

UNLOCKING AI READINESS WITH BUSINESS CAPABILITY MODELLING

In today's ever-changing business environment, cost efficiency is a crucial factor for success. Organisations are under constant pressure to optimise their operations and reduce costs while maintaining or improving the quality of their products or services. Artificial intelligence (AI) offers potential for achieving cost efficiency through automation, data-driven decision-making, and process optimisation.

However, successful AI integration requires a robust understanding of which capabilities can be enhanced through AI. Business Capability Modelling (BCM) provides a key framework for this process, enabling businesses to align AI initiatives with their strategic goals, identifying the areas where AI can deliver the most value and cost-saving opportunities, and pave the way for efficient AI implementation.

In this white paper, we will discuss the concept of BCM, its significance in the context of AI readiness, and how it can be effectively utilised to align AI initiatives with strategic objectives centred on cost reduction.

INTRODUCTION

The AI Revolution

AI is revolutionising industries, from Healthcare and Financial Services to Manufacturing and Retail. It has the potential to enhance decision-making, automate repetitive tasks, improve customer experiences, unlock new business opportunities and innovative business-models. For example, AI-powered chatbots have been shown to help Financial Services organisations automate customer support, reducing the need for human agents and lowering operational costs. As AI technologies continue to evolve at pace, organisations must prepare themselves strategically to harness the full potential of AI.

The Need for AI Readiness

AI readiness is not merely about adopting AI technologies but also about aligning an organisation's capabilities and culture to effectively leverage AI. It involves preparing the business for AI adoption, ensuring data readiness, developing necessary skills, and defining AI use cases driven by outcomes.

Significance of Business Capability Modelling in AI Readiness

As organisations prepare for AI adoption, understanding existing and target capabilities and identifying gaps is paramount. AI technologies, including machine learning and natural language processing, have the potential to augment, automate and completely transform various business functions. However, without a clear understanding of these functions and their dependencies, delivering cost efficiencies or business benefits through AI initiatives is challenging. To provide clarity, Business Capability Modelling can be leveraged to support organisations in considering the art of the possible and the outcomes that can be derived.

BUSINESS CAPABILITY MODELLING

What is Business Capability Modelling?

Business Capability Modelling is a strategic approach that allows organisations to define and understand the fundamental capabilities required to achieve their strategic objectives. A capability is a combination of people, processes, technology, and resources that work together to deliver a specific outcome. Business Capability Modelling provides a structured representation of these capabilities, helping organisations visualise their internal operations and identify areas for improvement, innovation or business model disruption.

Benefits of a Business Capability driven AI Strategy

To balance the transformative power of AI with cost efficiency, organisations should align their AI initiatives with their existing capabilities and strategic

goals. Similarly, to drive innovation, target capabilities and outcomes should consider the 'art of the possible' around disruptive and transformative business models. One of the key benefits of Business Capability Modelling is its ability to link capabilities directly to strategic business objectives. In the context of AI readiness and cost efficiency, this linkage enables organisations to understand how AI can optimise operations and reduce costs, and in the context of business benefits it provides the tangible link to outcomes. Through initiatives such as automation, predictive analytics, and process optimisation, AI can be an added ingredient to help organisations streamline their operations and achieve greater cost efficiency. Business capability models can also drive the decision to either focus on cost efficiency in existing capabilities, or transformation through exploitation of AI.

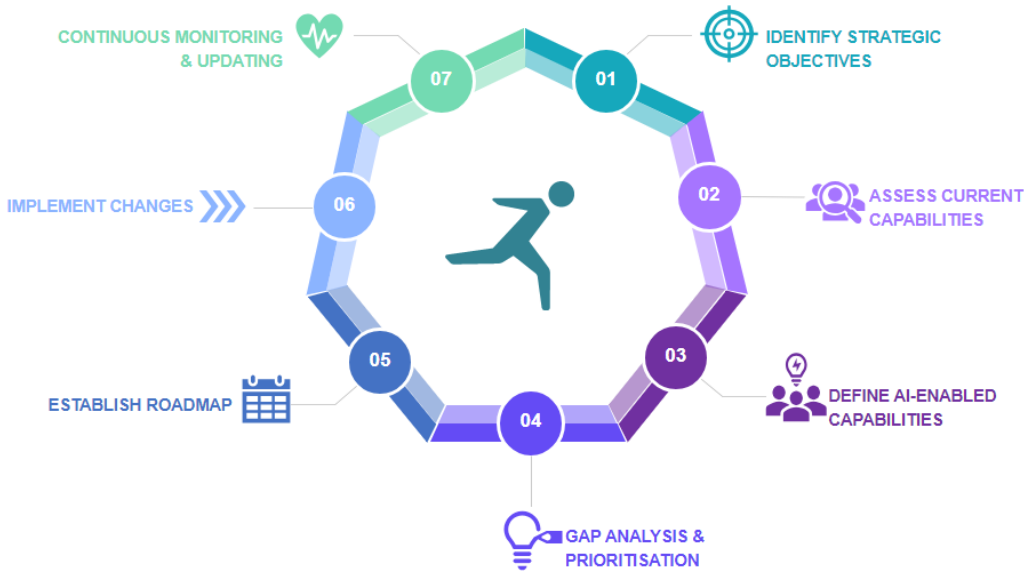
Business Capability Modelling plays a pivotal role in achieving cost efficiency through AI adoption in several ways:



- **IMPROVED DECISION MAKING:** Business Capability Modelling helps organisations identify the core capabilities that are essential for achieving strategic goals. This identification ensures that AI investments are directed toward areas where they can have the most significant impact on cost reduction.
- **GREATER EFFICIENCY:** By mapping business capabilities and processes, organisations can identify bottlenecks and inefficiencies that AI can address. This process optimisation can lead to streamlined operations and cost savings.
- **OPTIMISED RESOURCES:** Business Capability Modelling enables organisations to allocate resources effectively for AI initiatives. It helps determine where investments in AI talent, technology, and infrastructure are most needed to achieve cost efficiency.
- **RISK MITIGATION:** AI adoption comes with inherent risks, including data privacy and ethical concerns. A Business Capability Modelling driven approach identifies and addresses these risks proactively, reducing potential costs associated with non-compliance or data breaches.
- **AGILITY TO RESPOND:** Business Capability Modelling enables organisations to identify customer value adding capabilities, and the introduction of AI can help to predict customer behaviour. Combining these benefits enables organisations to rapidly respond to changing market conditions.

Having understood the benefits of Business Capability Modelling in ensuring AI readiness, organisations will need a systematic approach to enable the identification and delivery of AI initiatives to achieve their cost efficiency goals.

APPROACH TO BUSINESS CAPABILITY MODELLING FOR AI READINESS



IDENTIFY STRATEGIC OBJECTIVES: Effective integration of AI into business capabilities begins with a clear understanding of an organisation's strategic objectives. Organisations should identify specific areas where AI can drive cost reductions while supporting broader strategic aims, and establish key performance indicators (KPIs) and metrics to measure the impact of AI on cost reduction.



ASSESS CURRENT CAPABILITIES: The next task is to identify the core business capabilities that are essential for running the organisation and assess these for the impact that they have on achieving cost efficiency. This assessment helps identify strengths, weaknesses, and areas that need improvement.



DEFINE AI-ENABLED CAPABILITIES: Once the current capabilities are assessed, organisations can then define which functions, processes, or abilities will be enhanced or transformed by AI adoption. This mapping process ensures that AI investments are directed toward the most relevant areas.



PERFORM GAP ANALYSIS AND PRIORITISATION: To identify the disparities between the current capabilities and the desired AI-enabled capabilities, a gap analysis should be conducted. Organisations can then prioritise AI initiatives based on their potential for impact, alignment with strategic goals, and cost efficiency.



ESTABLISH ROADMAP: Once you are clear on the priorities the next step is to develop a benefit led roadmap. The roadmap should outline the key AI initiatives and timelines required to close the gaps identified in the 'Perform Gap Analysis and Prioritisation' step.





IMPLEMENT CHANGES: Effective execution of AI initiatives against your roadmap requires a robust approach to identifying and managing risks, tracking progress against milestones, and adjusting as required. It's essential to have clear governance structures and decision-making processes in place to ensure that changes remain aligned with business objectives and are managed effectively.



CONTINUOUS MONITORING AND UPDATING: As organisations develop and AI initiatives progress, the KPIs that you previously defined in the 'Identify Strategic Objectives' stage should be regularly reviewed, and the Business Capability Model adjusted to align with evolving strategic objectives.

COMMON AI READINESS CHALLENGES

While AI holds immense potential for cost efficiency, organisations must navigate technical, organisational and ethical challenges to ensure that negative AI risks can be mitigated. Approaches to enhance AI trustworthiness can help to overcome these challenges and pave the way for efficient AI implementation. Some of the main challenges that organisations face in preparing for the adoption of AI include:

 DATA QUALITY & SCALABILITY	 ETHICS & REGULATORY COMPLIANCE	 CHANGE READINESS & CULTURE
AI models rely heavily on data and need to be able to compute large volumes of data at speed. To build the validity and reliability of AI models, organisations should ensure that there is sufficient access to relevant data, and that the data can be stored, processed and analysed effectively. Organisations should also invest in appropriate AI tools, cloud services, and computing resources to ensure that AI initiatives are secure, resilient and scalable.	Depending on how AI is designed, there can be a positive or negative impact on society, and organisations need to be well versed in the risks that AI can introduce. Organisations should implement robust data governance and risk management frameworks, ensuring transparency and accountability in AI decision-making processes. AI solutions should align with your organisations values, principles and standards, comply with relevant laws and regulations, and respect the rights of your stakeholders.	Ensuring that AI is seen as an opportunity rather than a threat is essential to successful AI adoption. Organisations should communicate the benefits of AI initiatives, establish clear roles and responsibilities, provide training, and involve employees in the transformation process. Adopting a culture of innovation and collaboration through structural models such as a Centre for Enablement can help employees to feel empowered and skilled in the use AI and mitigate potential resistance to its adoption.

There are a range of management system standards being developed, such as ISO/IEC 42001, to guide organisations in the responsible development and use of AI systems. Establishing a governance framework for AI can help organisations address the challenges faced in AI adoption by ensuring that there is strategic consideration for risk management, regulatory compliance and the ethical usage of AI.

THE PATH TO AI READINESS

AI readiness is not a one-time effort but an ongoing journey. Organisations must continuously assess their capabilities, adapt to evolving technologies, and leverage AI to meet strategic goals, whether this be the need to drive cost efficiencies or introduce disruptive business models. In doing so, organisations can thrive in a rapidly changing business landscape driven by AI innovation.

As organisations continue to embrace AI as a driver of innovation and competitiveness, those that leverage Business Capability Modelling as a strategic tool will be better equipped to realise the full potential of AI. Using Glue Reply's Business Capability Modelling frameworks, we can support organisations to prepare for AI adoption and achieve their strategic goals.



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