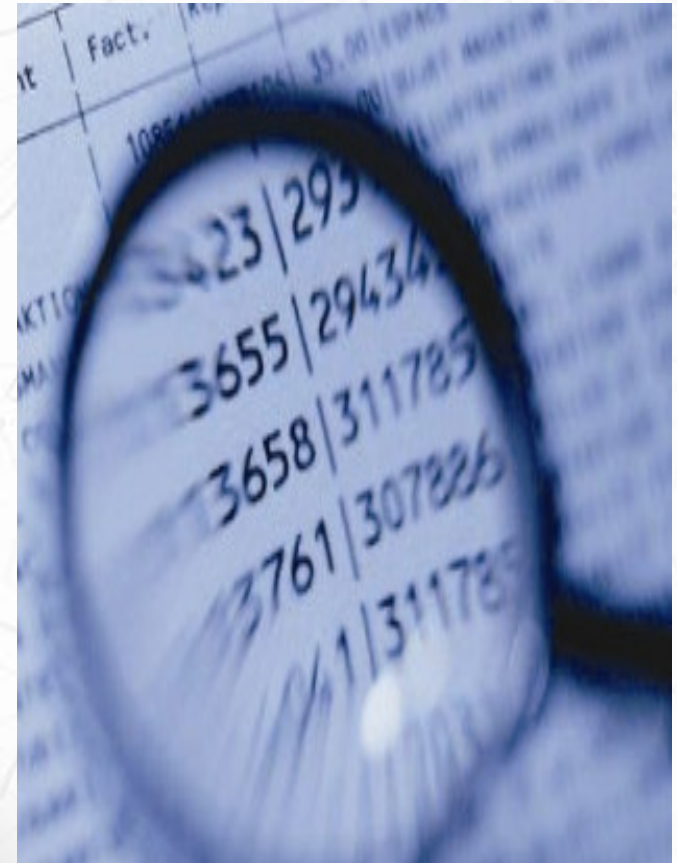


Dollars and Cents, Justifying Your Business Flexibility Project

Roger Mueller
SOA Executive
IBM Central/Eastern Europe
Middle East, Austria,
Switzerland

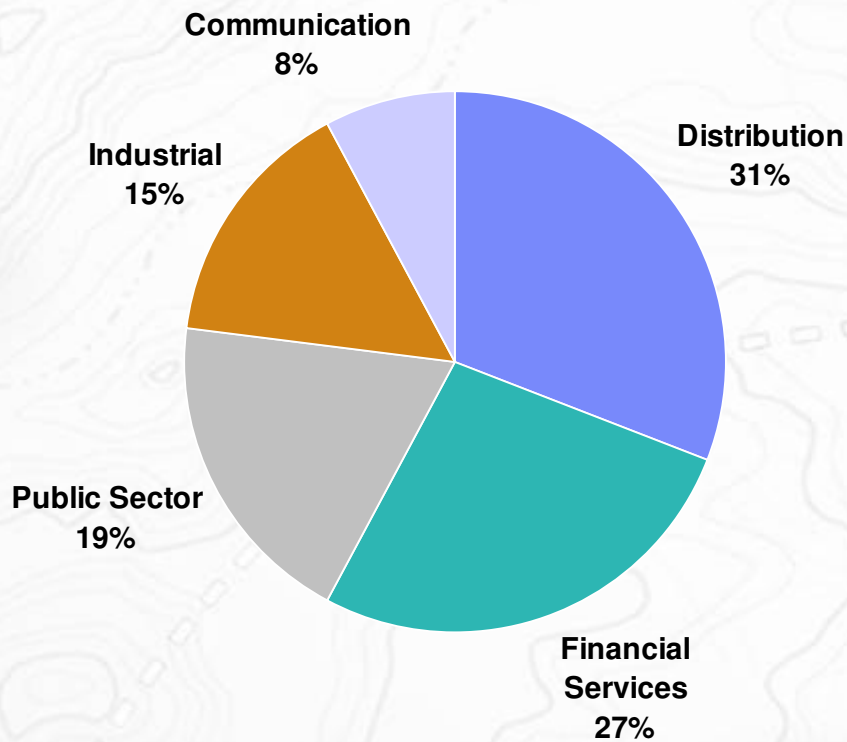
Justifying and Financing Investments in SOA

- Many companies have realized the benefits of aligning IT and business via SOA – as demonstrated in IBM proprietary research
- These benefits are crucial for justifying the business case for the investment in SOA – a framework for measuring those benefits
- Financing hurdles can be overcome with flexible financing solutions to meet the funding requirements of SOA projects - and help deliver business value rapidly

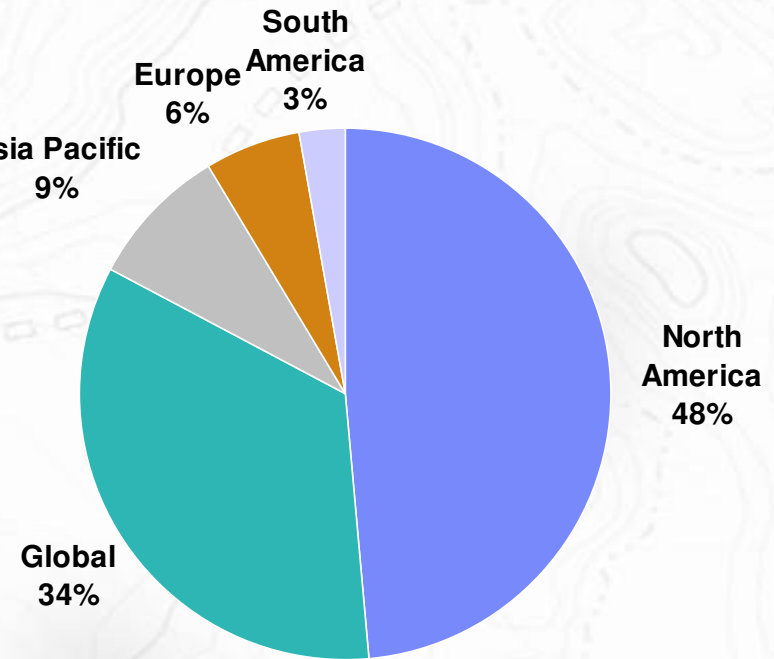


We collected data from over 35 projects, in 5 sectors covering 11 industries world wide

Project Breakdown by Sector



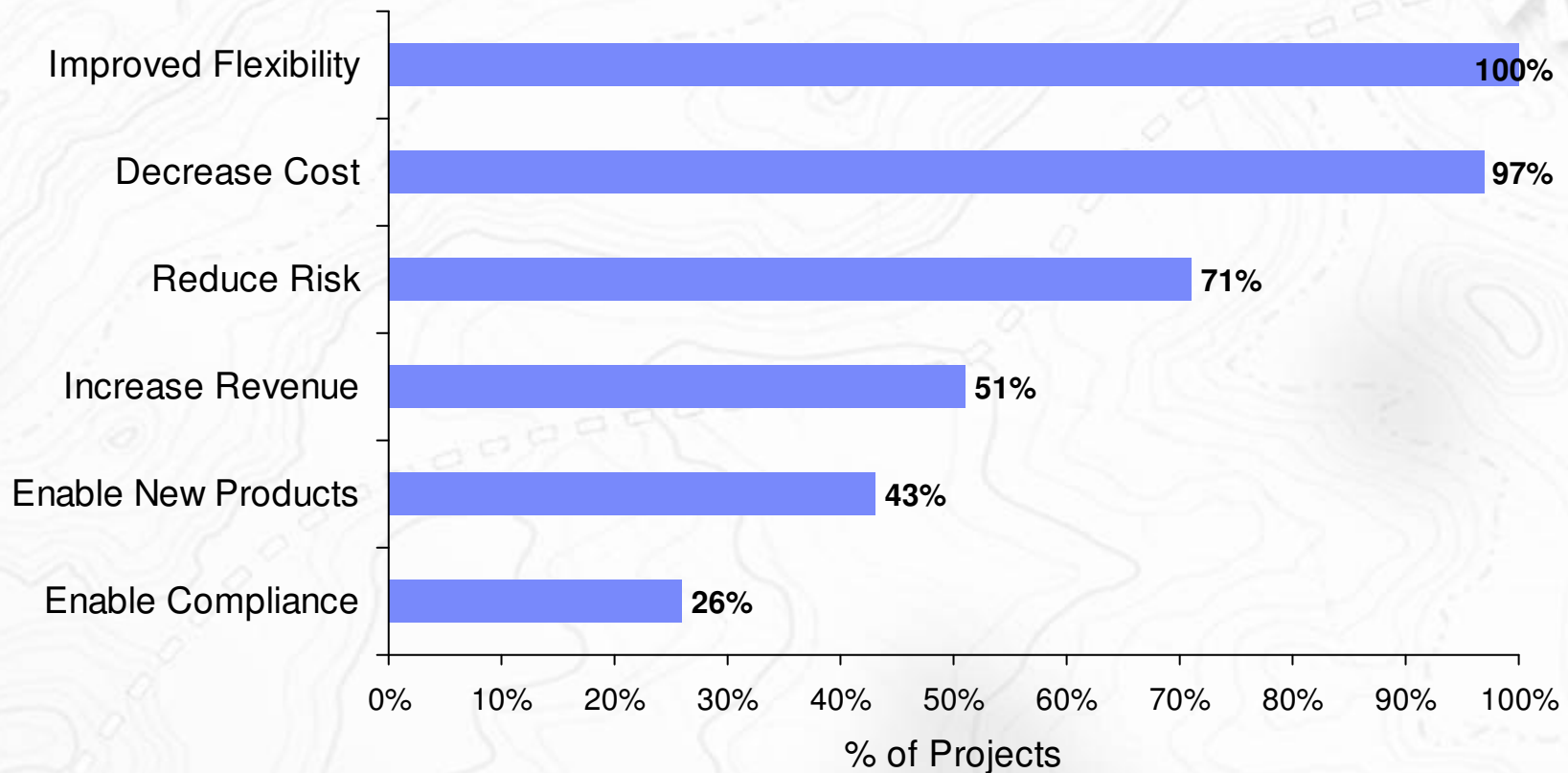
Project Breakdown by Geography



Source: IBV analysis

Our thought leadership confirms the drivers of business value that we have seen consistently in SOA engagements

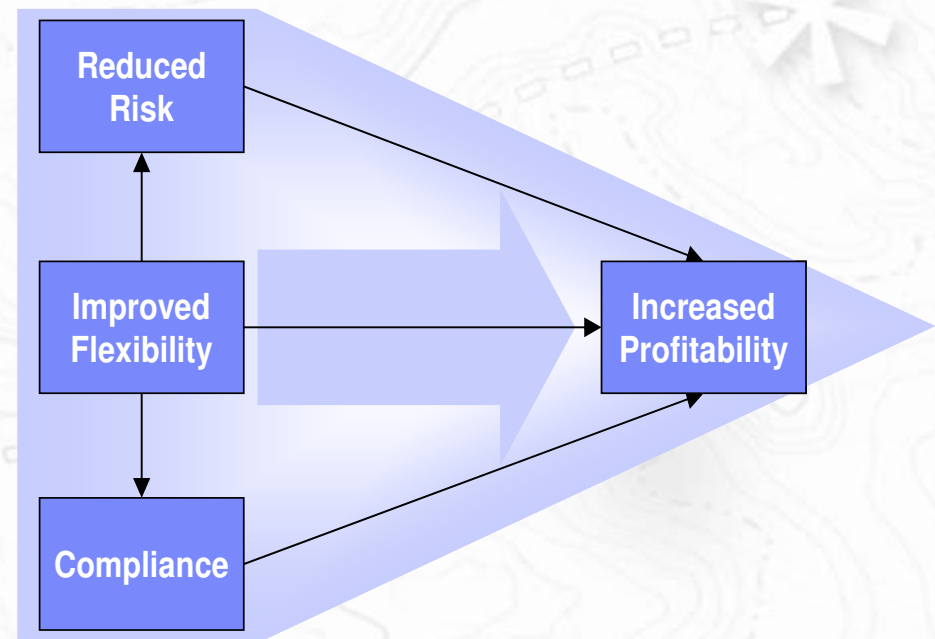
Benefits Resulting from SOA Solution



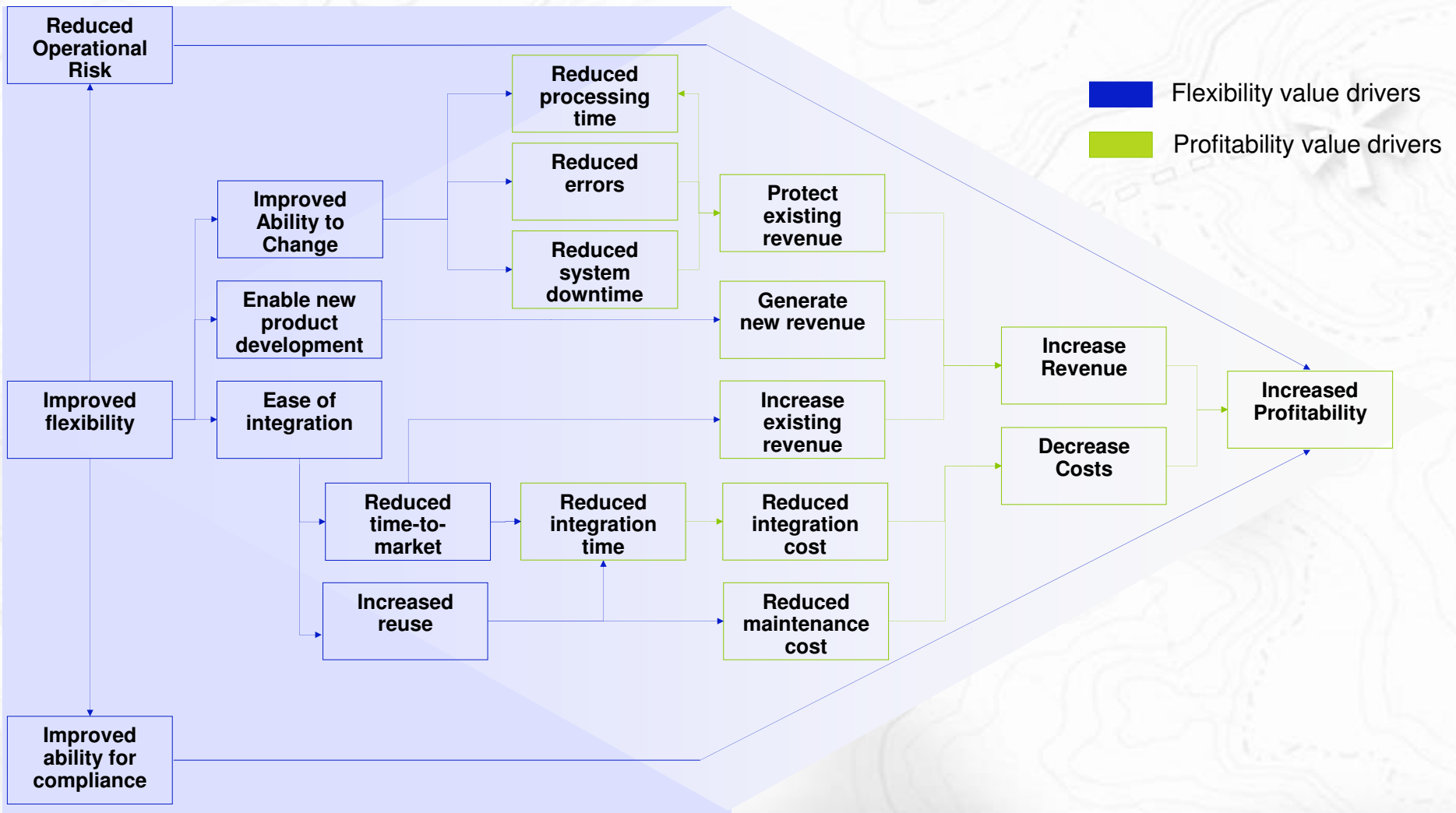
Source: IBV analysis

We used the study findings to create a framework for looking at the business value of a Service-Oriented Architecture

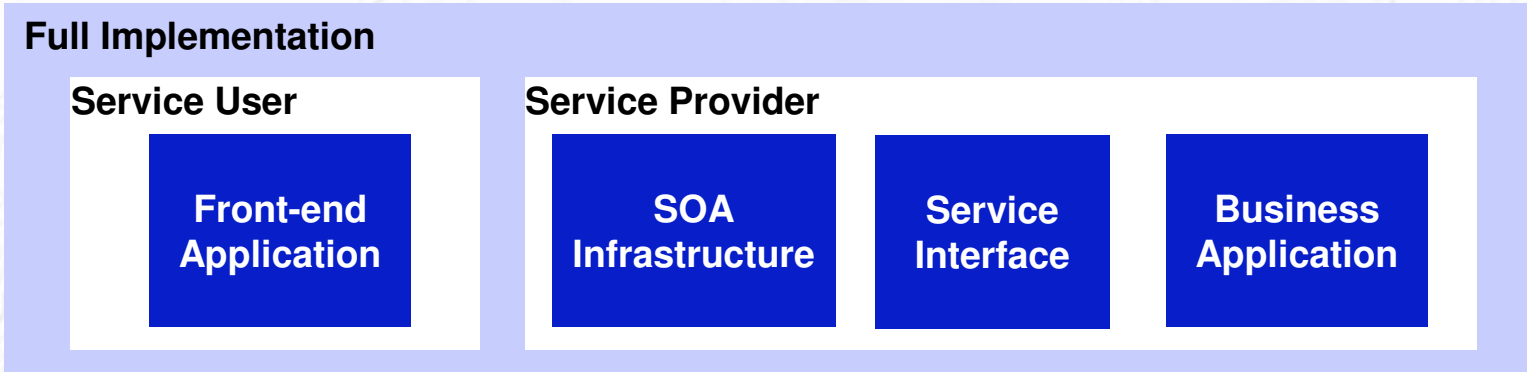
- Select a group of simplified benefits
- Structure cost benefits around three basic cost scenarios
- Calculate simple return using benefits and costs first
- Select cost scenarios for second and subsequent implementations
- Look at the return for second and subsequent implementation (keeping benefits constant) relative to first implementation



The intuitive framework guides the examination of the business benefits of SOA for the non technical user



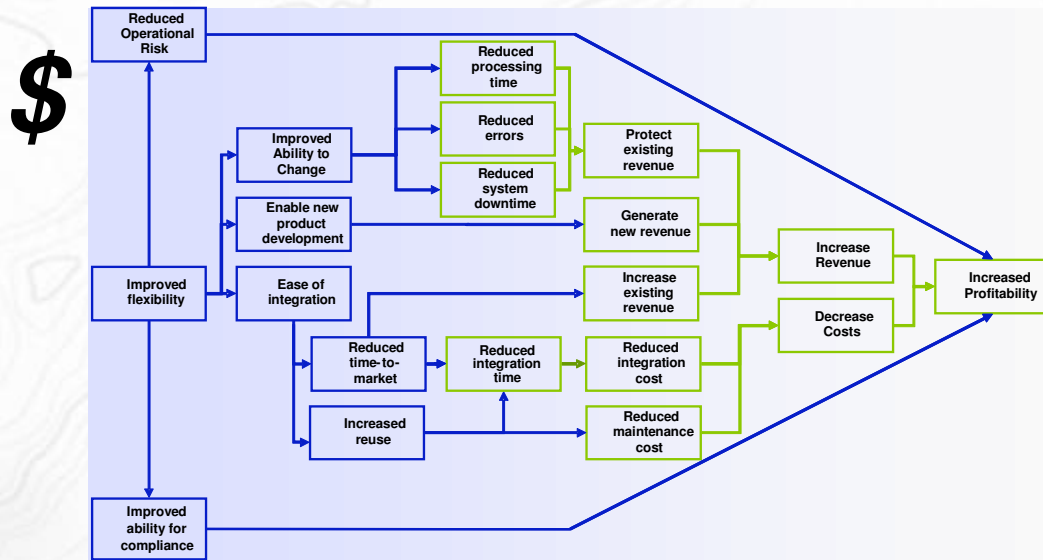
To gain these benefits, you will incur costs in one of the following patterns



<p><u>Scope A: Service user</u></p> <p>Change or build Front-end application \$A</p>	<p><u>Scope B: Service provider</u></p> <table border="0" style="width: 100%;"> <tr> <td>Infrastructure software</td> <td style="text-align: right;">\$</td> <td>Develop new or alter existing application</td> <td style="text-align: right;">\$</td> </tr> <tr> <td>Hardware (as needed)</td> <td style="text-align: right;">\$</td> <td>Generate interfaces</td> <td style="text-align: right;">\$</td> </tr> <tr> <td>Implementation (labor)</td> <td style="text-align: right;">\$</td> <td colspan="2" style="border-top: 1px solid black;"></td> </tr> <tr> <td>Total infrastructure</td> <td style="text-align: right;">\$B1</td> <td>Total Service Provider</td> <td style="text-align: right;">\$B2</td> </tr> </table>	Infrastructure software	\$	Develop new or alter existing application	\$	Hardware (as needed)	\$	Generate interfaces	\$	Implementation (labor)	\$			Total infrastructure	\$B1	Total Service Provider	\$B2
Infrastructure software	\$	Develop new or alter existing application	\$														
Hardware (as needed)	\$	Generate interfaces	\$														
Implementation (labor)	\$																
Total infrastructure	\$B1	Total Service Provider	\$B2														

Scope C: Scope A + Scope B

A simple return can be calculated using the business value trees and the cost scenarios



\$

Full Implementation

Service User



Service Provider

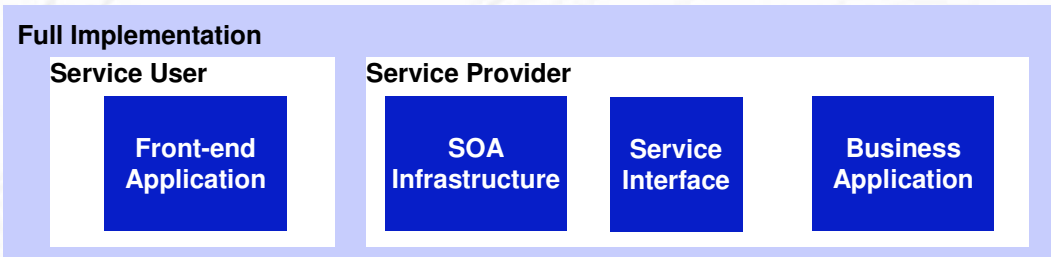


=

**Simple
 ROI**

Subsequent implementations = less spend

First Implementation



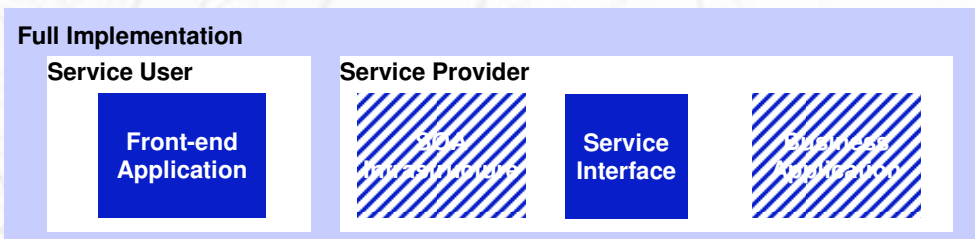
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Second & Subsequent Implementations



\$\$

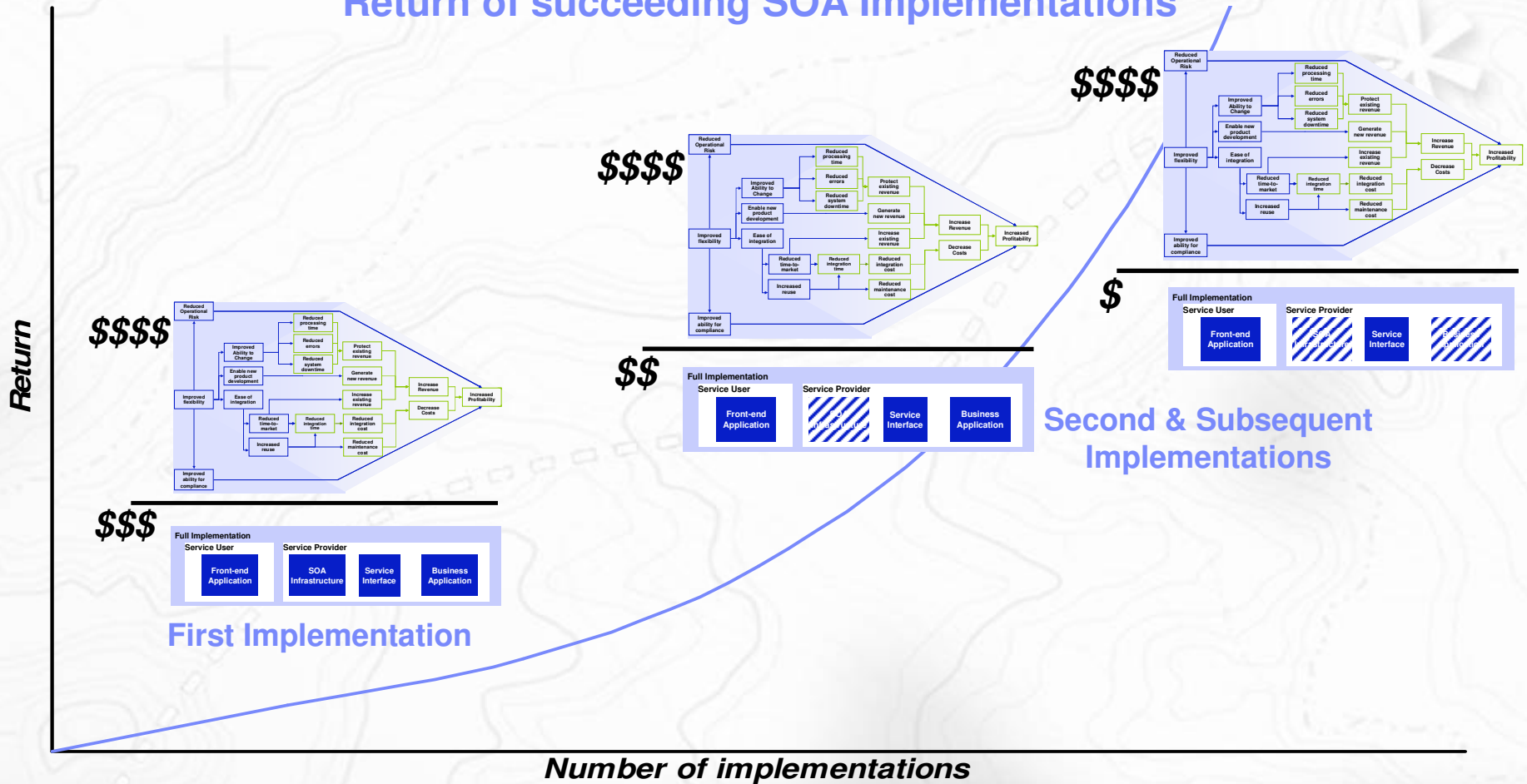
or



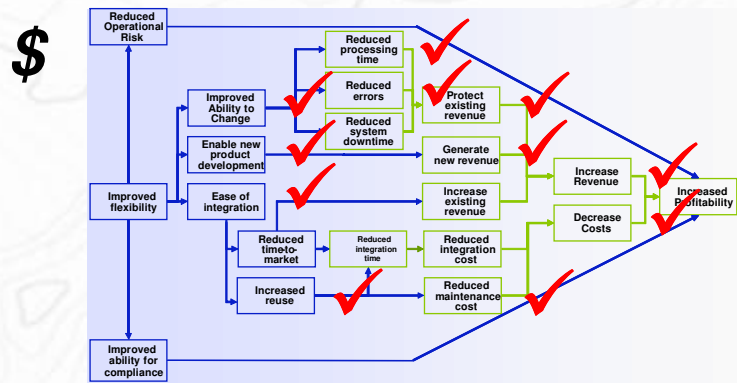
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Over time, cost decreases & return increases

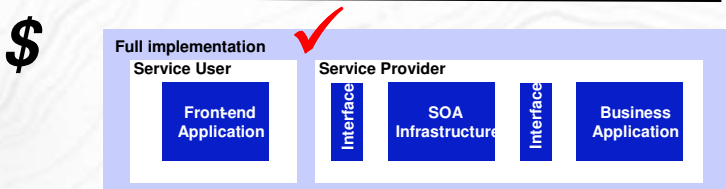
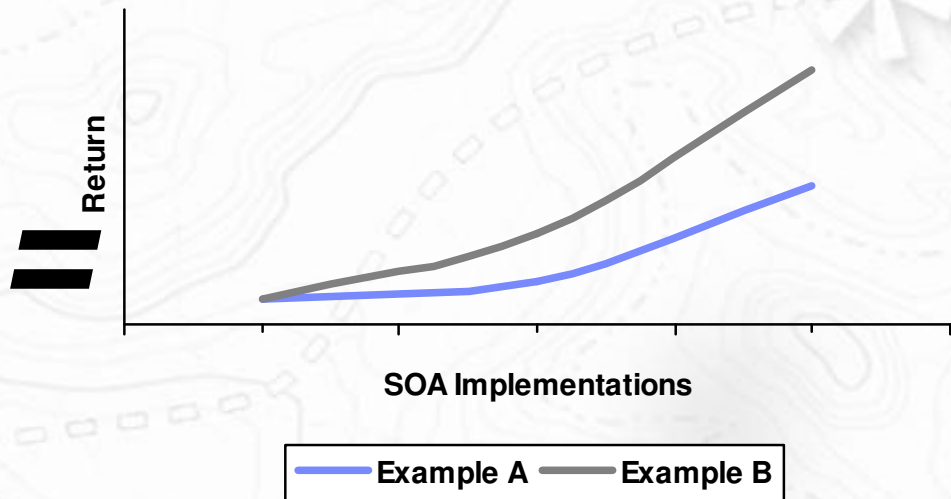
Return of succeeding SOA Implementations



An example



	Implementation		
	1	2	3
Company A	63%	107%	350%
Company B	67%	233%	648%



- Company A

- Insurance, Group Products Division, SOA investment used across Life, Disability, and Long Term Care

- Company B

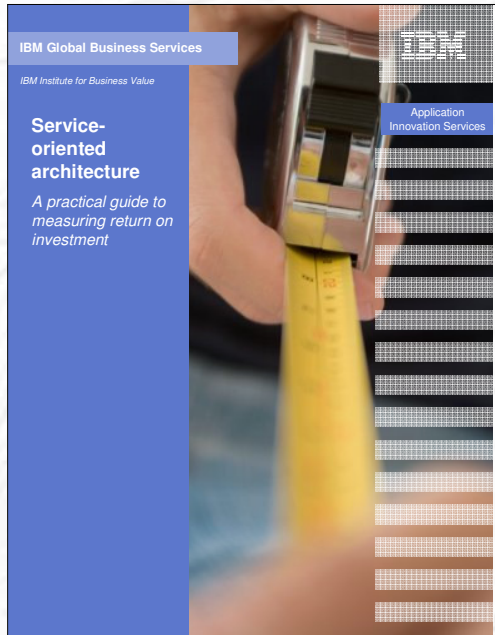
- Insurance, Property & Casualty Division, SOA investment used for personal property quotes, agency interaction, and quotes extended to auto

Source: IBV analysis

SOA business value outweighs the problems and challenges

- Significant business value can result from well-managed SOA solutions
 - *Measure, but simplify and measure long term!*
- Don't abandon building a business case for SOA
 - Take a simpler, more intuitive approach
 - Measure beyond the first implementation
- A sea-change for system communication and collaboration will drive equal change in business processes
 - Industry structure change is inevitable
 - Collaboration within and between industry players will increase
 - *Table stakes!*

Full study details and white paper



- *Service-Oriented Architecture: A practical guide to measuring return on that investment*



IBM Institute for Business Value

Available on the web: <http://www.ibm.com/iibv>

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Questions and Answers

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