Business Architecture

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Processes, Value Streams, and Capabilities

There is often much confusion between Processes, Value Streams and Capabilities. While each is intended to describe business operations in some way, each has a different purpose, focus, and use. Let's start with the process (which itself is often overloaded or misunderstood).

One definition of a process is "a series of operations that are executed in an ordered sequence according to a set of business rules." This typically IT centric definition often leads to the automation of a specific focused task such as 'change an address'. A different definition, "a structured, measured set of activities designed to produce a specific output for a particular customer or market" leads us to think of processes from a broader business context, such as the 'procure-to-pay' process.

The smaller processes, (sometime we refer to these as 'functional process' or 'process' versus 'end-to-end process' or 'Process') are generally the target of an IT implementation where the process is described in a BPMN model which may be directly executed in a BPMS. The goal of the functional process is to understand, design, measure, and optimize the specific function.

The larger process represents a major business function that crosses organizational boundaries and is typically composed of a combination of human performed and automated tasks. The goal of an end-to-end process is to identify how work actually gets done, with an emphasis on cross-organizational interactions. It can be thought of as a 'unit of management' that identifies functions, metrics, and organizational interactions in order to enable management actions and decisions in implementing or improving the Process.

A value stream is similar to an end-to-end process, but with a narrower scope and focus that describes a linear sequence from a particular stakeholder's (such as customer) point of view. Each step, or stage, of the value stream represents the addition of value to the stakeholder from their perspective. A value stream is always triggered by the stakeholder and flows through a set of intermediate stages to the final delivery of value when the value stream is complete. Most stakeholders will have more than one value stream, and different value streams will have many potential interactions. The value stream provides a high-level executive view that identifies the overall set of interactions so that interdependencies and opportunities can be understood. The value stream is purposely kept simple to keep focus on identification of value and allow understanding of the overall set of value streams.

A capability is 'what' the business does (not how it is done). The capability describes a unique ability that the company must have in order to perform operations. Capabilities can be decomposed into a hierarchy, typically to a level 3 or 4, but the key to the capability is that there is only one capability for anything in the enterprise. The emphasis on the single 'what' brings focus to the things the company does. Of course, when evaluating the 'as-is' situation at any enterprise, we find that the same capability is often implemented many different times, in different ways, with different information, by different organizations. Capabilities may be performed well, or

poorly, or not at all, or even outsourced. Perhaps that is good, perhaps it is bad? But typically, the complexity of these multi dimensional relationships makes it difficult or impossible to understand. So, the capability provides a point of clarity that allows the discussion to take place and for management to focus on the root of issues. Then, the relationship of the capability to information, value, organization, etc. can be highlighted to expose and address the redundancies and opportunities. So, the value of the capabilities is not so much the map itself, but in the mapping of capabilities to other things and the clarity this exposes.

Often, a composite view, such as value stream mapped to capabilities, is useful to provide scope to a particular initiative, such as addressing customer attrition. Capabilities can be mapped to the appropriate set of concepts to address the specific business scenario. Notice that an end-to-end process is actually a composite view of activities, organization, interactions, and information that is intended to address end-to-end process performance. However, the end-to-end process view is generally created within the scope of that particular process so may not identify redundancies and inconsistencies with other end-to-end processes. Since the scope of capabilities is the entire enterprise, these enterprise aspects will be easier to identify and address.

Another aspect of the value of the capabilities is not in the resulting capability map itself, but in the process of arriving at the map. Developing the map requires the business to participate and to agree to a common understanding and vocabulary of the business, across business units.

Although often confused, a capability is really different from a process or value stream. While the process describes 'how something is done', the value stream describes 'how value is delivered to a stakeholder', the capability describes 'what' is done, regardless of how, where, who, or how well it is performed. Processes and value streams require capabilities, and describe how those capabilities are used. As with any set of architecture or design artifacts, each has its purpose and place.

	Definition	Concepts	Scope / Perspective	Goals	Benefits
process	a series of operations that are executed in an ordered sequence according to a set of business rules	Actors, tasks, decisions, control flow, information	Business process, project / process owner	Automation of processes by IT systems	Precise specification of activities, possible execution in BPMS, performance metrics, simulation
Process	a structured, measured set of activities designed to produce a specific output for a particular customer or market	Activities, actors, organizations, customer metrics, cross-collaboration	Specific end-to-end process / executive	Operational management and improvement of cross-organizational end-to-end processes	Management focus on what matters to customers and how to improve / optimize business performance
Value Stream	an end-to-end collection of activities that create a result for a customer	Stakeholders, value accretion, sequence of stages, trigger	Enterprise / executive, high-level.	Identification of overall interaction with a particular customer and between related streams	Coordinated focus on particular stakeholders. Identification of 'value' and interaction between streams. Mapping to capabilities
Capability	A particular ability or capacity that a business may possess or exchange to achieve a specific purpose or outcome	What the enterprise does, information	Enterprise / executive, business owners	Identification of the unique capabilities and shared vocabulary of the enterprise	Allows identification of redundancies and inconsistencies, and focus on initiatives

Table 1 – Comparison of Processes, Value Streams, and Capabilities

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