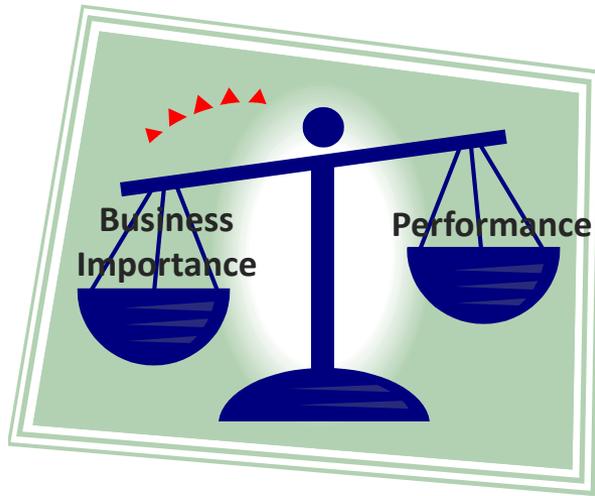


Writing Tips

- ✓ Gap statements should be forward-looking
- ✓ Gap statements should be as specific as possible about what the desired, future-state “looks like”
- ✓ Gap statements should use the same scale the organization selected for measuring current state performance (a.k.a. “maturity”) levels
- ✓ Gap statements should be action-oriented
- ✓ Where feasible, use SMART guidelines for writing Gap statements
 - **S**pecific
 - **M**easurable
 - **A**chievable
 - **R**ealistic
 - **T**ime-bound



Linking Capabilities to Strategy – Why?



Not all business capabilities are equally important!

Which business capabilities are most important will depend on what the organization is trying to accomplish.

“Linking” specific business capabilities to each business objective can help guide investment decisions.



Linking Capabilities to Strategy – How?

Step 1 – Start with a Framework

Strategy Maps are a well-recognized, visual method for modeling organizational strategy. Strategy maps use four perspectives. Business capabilities that are required help the organization achieve its vision can be aligned to each perspective



**Financial
Perspective**

Financial Perspective

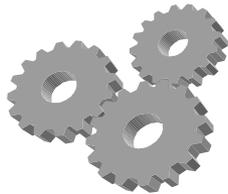
Which “financial related” business capabilities are needed to achieve our vision?



**Customer
Perspective**

Customer Perspective

Which “customer related” business capabilities are needed to achieve our vision?



**Internal
Perspective**

Internal Perspective

To achieve our vision, which “internal facing” business capabilities must we excel at?



**Learning & Growth
Perspective**

Learning and Growth Perspective

To achieve our vision, which “learning and growth” business capabilities must we perform well?

1. Source: The four perspectives shown here have been adapted from [Strategy Maps, Converting Intangible Assets into Tangible Outcomes](#), Drs. Robert Kaplan and David Norton, Harvard Business School Press, 2004.

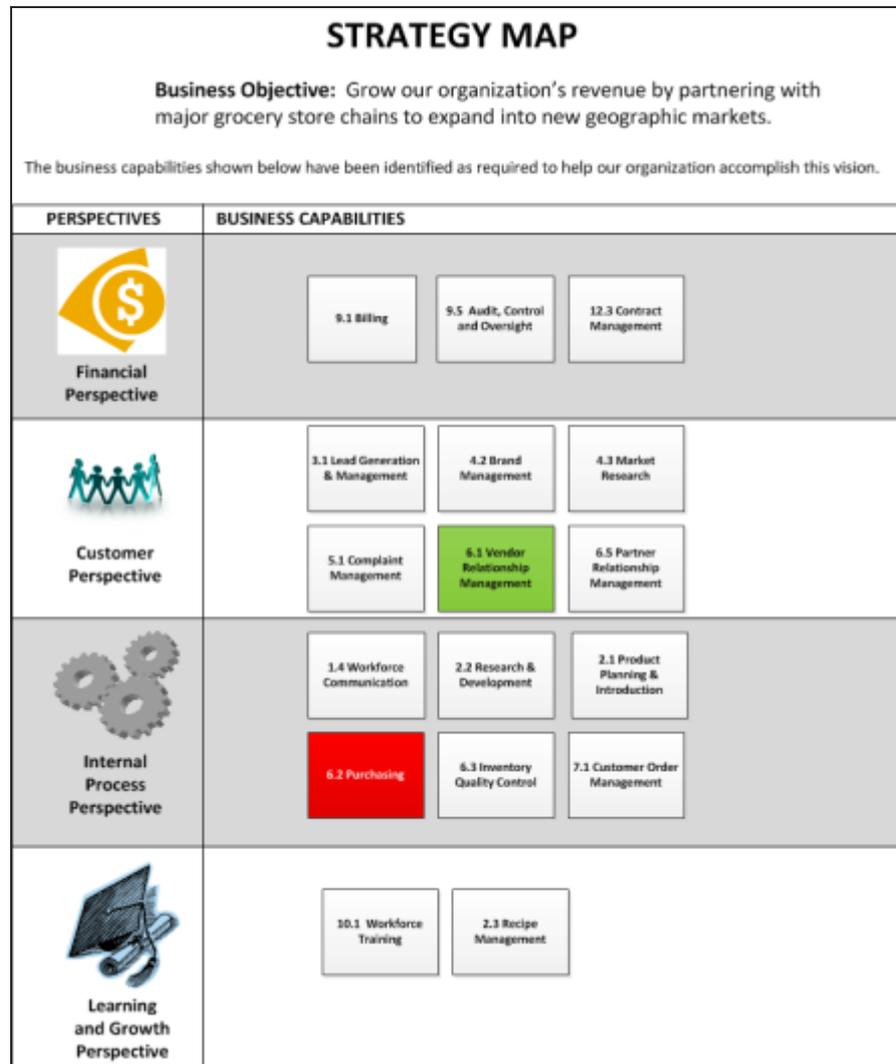
Linking Business Capabilities to Strategy

Step 2 – Link required business capabilities to each of the four perspectives

The Strategy Map (right) indicates which business capabilities are required to help the organization achieve its stated business objective.

The business architect can complete this task after interviewing business leaders.

See BIZBOK™ page 32.

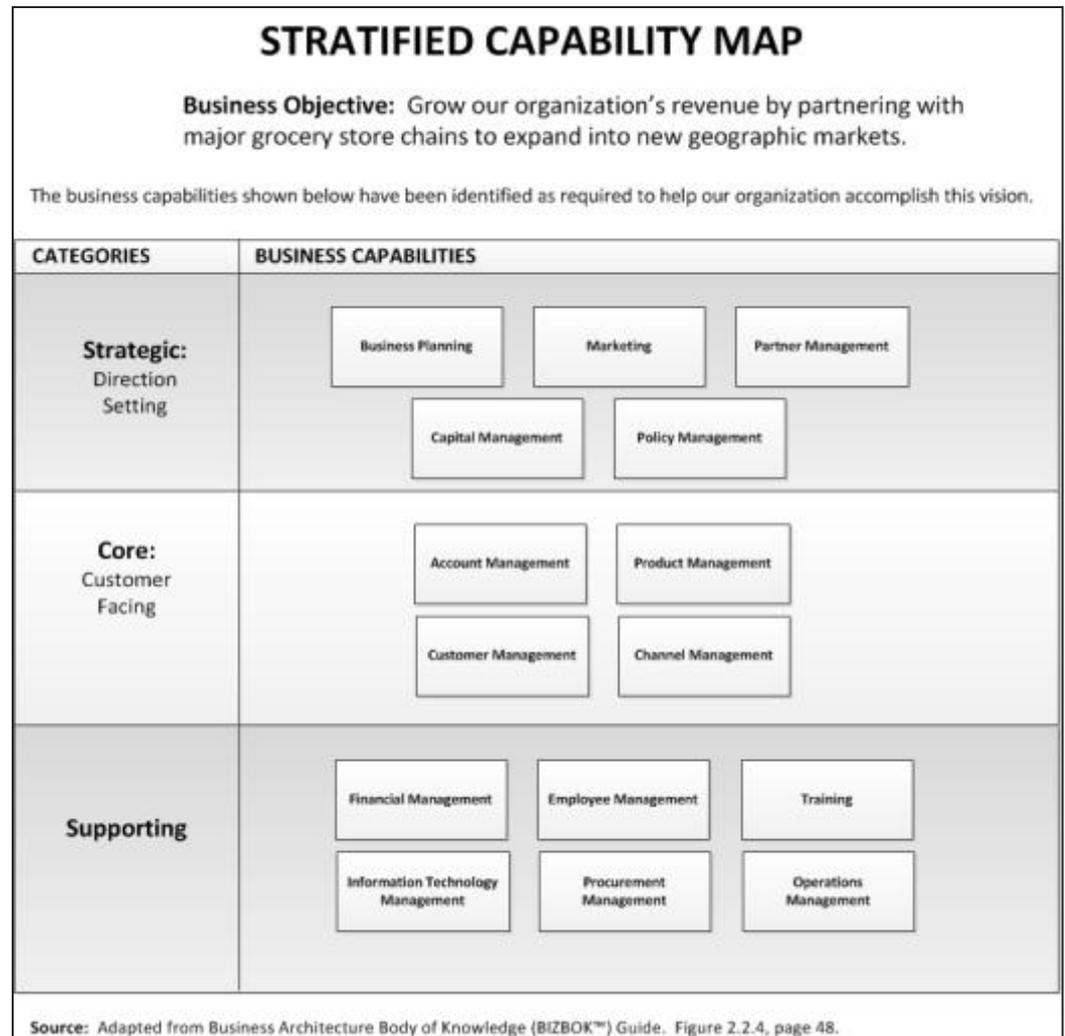


Linking Business Capabilities to Strategy

ALTERNATIVE APPROACH Stratified Business Capability Map

As referenced within the BIZBOK™, “the stratification structure within the capability map is a common way for the business to align capabilities.”

In this example, only those business capabilities required to accomplish the stated business objective are linked.



Linking Business Capabilities to Strategy

Step 3 – Business leaders determine the business importance or “value” of each business capability.

The Business Importance Assessment tool shown here is a simple, but effective method for capturing information from multiple business leaders.

Each business leader can complete this on their own, or the business architect can conduct interviews to capture the information.

BUSINESS IMPORTANCE ASSESSMENT

Business Objective: Grow our organization's revenue by partnering with major grocery store chains to expand into new geographic markets.

Directions:

For each of the business capabilities shown below, rank the importance of the business capability to accomplishing the stated business objective. (SEE SAMPLE) Also, identify any business capabilities you believe are important but not listed. Rank the importance of these business capabilities as well.

Business Capability	BUSINESS IMPORTANCE		
	Low	Medium	High
SAMPLE		X	
Financial Perspective			
9.1 Billing		X	
9.5 Audit, Control and Oversight	X		
12.3 Contract Management			X
Customer Perspective			
3.1 Lead Generation & Management	X		
4.2 Brand Management			X
4.3 Market Research			X
5.1 Complaint Management			X
6.1 Vendor Relationship Management	X		
6.5 Partner Relationship Management - NEW			X
Internal Process Perspective			
1.4 Workforce Communication			X
2.2 Research & Development		X	
2.1 Product Planning & Introduction			X
6.2 Purchasing	X		
6.3 Inventory Quality Control			X
7.1 Customer Order Management		X	
Learning & Growth Perspective			
10.1 Workforce Training			X
2.3 Recipe Management			X

SUMMARY

TOTAL	BUSINESS IMPORTANCE		
	Low	Medium	High
	4	3	10

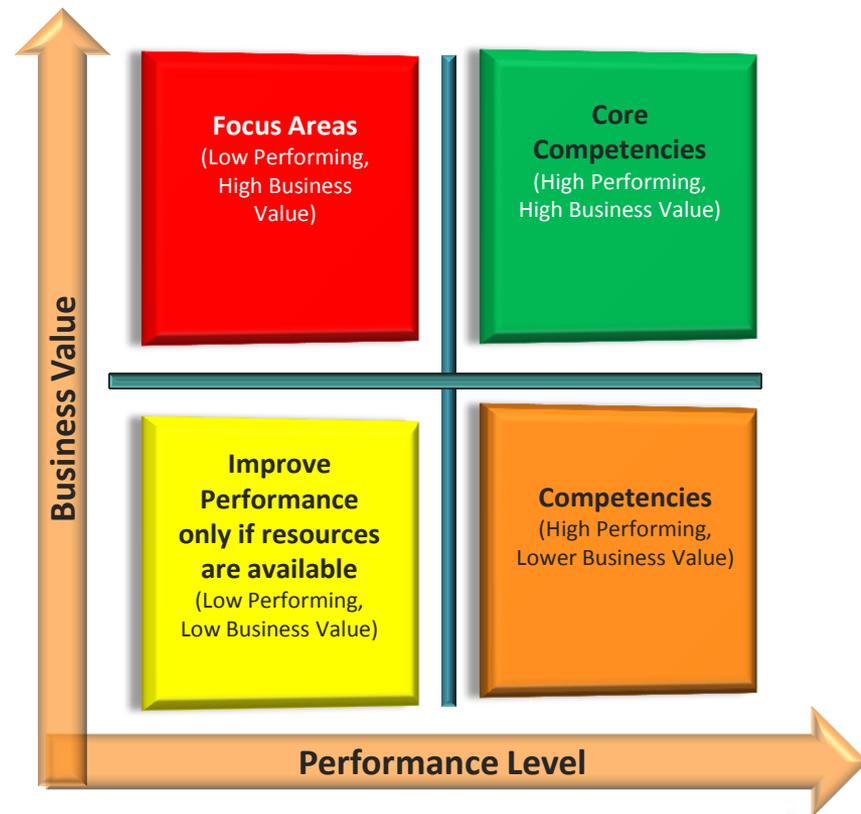
Conducting a Capability Assessment

- **Step 4: Report the Results**

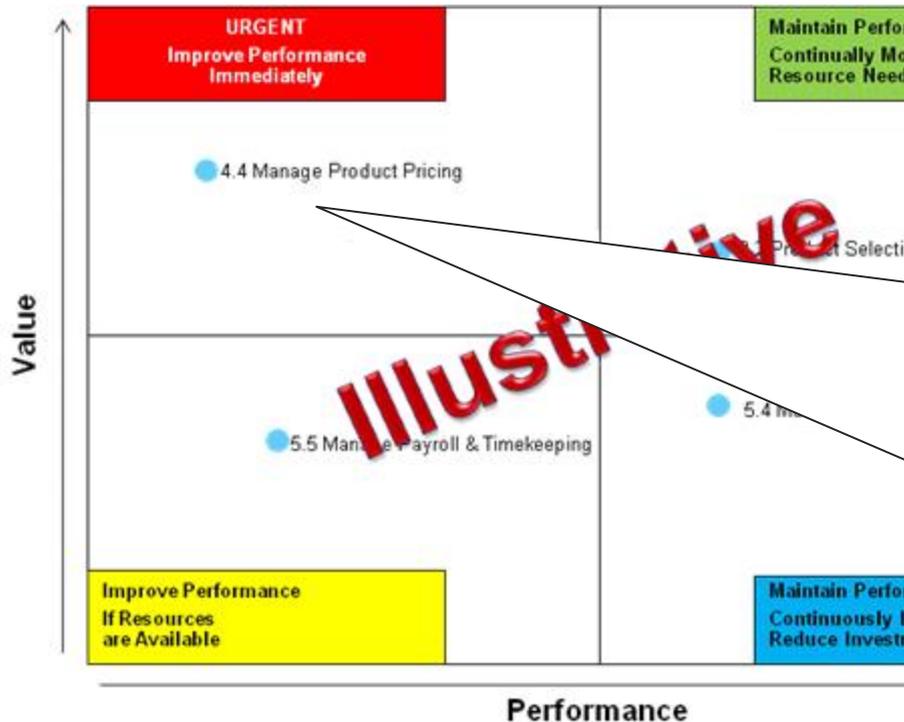
A common way to report results is to create a matrix that compares Business Value vs. Business Capability Performance.

This view helps identify the areas that are most critical to focus on first.

This chart plots Business Value vs. Performance Levels.



Enabling Better Conversations



Types of conversations with business stakeholders:

- Identification of underperforming capabilities and capabilities that are being over or under invested in
- Business capabilities ranked and prioritized for investment and sequence to organization's strategic or operating plan
- Acts as an input to planning and prioritization conversations
- Highlights where performance is the constraint or the enabler

This view also helps facilitate business conversations with different stakeholders.

Business Capability SWOT Analysis

High Alignment on Business Importance;
Business Capability Maturity: 3-5

5

1

S

High Alignment on Business Importance;
Business Capability Maturity: <3

3
4
2

O

Key Point is Maturity Level. Good news is alignment, work on improving maturity to move to strength.

Each "circle" corresponds to a single business capability.

Low Alignment on Business Importance;
Business Capability Maturity: 3-5

6

8

W

Low Alignment on Business Importance;
Business Capability Maturity: <3

4

7

T

Key Point is lack of Alignment. Good news is maturity level. Work on getting everyone on same page regarding importance.

Worst case scenario: lack of Alignment and not very mature. Need to work on improving both to reach goals.

Lessons Learned



Requires the right balance of art and science.

Lessons Learned



REMEMBER

**This process is more about the journey
than the destination.**





Questions?



Further Reading

The approach described within this training provides a simple, easy-to-administer approach for conducting a business capability maturity assessment. There are a number of more complex methods that can be deployed as your organization matures. Some additional resources on this topic are included below:

The **Capability Maturity Model (CMM)**. The term "maturity" relates to the degree of formality and optimization of processes, from *ad hoc* practices, to formally defined steps, to managed result metrics, to active optimization of the processes. **Website:** www.cmmi.institute.com/

Baldrige Criteria for Performance Excellence. For 25 years, the Baldrige Criteria have empowered organizations—no matter their size, sector, or industry—to reach their goals, improve results, and become more competitive. **Website:** www.nist.gov/baldrige/publications/criteria.cfm

Alignment, Robert S. Kaplan and David P. Norton, Harvard Business School Press, 2006.

Profit from the Core, Chris Zook and James Allen, Harvard Business School Press, 2001.

Beyond the Core: Expand Your Market Without Abandoning Your Roots, Chris Zook, Harvard Business School Press, 2004.



APPENDIX



Mature Capability Assessment

Business Value

- ❖ New Business Opportunity
 - ❖ Degree to which the capability helps differentiate from its competitors, has brand Impact, or channel interaction impact.
- ❖ Business Risk
 - ❖ Regulatory or operational risk that could adversely affect the achievement of objectives
- ❖ Financial Impact
 - ❖ How much does this capability's existence affect revenue and/or operating expenses?

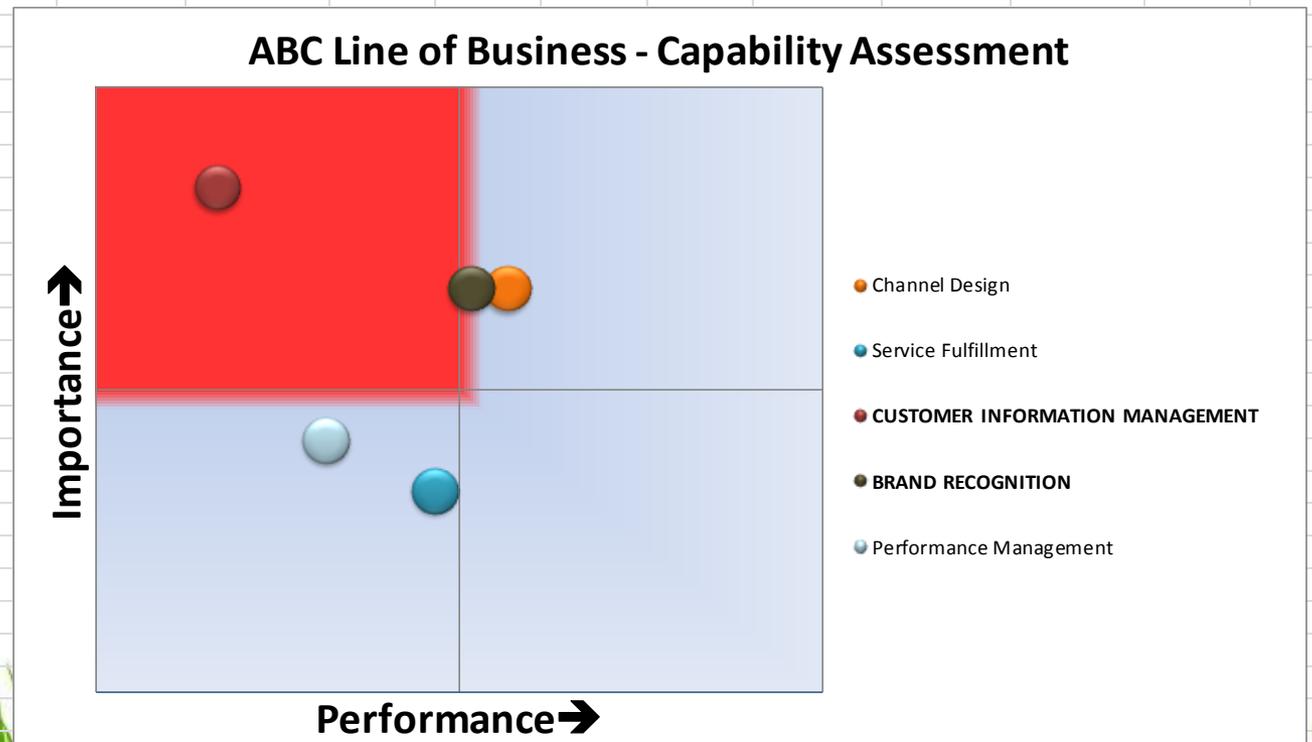
Performance

- ❖ Operating Cost
 - ❖ Is the capability being managed that the right price point? Is the capability consuming an inordinate amount of resources to achieve the business's desired outcomes?
- ❖ Ability to Grow
 - ❖ Is this an area of the business that needs to support significant growth in the next 3-5 years? If significant growth occurs will costs remain at a reasonable ratio to income or are there opportunities to be called out for this capability?
- ❖ Timeliness
 - ❖ Does the capability deliver on time and does it meet timeliness expectations of customers and business partners?
- ❖ Agility for Change
 - ❖ Can changes to processes and technology happen as fast as they need to support market shifts, customer demands and regulatory changes?
- ❖ Quality
 - ❖ How well are capabilities supported in terms of People, Processes, Technology and Information?
 - ❖ Are there enough skilled People to deliver effectively?
 - ❖ Are the Processes effective?
 - ❖ Is the Technology delivering the necessary automation support?
 - ❖ Is the Information accurate and available when needed?

Pros	Cons
Easy to visualize.	Wide range of subject matter experts will be needed from the business.
Provides future maturity goal.	Lack of details- does not provide actionable information.

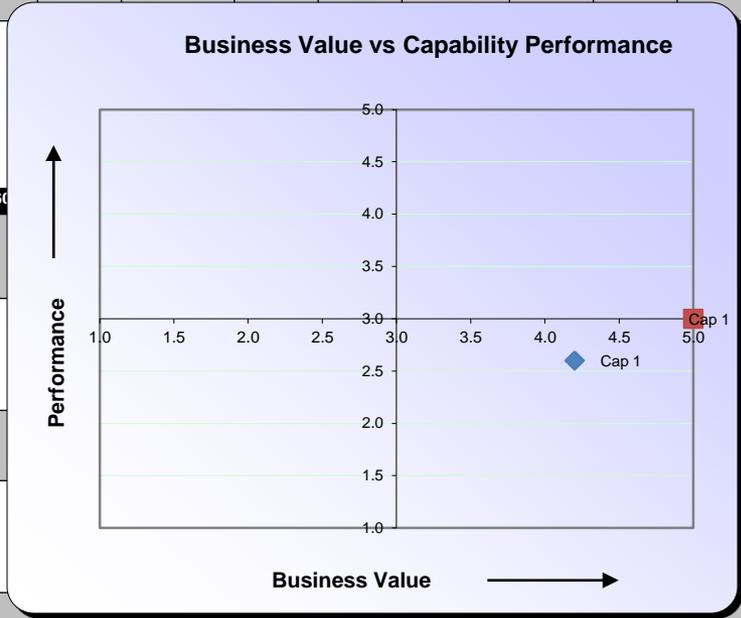
More Complex Performance Analysis

	Importance	Performance	People	Weight	Process	Weight	Technology	Weight	Information	Weight
Channel Design	4	3.4	5	30%	3	40%	1	10%	3	20%
Service Fulfillment	2	2.8	4	20%	3	40%	4	10%	2	20%
Customer Information Management	5	1	1	25%	1	25%	0	0%	1	50%
Brand Recognition	4	3.1	2	10%	3	60%	3	20%	5	10%
Performance Management	2.5	1.9	5	5%	3	10%	1	60%	3	25%



Mature Capability Assessment

Assessors Names:		Business Capabilities:			Cap 1			Cap 2			Cap 3		
Business Area (BIO):		Health Assessment Tool Version:			Current	Future	Scoring Rationale	Current	Future	Scoring Rationale	Current	Future	Scoring Rationale
HA Completion Date:													
Dimensions	Definition	Scoring Guidelines	Weight	Score	Score	Optional	Score	Score	Optional	Score	Score	Optional	
1. Business Value				4.20	5.00		4.20	4.20		3.40	4.20		
NEW BUSINESS OPPORTUNITY Competitive Differentiation	Degree to which the capability helps differentiate from it's competitors, has band impact, or channel interaction impact.	5 (High) – Strategic / Differentiating 3 (Medium) – Key Tactical 1 (Low) – Commodity	30	3	5	Comments:	3	3	Comments:	1	3	Comments:	
BUSINESS RISK	Regulatory or operational risk that could adversely affect the achievement of objectives	5 (High) – In case of an event, will have serious impact on operation or reputation. 3 (Medium) – In case of an event, will have significant impact on operation or reputation. 1 (Low) – In case of an event, will have moderate impact on operation or reputation.	60	5	5	Comments:	5	5	Comments:	5	5	Comments:	
FINANCIAL IMPACT	How much does this capability's existence affect revenue and/or operating expenses?	5 (High) – This capability directly affects revenue (impact is greater than \$10 MM) 3 (Medium) – This capability indirectly impacts revenue (between \$ 1MM to \$9.9 MM) 1 (Low) – This capability has little impact on revenue (less than \$ 1MM)	10										
2. Performance				2.60									
OPERATING COST Current Day-to-Day Operation	Is the capability being managed at the right price point? Is the capability consuming an inordinate amount of resources to achieve the business's desired outcomes?	5 (Good) – The cost to operate the capability is below what business expectations (could not get much cheaper). 3 (Average) – The cost to operate the capability is aligned with business expectations. 1 (Poor) – The costs to operate the capability are higher than the business would like.	20										
ABILITY TO GROW Costs Remain Manageable with Significant Growth	Is this an area of the business that needs to support significant growth in the next 3-5 years? If significant growth occurs will costs remain at a reasonable ratio to income or are there opportunities to be called out for this capability?	5 (Good) – If the capability must sustain a significant growth in volume, the cost efficiencies will improve. 3 (Average) – The capability does not need to support a significant growth in volume, or if significant growth in volume will occur, the cost efficiency will remain at current ratios. 1 (Poor) – If the capability must sustain a significant growth in volume, the costs will grow faster and cost efficiency will decrease.	20										
TIMELINESS Meets Service Level Expectations	Does the capability deliver on time and does it meet timeliness expectations of customers and business partners?	5 (Good) – All timeliness goals are met with few exceptions. 3 (Average) – Most timeliness goals are met. 1 (Poor) – Timeliness goals are often not met.	20										
AGILITY FOR CHANGE Can Change as Fast as Needed	Can changes to processes and technology happen as fast as they need to to support market shifts, customer demands and regulatory changes?	5 (Good) – Process and Technology changes are completed within a reasonable amount of time. 3 (Average) – Process and Technology changes are completed, but sometimes not soon enough for revenue or compliance opportunities. 1 (Poor) – It often takes too long and too much resource to make appropriate changes to Processes and Technology.	20										
QUALITY People, Process, Technology and Information	How well are capabilities supported in terms of People, Processes, Technology and Information? Are there enough skilled People to deliver effectively? Is the Technology delivering the necessary automation support? Is the Information accurate and available when needed?	5 (Good) – The People, Processes, Technology and Information are all accurate and effective. 3 (Average) – Most areas are effective, but one of the following is true: There are not enough skilled People; the Processes are not always effective; the Technology doesn't provide adequate support; Information is not accurate or not always available. 1 (Poor) – More than one of the following is true: There are not enough skilled People; the Processes are not effective or accurate; the Technology doesn't provide adequate support; Information is not accurate or always available.	20										



Assessing our Capabilities



To assess the *Effectiveness* of our various business capabilities, we used a five point scale based on the Capability Maturity Model (CMM) originally created by Carnegie Mellon University.

Maturity Level	Definition	Characteristics
Level 1 – Adhoc	Every situation is unique, sometimes leading to business chaos. There is no consistent pattern of delivering a service.	Extremely in-consistent service. It depends on the unique circumstances of the situation.
Level 2 - Inconsistent	There still is no pattern of consistency from person-to-person, although processes may be defined.	Business processes either are not well defined, or are not understood and followed on a consistent basis.
Level 3 - Consistent	Every person that delivers a service does it the same way, most of the time.	Business processes are well defined, have been deployed and are being consistently followed.
Level 4 – Measured	Key Performance Indicators have been established and are being tracked and reported.	Management is monitoring the business outcomes of various service levels.
Level 5 – Continuous Improvement	Actions are being taken to improve performance based on metrics.	Data from key performance indicators are driving decisions about how to improve the company's performance.