



SOA | Return on Investment:

Information for Calculating Your ROI

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Calculating the return on investment (ROI) of service-oriented architecture (SOA) can be a difficult and somewhat speculative task. To understand SOA's ROI, it is important to view implementation as a strategic investment and calculate long term returns. SOA is a relatively new technology and there is currently no standard ROI measurement. As a result, this document does not provide formulas for calculation; instead, we highlight the areas where companies have seen the most returns and note potential types of calculations. We will look at the immediate/short term returns, mid-range returns, and long-term savings of SOA.

Short Term Returns

The first step in evaluating an ROI is to review short term savings. The timeframe for this segment is dependent on company size and the scope of the SOA implementation. For instance, short term may mean six months, or the initial time to develop and deploy the solution.

SOA projects require commitment and investment upfront, with returns occurring later in the process. Implementations may cost more for the initial project than point-to-point integration. Many times the short term ROI may be zero or negative. SOA generates more future benefits than immediate saves.

The short term benefits, if available, are easy to identify. For starters, you may save money on licensing fees, system maintenance, and equipment costs by eliminating the need to replicate systems and using a shared services model. SOA projects also reduce or virtually eliminate user redundancy. For example, Zirus implemented a SOA solution for one client that eliminated duplicate data entry into multiple systems with varied data formats saving the company time and reducing salary costs.

One potential calculation of an ROI for short term benefits is completed by determining the amount saved on license and equipment costs, maintenance expenses, and reduced salary. These amounts can be totaled and your company's standard ROI calculations used to determine the short term return.

Mid-range Returns

At the mid-range point, you will start to see a better return on your investment. Mid-range can be defined as nine to twelve months, but may extend past a year depending on your technology project schedule.

It is important to review your IT project schedule when considering a SOA implementation and take into account savings you will see outside of the initial project. By looking at your project schedule, you may determine how often services will be reused and which services should be addressed early in the project process. In addition, adding new programs, integrating other legacy systems, or tying in vendor applications will be easier and less expensive after SOA implementation since services can be created and reused for integration.

Shortened development time is another advantage of SOA. Building reusable services decreases custom coding and creates a standard of integration. Speed to production and individual productivity increase as developers become familiar with using services. According to studies by Gartner and Forrester, savings from reusable services created as part of a SOA implementation have ranged from 20-75% for



corporations. The greatest time savings occur when services are reused two or more times. SOA positions its users to efficiently handle growth and systems integration.

ROI calculations in the mid-range compare your current development cycle with a shortened SOA development cycle. Various calculation methods are used to understand what this value may be prior to implementation. Previously used methods include Model Based ROI Calculation, Iterative Reuse Model, or Portfolio Based ROI Calculation. In addition to these calculations, it is beneficial to factor ROI per service. This demonstrates the reusability of each service and illustrates ROI in detail.

Long Term Savings

The most significant benefit of SOA is long term savings. SOA generates the highest return when it is adopted enterprise-wide as a standard for development. The highest returns are for benefits that are difficult to quantify – agility and reduced risk. These benefits may be attributed to the reusability and shortened development time discussed in the previous section.

SOA gives business users increased agility in terms of meeting changing business needs. Responding to customer requests and desires is essential to being a leader in most industries. Reusable services, business rules engines, and user-defined process flows allow developers and business users to change processes quickly and efficiently.

To quantify the business agility achieved through SOA, you may utilize a project plan identifying a few key applications or processes that may be editable through reusable services and compute returns on these projects. In addition, an ROI report may examine key initiatives to determine how SOA will assist with timely implementation and increase the number of initiatives achieved.

Agility also reduces exposure to compliance risks. With regulations like HIPAA, SOX, and the Patriot Act, businesses must quickly adjust their processes to meet requirements or face penalties. A services-oriented architecture speeds response time and reduces the heavy costs associated with many compliance projects. IT can easily adjust processes or create new applications with existing services. Analyzing the returns for this type of benefit involves speculation regarding future risks. The simplest method to quantify these gains is to total potential penalties and include those fines as money saved.

Partnering with Zirus for a SOA implementation is a strategic move. In the short term, the return on investment is limited. However, when looking at the project in a larger context, the benefits and savings can be dramatic. Moving towards a service-oriented architecture that allows for greater flexibility, easier integration, and shortened speed to market will help you better meet clients' needs.

Implementing SOA is forward-thinking and essential to achieving and maintaining industry leadership. Zirus will help you get there.