This session will provide insights into aligning business capabilities and business contextual dimensions to processes in order to enable value stream mapping, process improvement initiatives (LEAN) and capability driven planning. We will address applying an industry standard process framework and enterprise capability model to provide unique cross-functional insights into what the business does and how they do it.
What is my business model? What is my value chain? How do my customers, products and channels reflected in my customer facing and operational processes, information and technology architectures? Where the glaring gaps?

Do my capabilities meet customer expectations? How well do they stack up against the competition?

Where do I need to invest to remain competitive? To realize my strategic objectives and financial goals. What really moves the needle? What are the right needles (KPIs) How do my project investments align with KPIs and support the business case?

How can I get strategic information out of the heads of a few and in the hands of the many? How can I make sure the strategies are clearly articulated and supported?

Is my portfolio of investments (projects) strategically aligned with my most strategic products and for my target customers?

What enabling capabilities can be leveraged to support a new line of business?

What should be built as a shared service vs. a silo’d solution? What is the expected life of the product, service / capability?

How far should we go? How can we avoid overbuilding in one area and under building in another?

How can we bring more clarity and stability to our business plans to help IT make the right moves? How can we avoid surprises that lead to rework or silo’d solutions?
Process Excellence Questions
Answers + Broad Understanding = Value

- Where should I focus scarce process improvement resources to add the greatest value? Both from internal groups and external consulting practices?

- How can I leverage data pulled from other business architecture layers to better prioritize process improvement work?

- When should I embark on incremental process improvement vs. process consolidation / reengineering or in/outsourcing?

- How can I use process patterns manage change by “pivoting” my portfolio on process and the people behind them?

- How build a trusted (one that is collectively exhaustive) repository of knowledge of my business operating model to support employee training, operational risk mgmt and audit relationships?
Canvas = Context

1. **Business Architecture Common Language:**
   A Capability represents WHAT we do and serves as a common process classification framework. A Process is one element of HOW we deliver value (along with people, technology and information).
   - **Level 1 Capabilities serve as Process Categories (APQC* L1)**
   - **Level 2 Capabilities serve as Process Groups (APQC L2)**

2. **Business Contextual Dimensions** allow us to transition from Capabilities to Physical Processes. The three key business contextual dimensions are **Customer, Product, and Channel**.

3. **Physical Processes** must be measurable and assignable and are documented at one of next three APQC layers within a specific business context
   - **Level 3 Process/Activity** (End to End – Voice of Customer Value Stream)
   - **Level 4 Activity / Task / Step** (Standard Work, commonality opportunity)
   - **Level 5 Task / Step / Data** (Procedures)

* APQC - American Productivity & Quality Center
<table>
<thead>
<tr>
<th><strong>Common Language</strong></th>
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<td><strong>Business Capability</strong></td>
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| Defines **WHAT** a business does and the ability or capacity that a business must possess or exchange to achieve a specific purpose or outcome, *and is enabled by people, process, technology and information*. Capabilities can be used to identify gaps between the current state and target state as well as overlapping capabilities (e.g., product silos).
| Business Capabilities are defined in business terms and are categorized as either Primary (Value Stream) capabilities that are core to what the firm does to deliver a product or service to an external customer, or Secondary (Foundational Support) capabilities for what the firm must do as internal functions. |
| **Business Process = Physical Processes** |
| Defines **HOW** a business executes a set of coordinated tasks and activities as a series of measurable steps designed to either produce a product or service for a customer, or to effectively manage the internal activities of a business. |
| Business Processes are categorized as either Primary (Value Stream) or Secondary (Foundational Support). Primary processes are core to delivering a product or service to an external customer. Secondary processes perform the organizations internal management or support activities. **Value Stream processes differ depending on the combination of the customer type, the product/service being consumed and the channel through which it is supported.** |
| http://en.wikipedia.org/wiki/Business_process |
• Decision 1: Organize Processes and Projects using the following tags for process Categories and Groups (APQC Levels 1 & 2)
  – Mandatory to tag using Value Stream Level 1 Capability with applicable contextual dimensions; Optional to tag using Value Stream Level 2 Capabilities
  – Mandatory to tag to Foundational Support capably Level 2 Capability; Optional contextual dimensions on these back office support areas.

• Decision 2: Follow the APQC taxonomy to further classify physical processes:
  – L4 – Activity Models / Task
  – L5 - Task/Step Procedures & Standard Work

• Decisions 3-5: Use same process pattern to tag technology, projects risks and controls.
Decision Point 1: Adopt APQC* Taxonomy to organize process and use the Business Capability Model to Serve as Layers 1 and 2 (Process Categories and Groups)

Litmus Test: At Level 3 process start and stop points must be defined in the voice of the customer and classified in context of the applicable customer, product and channel dimensions. Processes must be “real.”
Business Capability Model
Capability and Contextual Models

Customer Experience and Relationship Management

Product Management
Marketing
Sales
Onboarding
Recordkeeping and Money Movement
Customer Servicing

Need to Offer | Awareness to Lead | Contact to Acceptance | Appl to Active | Trx to Statement | Request to Referral

Investment Management

Strategic Planning and Business Modeling
Governance and Program / Change Management
Human Resources Management
Risk, Fraud, Law and Compliance
Finance, Accounting and Vendor Management
Facilities Management and Shared Operations
Data Analytics and Information
Technology

Customer Segments

<table>
<thead>
<tr>
<th>Individual</th>
<th>Institutional</th>
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<tbody>
<tr>
<td>Dollar Stretcher</td>
<td>Life Builders</td>
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<tr>
<td>Accumulators</td>
<td>Transitioners</td>
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<tr>
<td>Established</td>
<td>Premier and Jumbo</td>
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<tr>
<td>Partner, Large and Medium</td>
<td>Direct and Small Connections</td>
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</tbody>
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Channels

| In Person | Phone | Digital | Paper | Intermediary | Media |

Products

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<tr>
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<th>Institutional</th>
<th>Investment</th>
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<td>Retirement Plans</td>
<td>Investment Management Services</td>
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Business Architecture and Business Process Integration
Process Linkage Example

1. Set risk/oppty based priorities
2. Structure for repository
3. Identify duplicative processes

L1 Capability / Process Category
Onboarding

L2 Capability / Process Groups
Application Intake, eligibility and enrollment

L3 Physical Process
Onboarding of new IRA-IS acct via the NCC inbound call center

L4 Activity
NCC sends pre-populated PDF via email

Define, Measure, Analyze Improve and Control Processes

Identify opportunities for more detailed sharing (e.g., Cust Profile Mgmt, money movement, etc)
Maintaining the model requires cooperation, governance & funding. Don’t over extend by modeling too deep or wide.
Transparency of Model Data Readiness

- Business Drivers & Strategy
  - Vision
  - Objective
  - Goal
  - Strategy
  - Gap

- Change Programs
  - Portfolio
  - Program
  - Project
  - Project Outcome

- Customer Experience
  - Competitive Parity

- Vendor Performance
  - Risk

- Competitive Advantage
  - Gap Ranking
  - Strategic to portfolio alignment

- Operational Efficiencies
- Operational Complexity
- Operational Costs

Legend
- Readiness 5
- Readiness 4
- Readiness 3
- Readiness 2
- Readiness 1
Summary Key Learning

✔ Business Architecture is but one part of the Change Capability. Strive for complementary role clarity through collaborative engagements.

✔ Use business architecture model to complement and reinforce process models as reflected in a process inventory and repository.

✔ A good model that is widely communicated and used is better than a perfect model that sits on the shelf. Feedback loop is critical.

✔ Establish common language to define what is a process vs. a capability. Leverage third party standards and definitions (APQC, Wikipedia) to drive consensus and adoption.

✔ #1 Point. Leverage the power of the network effect. Use common language and model within all the layers creates added value front to back. Once change partners see the value, they will be much more willing to use the model and help maintain it.
Thank You… Questions?