

ROI Workshop: Building the Business Case for SOA

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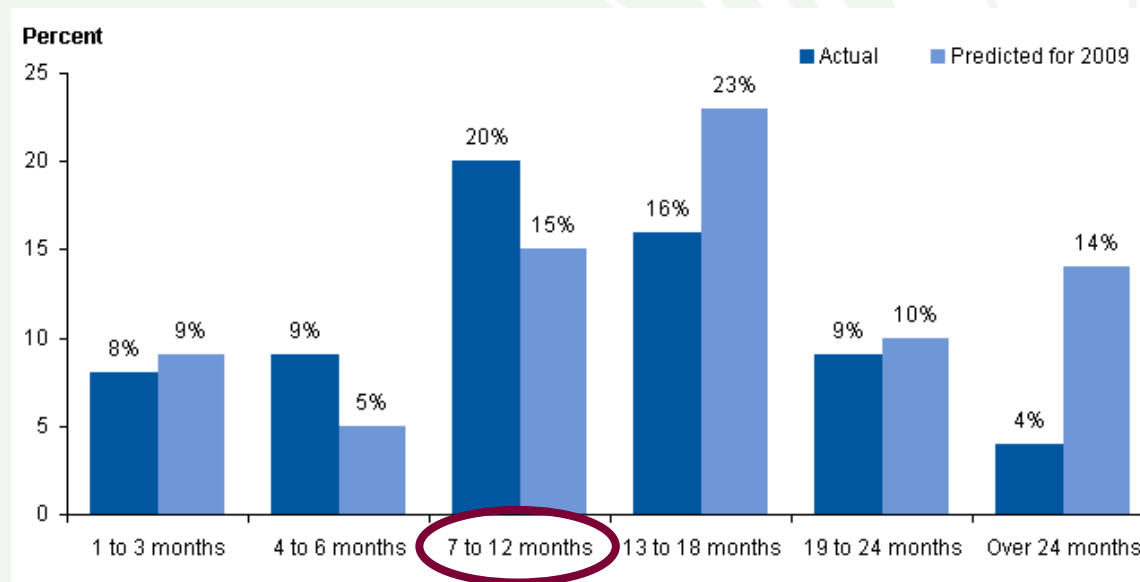
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Some Positive News: ROI is Real

“Service-oriented architecture (SOA) is creating value for organizations that follow it. This value is mostly in improvements to agility and rapid return on investment.”

Expected vs. Actual Time to Positive Return

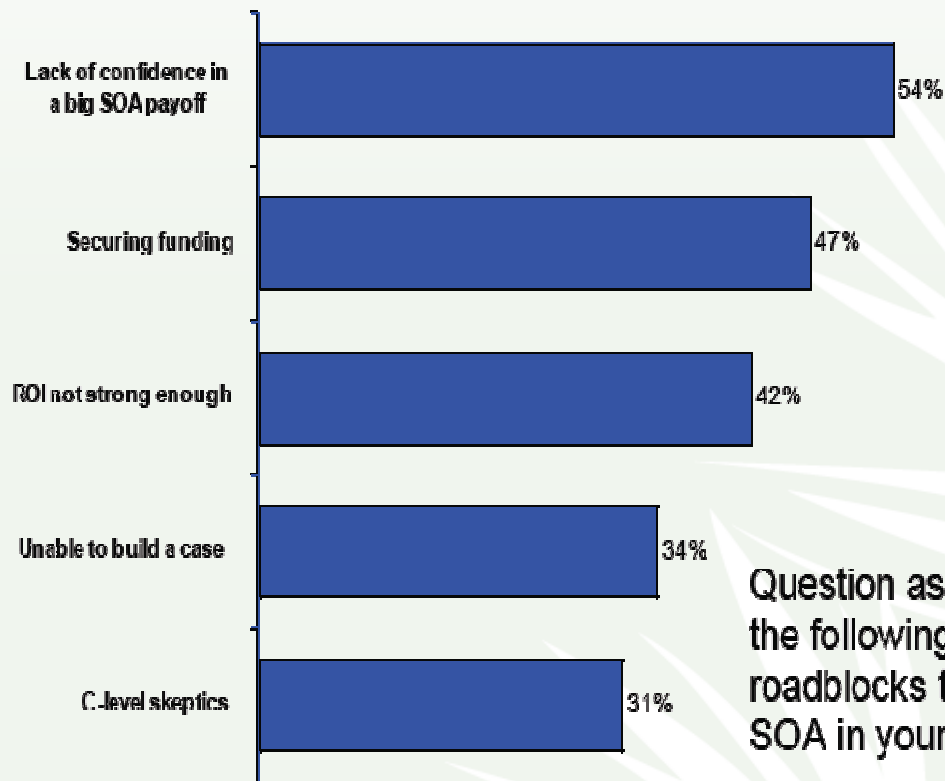


Gartner, Inc. “Survey Update: The Value of SOA” - March 24, 2009

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Getting Over the Hump...



What's the Business Case?

Question asked: Which of the following are roadblocks to justifying SOA in your organization?

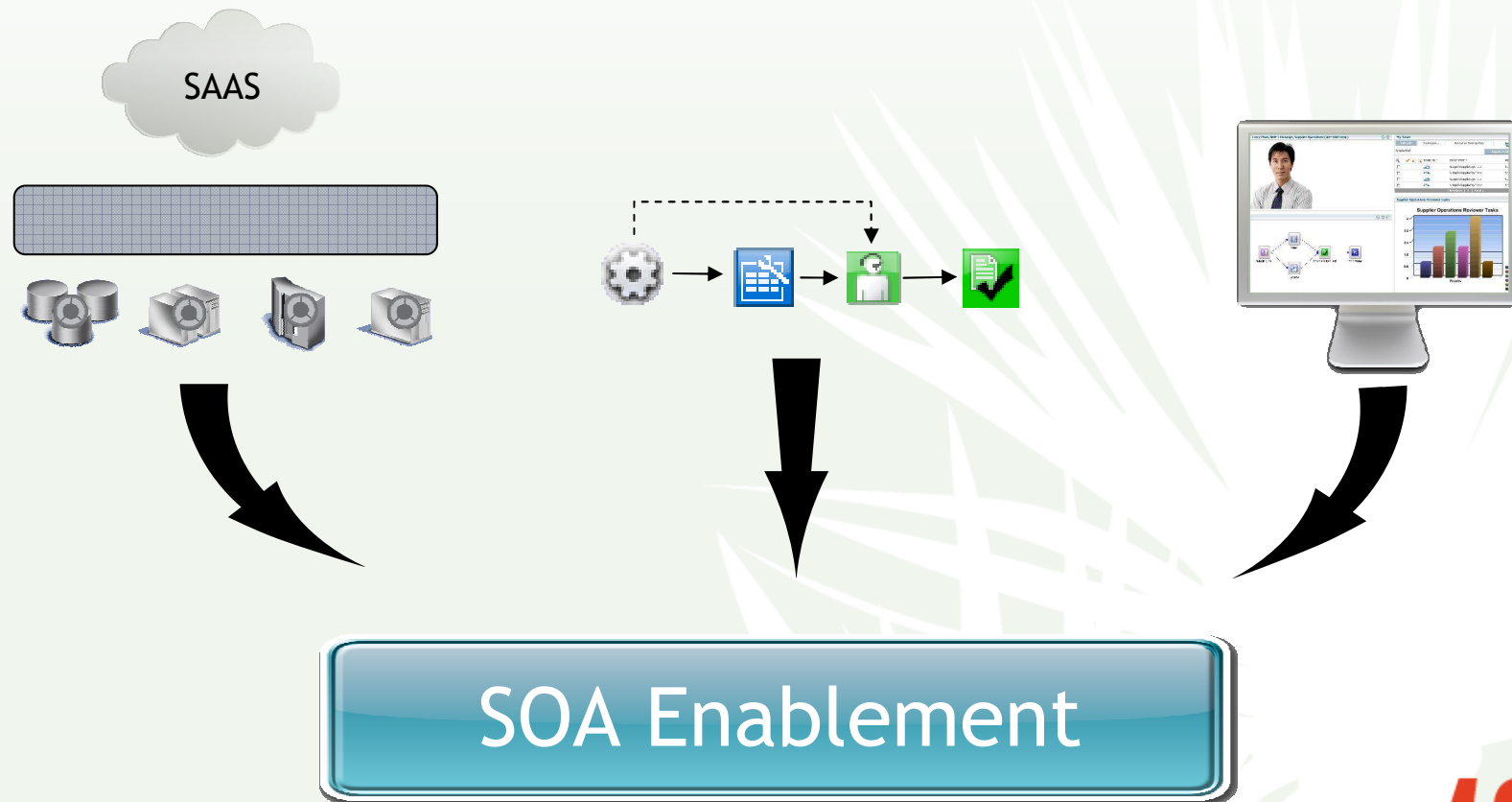
Five Tips to Build a Business Case

Don't Call
it SOA

1

- Explain the value and benefits in business terms
- Reflect the organization's goals
- Align SOA with Business Drivers

Common Business Drivers for SOA



Five Tips to Build a Business Case

Pick Projects with Tangible Benefits

2

- Focus on fixed benefits
- Find the “one big thing”
- Start small, but think big

Aspirins are better than Vitamins

Impact

Hard Benefits:

- Cost Reduction
- Regulatory Compliance
- Improved Delivery Time tied to specific revenue realization

Soft Benefits:

- Increased Productivity
- Reduction of Risk
- Standardization / Simplicity
- Cost Avoidance

Immediacy

Fixed Benefits:

- Quantifiable benefits that occur upon immediate solution implementation

Variable Benefits:

- Benefits that require additional future activity / projects to show value



Five Tips to Build a Business Case

Build a Value-Focused Business Case

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- Quantify the benefits in the terms that will justify funding
- Avoid technical jargon
- Cover immediate and long-term benefits

Calculate Your ROI

www.softwareag.com/soaroi

So, what do you think?

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Justification and Assumptions for SOA ROI

- The baseline scenario is developing and managing services from scratch, with no supporting tools
- Hardware and software costs are included and scaled to the number of services
- Implementation costs are included (4 people, 4 weeks, internal/external)
- Software AG enables 25 - 40% productivity improvements for developing interfaces
- Software AG enables 5 - 10% productivity improvements for developing services
- Software AG enables 10 - 40% reuse of interfaces & services
- Software AG enables 40 - 50% decrease in maintenance of interfaces & services

Service Enablement Benefits Model



Service Enablement Benefits Calculation

EAI/B2B Benefits

Cell entries can be changed to see how they affect results.
Cell contains derived results and is locked, but can be copied and pasted into other spreadsheets

Productivity

Design, development, testing, and deployment productivity savings are achieved using webMethods instead of programming-intensive point-to-point integrations.

Number of Interfaces to be Developed
Development Effort Each without webMethods EAI/B2B (hrs)
Reduction in Development Effort Using webMethods EAI/B2B (%)
Labor Cost (\$/hr)
Productivity Savings (\$K)
Total Productivity Savings (\$K)

Year 1			Year 2			Year 3			Year 4		
Complex	Moderate	Simple	Complex	Moderate	Simple	Complex	Moderate	Simple	Complex	Moderate	Simple
2	5	9	2	5	10	2	5	10	2	5	10
1045	430	324	1045	430	324	1045	430	324	1045	430	324
42%	32%	25%	42%	32%	25%	42%	32%	25%	42%	32%	25%
75			79			83			87		
66	52	55	69	54	64	73	57	67	76	60	77
172			187			196			213		

Reuse

Reuse leverages clear interfaces, modular functionality, and easy discovery of existing integrations and methods. The amount of integrations reused will differ by industry.

Number of Interfaces to be Developed
Portion of Interfaces Reused (%)
Development Effort Each without webMethods EAI/B2B (hrs)
Reduction in Development Effort Using webMethods EAI/B2B (%)
Development Effort Savings when Reusing an Interface (\$/hr)
Reuse Savings (\$K)
Total Reuse Savings (\$K)

Year 1			Year 2			Year 3			Year 4		
Complex	Moderate	Simple	Complex	Moderate	Simple	Complex	Moderate	Simple	Complex	Moderate	Simple
2	5	9	2	5	10	2	5	10	2	5	10
10%	15%	25%	10%	15%	25%	10%	15%	25%	10%	15%	25%
1045	430	324	1045	430	324	1045	430	324	1045	430	324
42%	32%	25%	42%	32%	25%	42%	32%	25%	42%	32%	25%
80%	85%	90%	80%	85%	90%	80%	85%	90%	80%	85%	90%
75			79			83			87		
14	22	51	15	23	59	15	24	62	16	25	72
86			96			101			113		

Maintenance

Maintenance effort is reduced due to greater commonality of approaches, better visibility, and less code with webMethods vs. maintaining a custom-developed solution.

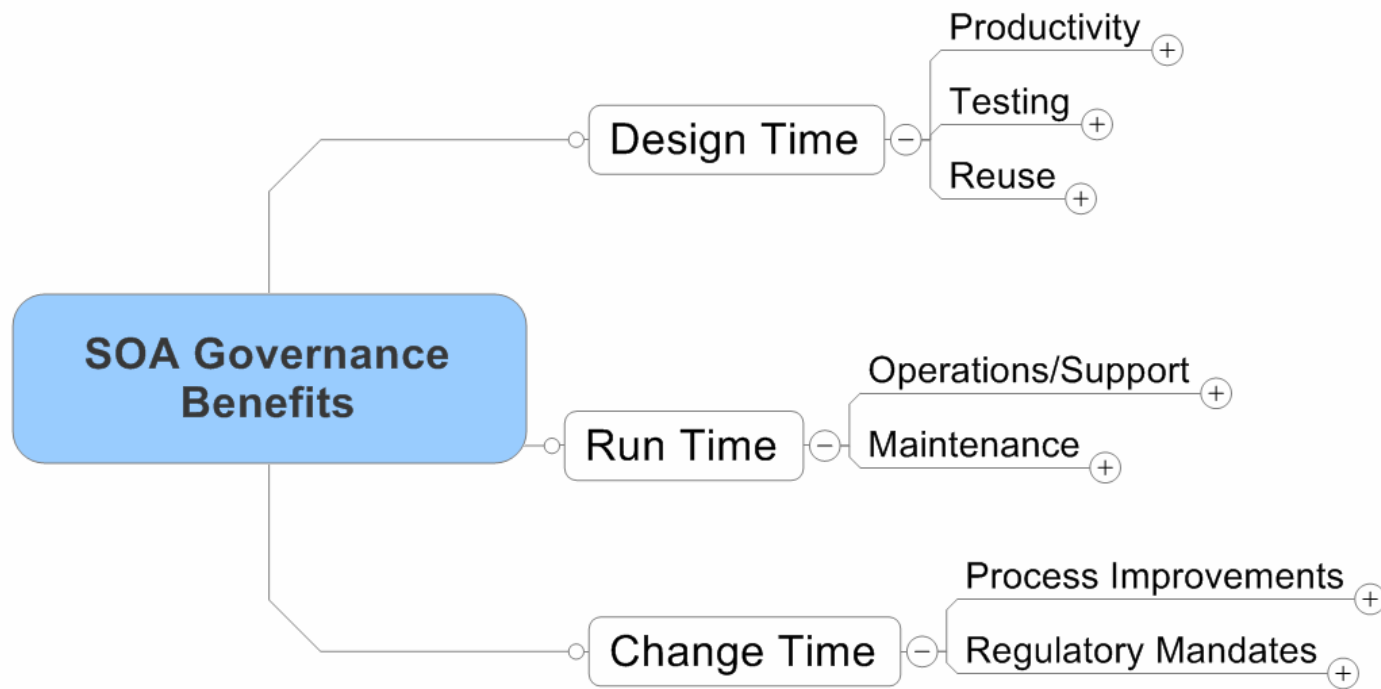
Number of Interfaces in Production
Maintenance Effort Each without webMethods EAI/B2B (hrs)
Reduction in Maintenance Effort Using webMethods EAI/B2B (%)
Labor Cost (\$/hr)
Maintenance Savings (\$K)
Maintenance Avoidance Due to Reuse (\$K)
Total Maintenance Savings (\$K)

Year 1			Year 2			Year 3			Year 4		
Complex	Moderate	Simple	Complex	Moderate	Simple	Complex	Moderate	Simple	Complex	Moderate	Simple
1	3	5	3	8	14	5	13	24	7	18	33
240	78	57	240	78	57	240	78	57	240	78	57
50%			50%			50%			50%		
75			79			83			87		
9	9	11	28	25	31	50	42	57	73	61	87
1	1	3	3	4	8	5	6	14	7	9	22
33			99			173			259		

Total EAI/B2B Benefits

Year 1	Year 2	Year 3	Year 4
292	382	471	585

SOA Governance Benefits Model



SOA Governance Benefits Calculation - Design Time

SOA Governance Benefits

Cell entries can be changed to see how they affect results.
Cell contains derived results and is locked, but can be copied and pasted into other spreadsheets

Design Time

Productivity

Increased design and development productivity is achieved with SOA governance via role and policy enforcement, service contracts, and easy access to service specifications.

Testing*

Testing time is reduced due to design policy enforcement and dependency management. Efficiencies in unit testing offset slightly more complicated system testing due to modularity.

Reuse

Typically the key driver of SOA savings, reuse leverages clear specifications and documentation of granular services to avoid recoding of similar functionality. The amount of services reused will differ by industry.

		Year 1			Year 2			Year 3			Year 4		
		Complex	Moderate	Simple	Complex	Moderate	Simple	Complex	Moderate	Simple	Complex	Moderate	Simple
Number of Services to be Developed		3	9	18	3	9	19	3	9	20	3	9	
Development Effort Each without webMethods SOA	(hrs)	348	143	108	348	143	108	348	143	108	348	143	
Reduction in Development Effort Using webMethods SOA	(%)	5%	10%	10%	5%	10%	10%	5%	10%	10%	5%	10%	
Labor Cost	(\$/hr)	75			79			83			87		
Productivity Savings	(\$K)	4	10	15	4	10	16	4	11	18	5	11	
Total Productivity Savings	(\$K)	28			30			33			35		

		Year 1			Year 2			Year 3			Year 4		
		Complex	Moderate	Simple	Complex	Moderate	Simple	Complex	Moderate	Simple	Complex	Moderate	Simple
Number of Services to be Developed		3	9	18	3	9	19	3	9	20	3	9	
Testing Effort Each without webMethods SOA	(hrs)	174	72	54	174	72	54	174	72	54	174	72	
Reduction in Testing Effort Using webMethods SOA	(%)	10%	8%	5%	10%	8%	5%	10%	8%	5%	10%	8%	
Labor Cost	(\$/hr)	75			79			83			87		
Testing Savings	(\$K)	4	4	4	4	4	4	4	4	4	5	5	
Total Testing Savings	(\$K)	11			12			13			14		

		Year 1			Year 2			Year 3			Year 4		
		Complex	Moderate	Simple	Complex	Moderate	Simple	Complex	Moderate	Simple	Complex	Moderate	Simple
Number of Services to be Developed		3	9	18	3	9	19	3	9	20	3	9	
Incremental Portion of Services Reused	(%)	10%	15%	25%	10%	15%	25%	10%	15%	25%	10%	15%	25%
Development Effort Each without webMethods SOA	(hrs)	348	143	108	348	143	108	348	143	108	348	143	
Reduction in Development Effort Using webMethods SOA	(%)	5%	10%	10%	5%	10%	10%	5%	10%	10%	5%	10%	
Development Effort Savings when Reusing a Service	(%)	80%	85%	90%	80%	85%	90%	80%	85%	90%	80%	85%	90%
Labor Cost	(\$/hr)	75			79			83			87		
Reuse Savings	(\$K)	6	13	33	7	13	37	7	14	41	7	14	
Total Reuse Savings	(\$K)	52			57			61			67		
Total Design Time Savings	(\$K)	92			99			107			116		

SOA Governance Benefits Calculation - Run Time & Change Time

Run Time

Operations/Support

At run time, support effort is significantly reduced due to more granular visibility, built-in SLA management, load balancing, and controlled access to services. Reuse factors in here too because of common components.

Maintenance

Risk and effort associated with planned maintenance is reduced with SOA governance because of run-time version management, built-in dependency management, access control, and reuse.

Number of Services in Production
Operations/Support Effort Each without webMethods SOA
Reduction in Ops/Support Effort Using webMethods SOA
Labor Cost
Operations/Support Savings
Operations/Support Avoidance Due to Reuse
Total Operations/Support Savings

	Year 1			Year 2			Year 3			Year 4		
	Complex	Moderate	Simple	Complex	Moderate	Simple	Complex	Moderate	Simple	Complex	Moderate	Simple
(hrs)	2	5	9	5	14	28	8	23	47	11	32	
(%)	24	8	6	24	8	6	24	8	6	24	8	
(\$/hr)	50%			50%			50%			50%		
(\$/k)	75			79			83			87		
(\$/k)	2	2	2	5	4	7	8	8	12	11	11	
(\$/k)	0	0	1	0	1	2	1	1	3	1	2	
(\$/k)	6			19			32			48		

	Year 1			Year 2			Year 3			Year 4		
	Complex	Moderate	Simple	Complex	Moderate	Simple	Complex	Moderate	Simple	Complex	Moderate	Simple
(hrs)	2	5	9	5	14	28	8	23	47	11	32	
(%)	240	78	57	240	78	57	240	78	57	240	78	
(\$/hr)	40%			40%			40%			40%		
(\$/k)	75			79			83			87		
(\$/k)	14	12	15	38	34	50	64	59	89	92	87	
(\$/k)	2	3	6	6	8	19	10	13	33	14	20	
(\$/k)	52			155			268			397		

Total Run Time Savings

(\$/k)	58			173			300			444		
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Change Time

Process Improvements

Business-driven changes to processes for long-term improvement are easier because of service relationship and dependency management, impact analysis, and loose coupling.

Number of Services in Production
Portion of Services Changed for Process Improvements
Change Development Effort Each without webMethods SOA
Reduction in Change Development Effort Using webMethods SOA
Labor Cost
Process Improvement Savings
Total Process Improvement Savings

	Year 1			Year 2			Year 3			Year 4		
	Complex	Moderate	Simple	Complex	Moderate	Simple	Complex	Moderate	Simple	Complex	Moderate	Simple
(%)	2	5	9	5	14	28	8	23	47	11	32	
(hrs)	10%	20%	30%	10%	20%	30%	10%	20%	30%	10%	20%	
(%)	279	115	87	279	115	87	279	115	87	279	115	
(%)	42%	32%	25%	42%	32%	25%	42%	32%	25%	42%	32%	
(\$/hr)	75			79			83			87		
(\$/k)	2	3	4	5	8	14	8	14	25	11	20	
(\$/k)	9			27			47			70		

Regulatory Mandates

Unplanned changes due to regulatory requirements require less effort for the same reasons as those for planned ones, but they occur less frequently.

Number of Services in Production
Portion of Services Changed for Regulatory Mandates
Change Development Effort Each without webMethods SOA
Reduction in Change Development Effort Using webMethods SOA
Labor Cost
Regulatory Mandate Savings
Total Regulatory Mandate Savings

	Year 1			Year 2			Year 3			Year 4		
	Complex	Moderate	Simple	Complex	Moderate	Simple	Complex	Moderate	Simple	Complex	Moderate	Simple
(%)	2	5	9	5	14	28	8	23	47	11	32	
(hrs)	5%	3%	2%	5%	3%	2%	5%	3%	2%	5%	3%	
(hrs)	279	115	87	279	115	87	279	115	87	279	115	
(%)	42%	32%	25%	42%	32%	25%	42%	32%	25%	42%	32%	
(\$/hr)	75			79			83			87		
(\$/k)	1	0	0	2	1	1	4	2	2	6	3	
(\$/k)	2			4			8			11		

Questions?

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Next Steps

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