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Funding SOA Efforts

Prepared by Collaborative Consulting, LLC.

Before any SOA funding can be obtained, an organization must consider a few key fundamentals: their investment principles, their existing assets, and what kinds of IT funding methods are available to them.

Selecting a SOA Funding Model

One of the key challenges that is faced by most SOA initiatives is how to acquire the required funding to not only establish the SOA environment, but also continue funding of additional SOA development. Before any SOA funding can be obtained, an organization must consider a few key fundamentals: their investment principles, their existing assets, and what kinds of IT funding methods are available to them.

An initial effort must be undertaken, and analysis performed to discover and catalog existing IT assets (e.g., application rationalization, etc.) The analysis typically yields a catalog of capabilities and insight as to how those capabilities are provided. With this capabilities catalog in hand, the organization can better decide how to invest in a SOA-based initiative.

But, before any investment is made, a SOA initiative must take into account core organizational investment principles; and, for any SOA initiative to succeed, it must align with one or more core investment principles, such as:

1. Enterprise Vision & Mission Alignment
2. Enterprise Mission Criticality
3. Enterprise Economy-of-Scale Value
4. Enterprise Risk Tolerance
5. Strategic Leadership Opportunity
6. Interoperability
7. Common Need
8. Technology Maturity

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With an understanding of these investment principles in hand, the SOA initiative must now consider the organization's funding model. Funding models will vary by industry, but generally most can be characterized thus[1]:

1. **Project-based** – This is the common and basic of all funding models used in most organizations and is predicated on providing a specific business case; any monies allocated exist simply to support that business case. The implication is that each project, at the portfolio management level, is linked back to a particular business unit. This business unit then must justify the ROI based on its own internal metrics (e.g., I need to improve the CRM system. IT determines what is required to enact the improvements then the business decides whether the cost is worth the perceived benefit.)

2. **Enterprise-based (central)** – This funding model is predicated on centralized monies set aside to support *enterprise scale* projects. (Your SOA effort could be one such project.) Typically these funds are used for enterprise-scale projects involving an effort level too large for a single business unit or department to complete. The difficulty with this funding model, when speaking of SOA, is that strategic justification must be made well in advance of any work being performed but this justification is difficult to quantify to the level required by an enterprise funding committee.

3. **IT-based** – This funding model is characterized as the "budget within a budget" where monies can be, and are, siphoned off to be used for internal IT-based improvements (e.g., IT receives a fixed dollar amount and some of that is used in internal IT-driven projects). This model is not tied to any single project or business initiative, therefore justifying a SOA initiative involves analysis on how IT will improve its capacity to deliver solutions. The drawback to this funding model is that the business is not involved as an active participant, thereby making SOA less palatable as a whole.

There is a fourth funding model: the *charge-back* model. What of it? It is true that under this model, services (including web services) provided by IT would be priced in terms that the business can readily understand and value. This model works very well in those environments where IT has achieved a certain level of predictability and is viewed as a utility (e.g., a data center, an ASP, etc), or has achieved a high degree of maturity.

SOA coupled with a charge-back funding model alone does not work. SOA is predicated on a high level of re-use in a shared services environment. If you were to implement a charge-back model for your shared SOA services, you may be surprised to find that: (a) business units could actually develop solutions that *do not use* any shared resources (no shared resources = lower IT cost), and (b) non-revenue generating business units (e.g., marketing, HR, etc) would be unfairly penalized for using shared services! Clearly, this is not what your SOA effort is about.

SOA coupled with a project-based funding model alone does not work. Your organization, like most, probably already subscribes to a project-based funding model where a *business case* is developed that provides the impetus for sponsorship and funding. Again, SOA is predicated on achieving a high level of re-use in a shared services environment. No business unit will bear the cost burden of building out any shared services unless its cost is also shared. Project-based funding is decidedly anti-SOA.

For most organizations, agreeing on a funding model for SOA projects is a complex exercise; in many cases, this exercise generates a significant amount of frustration within an IT department. So, which model can be used? The answer may lie not in a single model, but a combined funding model that ensures alignment with some basic investment principles (as with charge-back) while not penalizing those business units that do not generate revenue.

[1] *Rich Seely, formerly VP of SOA, webMethods*

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SOA combined with an IT-based funding model and an allocation basis, or charge-back, may just work for your organization. In this combined model, a general fund (or, pool of funds) is set aside for the sole purpose of developing shared services. These funds are accumulated as part of a broader operating budget (IT-based) process and are used to parcel out (allocated) monies for the purpose of developing shared services. IT teams, aligned by business unit, are then given a percentage of funds to develop the requisite shared service functionality. The percentage of funds allocated to a particular IT team is dependent on the number of expected transactions (it's okay to guess-timate the first time out) against a particular shared service developed by that IT team. This allocation model:

- Serves to optimize an organization's technology investment by encouraging re-use, a key tenet of SOA,
- Treats all business units equally with equal access to core technologies and services, and
- Provides a stable funding source for all SOA initiatives that contributes to (but does not determine) the organization's strategic goals.

While there may be other models to consider, this model has the key elements required for both initial, as well as long term funding support. So, how does your organization fund SOA efforts?

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About Collaborative

Collaborative Consulting is committed to building long-term relationships and strives to be a trusted partner with every client. Founded in 1999, the organization serves clients from offices across the United States.

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